



# **Globalization, Governance, and the Philippine State**

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Gloria O. Pasadilla, Ma. Divina Gracia Z. Roldan, Mirshariff C. Tillah**

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**PASCN** Philippine APEC Study Center Network

**PIDS** Philippine Institute for Development Studies  
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## Foreword

Globalization is a double-edged sword. It has produced large benefits particularly in terms of access to technology and expanding markets. Greater economic openness has led to a higher standard of living in many countries and a sharp reduction in poverty incidence. However, globalization has created losers as well as winners. The biggest losers are those who do not have adequate access to basic services like education, health, infrastructure, and productive assets. Globalization has also exposed the weaknesses of existing institutions to address negative externalities like financial contagion.

Government and public institutions in general have a crucial role to play to maximize the benefits of globalization and spread them equitably and at the same time mitigate the costs. This volume attempts to describe the effects of globalization amidst the current set-up of the Philippines' domestic institutions and economic conditions. The individual chapters discuss the necessary elements crucial for the creation of an enabling environment for greater participation among stakeholders. The aim is to implement policy measures to successfully respond to the challenges brought about by globalization.

The chapter on "Globalization, Redemocratization, and the Philippine Bureaucracy" examines the effect of globalization on the system of government of the Philippines in the context of a redemocratizing society that calls for a leaner and more effective government. This can be achieved through the processes of downsizing, privatization, deregulation, and decentralization alongside the strengthening of capacities of civil society and the private sector. This process will help empower the citizenry and at the same time espouse customer-oriented service. In this chapter, the Department of Foreign Affairs, Department of Agriculture, and Department of Trade and Industry are the lead agencies identified to deliver their services in a more effective, economical, and efficient means in light of the fast-changing international environment.

On the aspect of international trade negotiations, the chapter on "Does the Philippines need a Trade Representative Office" argues

that a centralized body that will primarily be responsible for trade negotiations is a means to reduce turf battles among government agencies or at least facilitate the realization of trade mandates for negotiators. It is recommended that an independent agency for trade negotiations be created in order to improve coordination among the different agencies and departments of the bureaucracy. This chapter also envisions a stronger capacity for trade research in formulating better trade positions for negotiations.

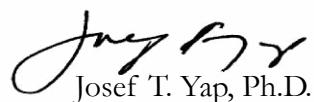
The trade environment issues, as discussed in the chapter on "Managing trade in services: a network approach to services policy making," are no longer confined to the international arena but are now intertwined with the domestic setting of each country. Where before only specialists in international economics are the main actors in the negotiations, today, civil, labor and environmental groups demand that their voices also be heard in trade policy formulation. The network approach to trade policy highlights the fact that coordination problems and multiple interests are bound to arise due to the different players involved. At the same time, the analysis centers on how unified actions are realized in issues led by different stakeholders.

The chapter on "Globalization and glocalization: Experiences in the local Philippine context," acknowledges the challenge posed by globalization and builds on the opportunities available for the localities to merge global prospects with local interests. With Cebu City as an example, the analysis focuses on the city's business, export, and information communication technology (ICT) sectors with the objective of determining these sectors' policy initiatives as response to globalization. Cebu City is an ideal case study because it is one of the more advanced areas in the country outside of Metro Manila, being ranked 5th in the 2003 competitiveness ranking of Philippine cities by the Asian Institute of Management Policy Center. ICT has grown leaps and bounds in Cebu City which has paved the way for the improvement of public service delivery through local initiatives.

The importance of ICT in this era of globalization is further discussed in the chapter on "E-government initiatives of four Philippine cities." The focus is on how ICT utilization can help local

governments facilitate their services “in a more efficient, effective, transparent, accountable and equitable manner” thereby promoting good governance. Using the Government Information Systems Plan (GISP) as the framework, this chapter uses as case study samples four city governments, namely, Caloocan, Muntinlupa, Antipolo, and Tagaytay. Cities have the advantage of telecommunication infrastructure, a market that needs public service delivered through ICT, and human resources. Yet, said benefits do not necessarily create an environment wherein public services are economical, efficient, effective, and responsive to the needs of the constituents. Given this situation, the value of ICT in local governance will only be appreciated and improved if its full potentials will be utilized.

The effects of globalization have been varied in each country, depending on the capacity for change and capability of the nation. The Philippine government should rise to the challenges of globalization by ensuring that the bureaucracy and public institutions, particularly at the local level, are transparent, responsive, and efficient. Good governance, indeed, is a requirement for the Philippines to emerge as a ‘winner’ in the process of globalization. By collaborating in this book, the Philippine Institute for Development Studies (PIDS) and the Philippine APEC Study Center Network (PASCN) recognize the importance of this issue.



Josef T. Yap, Ph.D.  
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and Lead Convenor, PASCN

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## List of Acronyms

ASPAC	Asia and Pacific Affairs
AMM	APEC Ministerial Meeting
AELM	APEC Economic Leaders' Meeting
ACTPN	Advisory Committee for Trade Policy and Negotiations
AFAS	ASEAN Framework Agreement on Services
ACFTA	ASEAN-China Free Trade Agreement
ATO	Air Transport Office
AFMA	Agriculture and Fisheries Modernization Act
ABRP	Agriculture Bureaucracy Restructuring Plan
ACEF	Agriculture Competitiveness Fund
ACPC	Agricultural Credit Policy Council
ATI	Agricultural Training Center
APEC	Asia-Pacific Economic Cooperation
ASEC	Assistant Secretary
ASEAN	Association of Southeast Asian Nations
AFTA	ASEAN Free Trade Area
BSP	Bangko Sentral ng Pilipinas
BEMB	Bonded Export Marketing Board
BOEP	Board for Overseas Economic Promotion
BOI	Board of Investments
BNRS	Business Name Registration System
BAFPS	Bureau of Agricultural and Fisheries and Product Standards
BAR	Bureau of Agricultural Research
BAS	Bureau of Agricultural Statistics
BAI	Bureau of Animal Industry
BDTP	Bureau of Domestic Trade Promotion
BETP	Bureau of Export Trade Promotion
BFAR	Bureau of Fisheries and Aquatic Resources
BIS	Bureau of Import Services
BITR	Bureau of International Trade Relations

BPTTT	Bureau of Patents, Trademarks, and Technology Transfer
BPI	Bureau of Plant Industry
BSMBD	Bureau of Small and Medium Business Development
BSWM	Bureau of Soils and Water Management
BTRCP	Bureau of Trade Regulation and Consumer Protection
CBSA	Canada Border Services Agency
CITT	Canadian International Trade Tribunal
CEDFIT	Cebu Education Development for Information Technology
CCCI	Cebu Chamber of Commerce and Industry
CITEM	Center for International Trade Expositions and Missions
CLARA	Center for Labor Relations Assistance
CSC	Civil Service Commission
COREPER	Committee of Permanent Representatives
CMDF	Construction Manpower Development Foundation
CIAP	Construction Industry Authority of the Philippines
CMDC	Construction Manpower Development Center
CATR	Consumer Advocacy and Trade Regulation
CITC	Cottage Industry Technology Center
DA	Department of Agriculture
DBM	Department of Budget and Management
DepEd	Department of Education
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DoF	Department of Finance
DFA	Department of Foreign Affairs
DOH	Department of Health
DILG	Department of Interior and Local Governance
DOLE	Department of Labor and Employment
DPWH	Department of Public Works and Highways
DOST	Department of Science and Technology



DTI	Department of Trade and Industry
DOTC	Department of Transportation and Communication
DDA	Doha Development Round
DTDC	Domestic Trade Development Council
EVSL	Early Voluntary Sectoral Liberalization
EATOF	East Asia Inter-regional Tourism Forum
EMG	Economic Mobilization Group
EPIRA	Electric and Power Industry Reform Act
EIDC	Export and Investment Development Council
EDC	Export Development Council
EPZA	Export Processing Zone Authority
FIDA	Fiber Industry Development Authority
FMS	Financial Management Service
FDIs	Foreign direct investments
FIC	Foreign Information Council
FTSC	Foreign Trade Service Corps
GTEB	Garments and Textile Export Board
GAS	General Administrative Services
GATT	General Agreement on Tariffs and Trade
GAMF	GATT-Related Adjustment Measures Fund
GATS	General Agreement on Trade in Services
GAA	General Appropriations Act
GSP	Generalized System of Preferences
GMO	Genetically-Modified Organism
GISP	Government Information Systems Plan
GOCC	Government Owned and Controlled Corporations
HITR	Honorary Investment and Trade Representatives
HRDS	Human Resource Development Service
HUDCC	Housing and Urban Development Coordinating Council

IDC	Industrial Development Council
ITECC	Information Technology and E-commerce Council
ICRIER	Indian Council for Research and International Economic Relations
IAC-TS	Inter-Agency Committee on Trade in Services
IADCCD	International Agricultural Development Council coordinating Office
ICAO	International Civil Aviation Organization
ICO-CA	International Coffee Organization-Certifying Agency
ICMA	International City/County Management Association
IMF	International Monetary Fund
ISPS	International Ship and Port Facility Security
ITCan	International Trade Canada
IPO	Intellectual Property Office
IP	Investment Priorities Plan
ISA	Iron and Steel Authority
JICA	Japan International Cooperation Agency
JPEPA	Japan-Philippines Economic Partnership Agreement
LGC	Local Government Code
LGU	Local Government Unit
MRPV	Machine Readable Passport/Visa
MEPZ	Mactan Export Processing Zone
MOOE	Maintenance and Other Operating Expenses
MIS	Management Information Service
MATRADE	Malaysian External Trade Corporation
MAPA	Manila Action Plan for APEC
MTPDP	Medium-Term Philippine Development Plan
MCTA	Metro Cebu Traffic Authority
MAV	Minimum Access Volume
MAFF	Ministry of Agriculture, Fishery and Forestry
METI	Ministry of Economy, Trade and Industry
MoF	Ministry of Finance

MoFA	Ministry of Foreign Affairs
MIAC	Ministry of Internal Affairs and Communications
MITI	Ministry of International Trade and Industry
MHLW	Ministry of Health, Labour and Welfare
MFN	Most-Favored Nation
NDC	National Development Company
NEC	National Economic Council
NEDA	National Economic and Development Authority
NFA	National Food Authority
NIMTC	National Industrial Manpower Training Center
NITC	National Information Technology Council
NNC	National Nutrition Council
NIA	National Irrigation Authority
NAPOCOR	National Power Corporation
NPS	National Program and Strategy
NTC	National Telecommunications Commission
NTA	National Tobacco Administration
NPM	New Public Management
NGOs	Nongovernment Organizations
NAFTA	North American Free Trade Agreement
OLA	Office of Legal Affairs
OOP	Office of Operational Planning
OPR	Office of Policy Research
OIO	Office of the Investment Ombudsman
OSEC	Office of the Secretary
OUA	Office of Undersecretary for Administration
OUIER	Office of the Undersecretary for International Economic Relations
OUP	Office of Undersecretary for Policy
ODA	Official Development Assistance
OSAC	One-Stop Action Center
OFW	Overseas Filipino Workers
OPIC	Overseas Private Investment Corporation

PAL	Philippine Airlines
PCCI	Philippine Chamber of Commerce and Industry
PCA	Philippine Coconut Authority
PCEG	Philippine Commission on Effective Governance
PEZA	Philippine Economic Zone Authority
PEDP	Philippine Export Development Plan
PHILEXPORT	Philippine Exporters Confederation
PITC	Philippine International Trading Corporation
PNP	Philippine National Police
PIDS	Philippine Institute for Development Studies
PICPA	Philippine Institute of Certified Public Accountants
POEA	Philippine Overseas Employment Agency
PSC	Philippine Shippers' Council
PTTC	Philippine Trade Training Center
PMS	Planning and Monitoring Service
PRO	Press Relations Office
PRC	Professional Regulatory Commission
PDDCP	Product Development and Design Center of the Philippines
PISU	Public Information and Services Unit
QuedanCor	Quedan and Rural Credit Guarantee Corporation
QROSAC	Quick Response One-Stop Action Center
RIETI	Research Institute of Economy, Trade and Industry
SSL	Salary Standardization Law
SPS	Sanitary and Phytosanitary Standards
SAGITs	Sectoral Advisory Groups on International Trade
SEC	Securities and Exchange Commission
SPRING	Services and Procedures Rationalization and Improvement in Government
SMEDC	Small and Medium Enterprise Development Council
SA	Specialized Agencies

SCO	Special Concerns Office
SIMA	Special Import Measures Act
SRA	Sugar Regulatory Administration
SIAs	Sustainability Impact Assessments
TRM	Tariff and Related Matters
TF-WAR	Task Force on WTO Agreement on Agriculture Renegotiations
TBAM	Technical Board on APEC Matters
TCWM	Technical Committee on WTO Matters
TBR	Trade Barriers Regulation
TIDC	Trade and Industry Development Council
TIIC	Trade and Industry Information Center
TPRG	Trade Policy Review Group
TPSC	Trade Policy Staff Committee
TP	Trade Promotion
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TRO	Trade Remedies Office
UN-ASPA	United Nations and American Society for Public Administration
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UN- ESCAP	United Nations Economic and Social Commissions for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UNPAN	United Nations Public Administration Network
USTR	United States Trade Representatives
WB	World Bank
WPSR	World Public Sector Report
WTO	World Trade Organization
WTO–GATT	WTO–Organization–General Agreement on Tariffs and Trade

# Globalization, Governance, and the Philippine State

1

JOHN LAWRENCE V. AVILA



## Overview

**Globalization** and governance have been two of the most dominating challenges in the international environment for more than a decade. Phenomenal technological improvements in communication, information, and transportation have brought about the deeper internationalization and interdependence of economies. The growing economic integration of nations is bringing about shifts not only in the economic environment but also in political structures and processes. Increasing trade and investment exchanges are creating demands for more open markets and freer flow of the factors of production. But the impact of globalization goes beyond economics. The internationalization of domestic economies is likewise creating pressures for greater political participation and good governance. Alongside this development has been the increasing demand for reliable, stable institutions, and market-friendly policies. Nearly all countries around the world confront these twin pressures, both of which are interrelated and mutually reinforce each other. As Keohane and Nye (2000) succinctly put it, “globalization will affect governance processes and be affected by them.”

Governments everywhere are compelled to conform to the demands of globalization and governance in order for them to realize their developmental goals. These economic and political forces impose immense challenges to all countries. As Linda Weiss (1998) contends, developmental success depends on the “ability of a state to adapt to external shocks and pressures by generating ever

new means of governing the process of industrial change.” Global markets require governments to be more transparent, responsive, and efficient. Pressure also emanates from below, with domestic society calling for greater participation, public accountability, transparency, and justice. The impact of external pressures on national economies depends to a large degree on the strength or weakness of its domestic institutions. States unable to adapt to the constantly changing environment would be seriously disadvantaged given the competitive nature of the world economy.

There is widespread consensus that sound governance is a prerequisite to sustainable development. This view holds that a strong correlation exists between effective government and economic growth. International development institutions, such as the World Bank and United Nations Development Programme (UNDP), now extend development assistance to specific states on the condition that reforms on governance are carried out.

The World Bank’s (WB) 2002 World Development Report (WDR) underscores the importance of institutions in ensuring a country’s development. The report underlines how effective institutions support economic growth and assist in the improvement of the welfare of their constituencies. Likewise, foreign investors increasingly rely on a number of indicators of government performance to calculate their business and political risk, referring to periodic assessments conducted by Transparency International, the World Economic Forum, Heritage Foundation, among others.

It is now widely held that institutions and enforceable rules are a necessary condition for long-term sustainable economic growth.<sup>1</sup> The so-called “rules of the game” that emerge from formal and informal structures shape behavioral and policy outcomes. Corruption, the lack of transparency and accountability, ineffectual public administration, weak judicial systems, and other manifestations of poor governance are faulted for discouraging investment and stifling economic growth. The persistence of poverty can be explained by this institutional deficit.

<sup>1</sup> Douglass North (1990) refers to institutions the rules of the game of a society or humanly devised constraints that structure human interaction. These include both formal and informal constraints and their enforcement characteristics. This paper refers to institutions in a more general sense to include public organizations or agencies.

Ultimately, governance has major implications for equity, poverty, and the quality of life.

This volume contains several papers exploring this theme. Chapter 2, titled “Globalization, Redemocratization, and the Philippine Bureaucracy” by Mirshariff Tillah, describes the implications of globalization on bureaucratic performance. In Chapter 3, “Does the Philippines Need a Trade Representative Office?” Gloria Pasadilla and Christine Marie Liao explore alternative decisionmaking structures for trade policy formulation. In Chapter 4, “Managing Trade in Services: A Network Approach to Services Policymaking,” John Lawrence Avila examines a network approach to policy formulation in services trade.

This volume ends with two chapters focusing on the impact of globalization at the subnational level. In Chapter 5, “Globalization or Glocalization? Experiences in the Local Philippine Context,” Grace Roldan looks into how Cebu has coped with the challenges of globalization. In Chapter 6, “E-government Assessment of Philippine Cities,” Gabrielle Iglesias surveys how local governments use technology as means to enhancing governance and public service delivery. The studies by Tillah, Avila, Roldan, and Iglesias were completed under the project on “Globalization, Governance, and the Philippine State,” generously supported by the Philippine APEC Study Center Network. The paper of Pasadilla and Liao are relevant to the overall theme of this volume. Hence its inclusion in this volume.

This collection of papers examines the range of governance issues confronting the Philippines. It examines the ability of the country’s domestic institutions to adapt to the changes brought about by the increasing economic integration of the national economy. Market liberalization as well as technological change has had profound consequences on the structure and processes of the Philippine state. Globalization presents particular challenges to domestic political institutions and has brought about a rethinking of development strategy among policymakers. How governments manage growing economic interdependence highlights the importance of institutional capacity. Understanding how increasing internationalization impinges on domestic capacity is important. Policy choices are constrained by

the internal dynamics and structures of the national political system as when they face competing demands from citizens, business, foreign investors, and other self-interested groups. Governments have to accommodate public demands for greater political participation, accountability and equity in economic decisionmaking.

The studies highlight specific experiences directed at improving the quality of institutions, rules and processes needed to build good governance. They also focus on the changing roles of the state and other political institutions, the interface of public-private exchange, and the participation of civil society organizations in this process. Specifically, this volume examines how national and local government entities manage the effects of globalization. It seeks to evaluate the capacity of governmental institutions to formulate and implement policy in response to increasing trade and investment. Analyzing the domestic capacity of government organizations helps us understand the ability of the Philippines to fully participate and benefit from the world economy. In particular, the participation of the Philippines in regional and international cooperative arrangements, such as the World Trade Organization (WTO), the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) grouping, depends to some extent on the effectiveness of its domestic institutions, structures and processes. Benefits accruing from the Philippines's commitments to these international economic arrangements depend on the ability of national and local institutions to manage economic integration. This issue brings to the fore some fundamental questions: How can the Philippine government respond effectively to the demands of globalization? Does the Philippine state possess the domestic capacity to deal with economic interdependence? How do state operations impinge on economic performance?

### **Nexus of globalization and governance**

Analyzing the impact of globalization on domestic public policy can be derived from a variety of theoretical perspectives of the nation-state in international political economy. One school of thought argues that international global developments and trends determine national

policies. According to this view, national governments are powerless to influence the outcomes caused by developments in the global economy. The state "can no longer be conceived of as the appropriate political units for either resolving key policy problems or managing effectively a broad range of public functions (Held and McGrew 2003)."

International competition over capital and markets, for instance, compels national governments to reform domestic policies in order to attract foreign investors and business. The increasing volatility of capital flows that move freely across borders beyond the control of national authorities also makes foreign exchange policy more difficult to manage. Moreover, the trend towards the harmonization and standardization is bringing about a policy convergence such that policy outcomes are defined more by transnational institutions and less by national authorities. Pierre (2000) explains that the very definition of the word governance "as it emerges in the 1990's could be seen as institutional responses to rapid changes in the state's environment." Others have referred to this phenomenon as the "denationalization of politics" or "governance beyond the state." What happens at the domestic level is determined by international markets and transnational actors.

Another perspective contends that the national polity reacts to global trends, and in some instances, even counteracts them. In this view, governments respond to external pressures through the process of institutional transformation. Domestic institutions learn to adapt or adjust to the demands of the external environment while at the same time retaining their ability to independently chart their own policy course. However, the traditional basis of authority shifts away from the state and now involves a variety of nonstate actors. While the state remains a core player, it is compelled to work together or sometimes play a supporting role to these private agents. In this case, new channels or processes are opened up, which require new forms of governance.

This volume takes this second view by looking into how the political process and the capacities of the public sector to respond to social changes created by globalization. It primarily aims to examine the relationship between international integration of the domestic economy and its impact on domestic systems of governance. This view entails

an examination of the role of the public administrative system at the national and local government level. Understanding how government distributes the costs and benefits of change and addresses the problem of coordination in managing change is relevant to this perspective. The political dynamics involved in formulating policy strategies to address institutional problems are also considered here. The impact on economic reform agenda by expanded political participation to include nonstate actors such as civil society and the private sector is also an important area of consideration. While the state remains the loci of coordination, other social groups increasingly impinge on the direction and prospects of policy reform. The management of societal interests in carrying out government strategies and increasing state autonomy vis-à-vis rent-seekers also come under this perspective.

Traditionally, reform is viewed primarily in terms of improving the administrative capacities of the public sector to meet its developmental objectives. This view focuses on undertaking organizational or structural reform required to fix the public administrative system. Government is commonly perceived to be inefficient, slow, and unresponsive to public demands. Relinquishing some of its functions to the private sector is seen to help alleviate this problem. To become more efficient, government must emulate the systems and practices of the private sector and adopt market-like mechanisms. Citizens are to be treated as customers and focus is more on outcomes rather than on process. New public management, reengineering, and reinventing government became the fad. The view stresses minimal government, guided by the principles of managerialism and new institutional economics, where private sector practices are introduced into the public sector and incentive systems were initiated in the bureaucracy. Devolution, downsizing bureaucracy, improving performance of the civil service, emphasis on service delivery, financial management reform, introducing competition in the government, use of information technology, etc., are some of the many initiatives to “fix” the government (Karmack 2000; and Ellison 1998).

The above centers on methods that states utilize to cope with environmental changes. This notion takes a more state-oriented

approach to looking at systems or administrative reform. Another view of reform is more society-centered and focuses on how the state can coordinate itself with other nonstate actors. This view looks at governance as primarily consisting of relationships between the state, the private sector, and civil society in promoting economic development. While the state continues to play a central role, other nonstate actors assume an important role in policy formulation and implementation. David Held (2000) describes this phenomenon as the “reconfiguration of political power.” Actors other than the state, such as nongovernment organizations or subnational units, are now beginning to exert themselves more in the policy arena. Emphasis is given to ensuring maximum participation in the political decisionmaking process and improving public accountability and transparency. Government now has to share its decisionmaking powers and learn how to coordinate and to cooperate with these private actors. The management of societal interests in carrying out government strategies and increasing state autonomy vis-à-vis rent-seekers also falls within the purview of this perspective.

In both cases, what is taking place is the transformation of the state. With globalization, “the result is not the obsolescence of the nation-state but its transformation and creation of politics in new contested places” (Keohane and Nye 2000). The role that government plays is not so much reduced as it is transformed to cope with changes in its environment. Paul Hirst (2000) notes that good governance means “creating an effective political framework conducive to private economic action, stable regimes, the rule of law, efficient state administration adapted to the roles that government can actually perform, and a strong civil society independent of the state.” Reforms stressing administrative efficiency and participative government become necessary conditions of a globalized economy.

The importance of the state in the age of globalization cannot be stressed enough. While the state may suffer some loss of its traditional functions, new roles emerge that require the participation of the state. As the state’s role is transformed, it devolves many of its functions to the private sector or civil society, while it minimizes market



intervention. And while it must now share the exercise of governance with other nonstate actors, the state is still held primarily accountable for much of societal demands and expectations. This is particularly true of globalization as local firms and groups seek guarantees from government against the perceived adjustments accruing from greater economic interdependence. As Merilee Grindle (2000) says, capable governments are needed to ensure that market systems generate growth. The state must be able to ensure the smooth functioning of the market through policies that encourage competition and factor movements. Hence, the state may even have stronger or larger presence to ensure public welfare.

As countries become more and more integrated into the international economy, domestic policies become increasingly prone to influences from abroad and are less unilaterally determined by national authorities. However, governments seek to manage and control these forces of change, specifically to minimize the cost of domestic adjustment. To prevent its perceived negative effects and address its distributive consequences necessitates the public management of globalization. States seek to reassert themselves or at least adapt in such a way as to minimize the costs of globalization and ensure that it benefits everyone. As Keohane and Nye (2000) stress, globalization must be effectively governed.

The United Nations' World Public Sector Report (WPSR) on the impact of globalization on the state explains that the notion that states lose their hold on sovereignty is wrong. In fact, countries that embrace globalization have registered higher rates of public expenditure (UN 2001). The state sets the rules of the game, supplies collective goods, and provides the policy framework required for the sustainability of the market system. It acts in cases of market failure and address the externalities stemming from private exchange. The government can play a transformative role by selectively intervening in the domestic economy through Keynesian-type public spending or in support of private entrepreneurial activity. Governments may seek to expand their presence to mitigate the adjustment costs arising from greater integration into the world economy. Also, handing public services to

private sector providers require a redirection and not a reduction of the regulatory function of the state. The WPSR argues that states must stop focusing on the functions they have lost due to globalization but must instead realize that their roles have now transformed and include a host of other new functions.

## Themes

Indeed, governance is a broad and complex topic and can include a range of institutional and policy issues. This volume explores three themes, namely:

- The development and/or transformation of political structures and hierarchies of authority that change the fundamental role of the state as a key component of reform;
- The diffusion of power that would result from increased accountability, competition, participation and empowerment of civil society, and decentralization of the locus authority; and
- The dialectical relationship between the modernizing norms, rules, and values of good governance as against the persistence of national political traditions and cultures.

## *Transformation of domestic structures*

Several papers in this volume center on the consequences that globalization might mean to the political and administrative structures of the Philippine state. Internal structures and processes of governments will be crucial in their ability to adapt to deeper economic integration. Globalization is seen as encouraging policies aimed at reducing the scope and cost of government. This may include the deregulation of public authority, the privatization of public enterprises delivering goods and services that might be better supplied by the private sector, and the strengthening, restructuring, or even abolishing some public agencies to improve the performance of the public sector. Institutional policies would call for an improvement of the economic environment by simply working for public policies that lower transaction costs, encourage competition, and create opportunities for market-driven transactions to take place (Sicat 2002).

With globalization, there are pressures on the public sector to improve their internal capacity and coherence to enable them to deal with greater economic openness. This is best represented by the New Public Management (NPM) movement and the reinventing/reengineering government school of Osborne and Gaebler (1993), both of which call for improved efficiency of the public sector. Ellison (1998) noted that several trends in governance are shifting away from conventional ways of government management to emphasize more decentralization, 'outward' accountability, performance orientation, empowerment, and organizational competence.<sup>2</sup> Peters (1996) conceptualized four models of reforming government away from its traditional character to more market-oriented, participative, deregulated, and flexible government.

Several of the authors emphasize the need for the Philippines to create a more efficient bureaucracy to cope with the changes brought forth by globalization. Mirshariff Tillah studies the impact of globalization on the Philippine bureaucracy, and looks into the initiatives taken by three agencies, namely, the Department of Trade and Industry (DTI), the Department of Foreign Affairs (DFA) and the Department of Agriculture (DA) to adapt to the changing environment. Focus is placed on policy inputs and outputs, human and financial resource requirements and interagency coordination. He discovers that these different agencies have taken several initiatives in order to respond to global demands.

For instance, the DTI has reformed its organizational structure by creating business development teams in a cluster approach. This allows them to address their citizens better and essentially mirrors the consumer orientation of the NPM. Similarly, the DA has created several offices to help meet the government's commitments to the WTO and APEC. These include the Trade Remedies Office, the Minimum Access Volume Secretariat, and the Agricultural Competitiveness Fund Office. Relatively speaking, the DFA has taken more of a supporting role to the DTI and the DA in trade policy. However, it has also strengthened the offices dealing with international economic issues. Significantly, the DFA has restructured its institutional response to the demands of the overseas Filipino workers.

<sup>2</sup> See also Domingo (1998) and Briones (1997).

All of these offices also participate in interagency councils, coordinating their activities concerning the WTO and APEC agenda. These government agencies have also acknowledged the importance of citizen participation and conduct of periodic consultations with the private sector and civil society. In particular, the DA is noted for its efforts at including concerned groups in defining national positions with respect to the WTO agricultural negotiations through its Task Force on WTO Agreement on Agricultural Renegotiations.

Tillah observes that these government agencies' efforts are constrained due to limited budget and resources. Existing budgets have not corresponded with the increase in functions and activities related to the WTO and APEC agenda. In particular, there is dire need to invest in training programs to supply offices and programs with the necessary and appropriate personnel. For example, the DFA has yet to require new qualifications for new foreign service officials. In the age of globalization, these officers need to be skilled in the language of trade and international economics and yet there have been no additional competency requirements. Short-term training programs are provided, yet they are not sufficient to provide these officers with the skills they need to perform technical jobs. In addition, money required to fund domestic adjustment was not fully allocated and funds that were appropriated were primarily used for capital outlays and not for investments that are critical for long term, sustainable development.

In the context of international trade, Pasadilla and Liao propose the creation of a separate agency for trade negotiations similar to the Special Trade Representative Office in the United States. They observed that trade negotiations are conducted by several agencies, resulting in problems of coordination and producing a less cohesive trade policy agenda. This lack of coordination is compounded by the absence of a legal mandate that delineates the tasks of each member and that explicitly confers authority on someone. This absence of a legal mandate that specifies the tasks of each member, delineates a clear line of authority, and formulates a cohesive policy stance is what leads negotiators to take a "minimalist approach" to liberalization"

(Pasadilla and Liao 2006). Both authors also observe that many of the agencies are prone to capture or protect their turfs, leading to fragmented policy.

Pasadilla and Liao also stress the need to build capacity to effectively support trade negotiations and policymaking. They note the deficiencies in experts, information, and financial resources, which hinder the ability of trade negotiators and decisionmakers to do their jobs. The present set-up suffers from a lack of monetary and technical resources, which would allow them to collect information that they need as negotiators.

Improvements in technology can bring about more efficient government. The use of Information and Communications Technology (ICT) in the public sector has been gaining popularity and relevance in the face of increasing demands, both global and local, for a more efficient and responsive bureaucracy. Moreover, the government is the institution that provides the most information and raw data for its citizens. Because citizens rely on government for many things, there is a need to provide data that is not only accurate but that is accessible easily and speedily. ICT can help fulfill this by increasing the flow of communication, improving the quality of this communication, by serving as a reliable storage of data, and by allowing fast access to information when necessary.

This is highlighted by the study of Gabrielle Iglesias, who examines how information and communication technologies transform domestic political structures and hierarchies of authority. She looks at how local government units (LGUs) use ICT to improve the efficiency, effectiveness, transparency, and accountability of government. Among the activities that can benefit from ICT are residence services; regulations of business and professional services; civil registry; public safety for police clearance; fire mapping; jail management; public lighting; regulation of business such as through the issuance of barangay clearances and registrations in special economic zones; transportation administration; provision of basic educational services such as the construction and management of schools; health care provision such as the operation of public hospitals, welfare; and finally,

promoting economic growth through investment promotions, setting up of a one-stop shop for investors, tourism promotion, among others. ICT can help government agencies increase their sources of income by accurately monitoring tax evaders and by increasing the precision of their calculations. The computerization of activities also helps increase efficiency by decreasing time spent on accessing and sending out documents.

### *Diffusion of power*

The second theme explored in this book is the diffusion of power that would result from increased accountability, competition, participation and empowerment of civil society, and decentralization of the locus authority. While the state remains the loci of authority, public institutions are faced with the challenge of increasing political contestation over policy decisions. Globalization has increased the scope of governance to include nonstate actors as well as paved the way for multilayered governance, which is marked by devolution of functions or competencies from the state to the substate. It also comes with a privatization of governance, where some aspects of regulation are contracted out to the private sector. This generates greater political demands on those in government. The management of competing societal interests between seeking greater accountability and transparency vis-à-vis rent-seekers complicates the task of governance. In fact, the diffusion of power is creating demands for greater participation in policymaking and implementation. Traditional politics is increasingly weakened by calls for good governance, the rule of law, and other market-supporting policies.

Economic development leads to the involvement of multiple actors or agents operating outside the scope of state authority. Open markets can lead to the diffusion of political power. Traditional sources of power are being undermined by the transformation of political structures and hierarchies. In particular, the power of local oligopolies and other concentrations of economic power may decline with the introduction of market-oriented policies. The dominance of groups or individuals who benefit from state-protection and autarkic policies

may give way to sectors benefiting from deeper integration with the global economy. Globalization challenges the position of local elites and state regulators who seek to retain monopoly power over sectors of the domestic economy. Import-competing industries may see their influence wane with the emergence of other groups such as exporters and other domestic sectors that grow wealthier with globalization.

Tillah, in his study, notes that while globalization does affect state sovereignty through the administration of the affairs of the state, it is still the primary actor in governance because of its influence, scope, and power. However, there is a need to recognize the growing influence of the business sector and civil society, and international groups which government can work with in order to create more effective outcomes. Tillah explains that in the face of these increasing challenges, new methods of cooperation and coordination, which the state must undertake, both in the domestic and international arena, the creation of state institutions is crucial, most especially for developing countries that are vulnerable to global pressures and are still grappling with democratization.

Globalization has made the notion of networks more relevant. This has huge implications for the state that now must learn to work and manage these networks. Internationalization has led to a “fragmented policy-making arena, permeated by transnational networks as well as by domestic agencies and forces (Held and McGrew 2003).” Traditional domains of state power, particularly in economic matters, are progressively losing ground. Local and supranational modes of governance are coming to replace national systems in an effort to better manage and respond to global change.

Avila analyzes the changing structures of governance in a multilevel and multistakeholder environment, as manifested in the services sector. He looks into the significance of network governance in the formulation of trade policy in the services sector. Network governance is a multilevel, multistakeholder exercise of governing functions, where public policy results from bargaining and negotiated agreements among different actors in the policy arena. He observes that the services sector is composed of interdependent, autonomous,

and self-governing entities in both the public and private sector. Service providers and associations are horizontally organized and relatively fragmented. This particular character of services, he notes, complicates the task of formulating trade negotiation positions and defining strategies for services export promotion. Avila argues that this challenges the traditional hierarchical, single-authority structure approach to governance.

The structure of the services industry highlights the diverse rules and patterns of authority that makes coherent policymaking difficult and complex. It leads to problems of coordination between different services industries as well as between the different government agencies tasked to regulate each subsector. The main challenge here is how to manage these networks, particularly among different regulatory agencies covering the services sector, between government and the private sector, and between different service providers. In a system where power is more diffused, as in the services sector, Avila highlights the role of network managers in the process. Network managers should help bring about greater interaction between the different actors, identify points of coordination and common ground, and often play a brokering or mediating role to resolve conflicting positions. He also underlines the need to improve knowledge bases and information exchanges to resolve information asymmetries and alter actors’ frames of reference.

These networks also exist at the local level. In her paper, Roldan explores the role of local players as key agents of development in Cebu. She examines the concept of “glocalization,” which implies that the center, once considered to be undisputedly the nation-state, has now been moved to the different local governments who are able to work in close proximity to the very people who are actually affected by globalization and who consequently are most affected by the decisions governments take in the global sphere. Roldan maintains that when globalization impacts local actors, the latter then respond in such a way as to compel their local governments to make their systems responsive to their needs, to protect their people from the adverse effects of globalization, and in effect, become even more transparent

and accountable. Moreover, the local people themselves mobilize and create private organizations or civil society organizations to give themselves a voice in the decisionmaking process.

Leading private sector organizations in Cebu City, such as the Cebu Chamber of Commerce and Industry, and the Philippine Exporters Confederation in Cebu take part in proposing policies that would enhance the development of the business industry in the city. According to Roldan, these private sector organizations, through their policy initiatives, are able to participate in the growth and development of the city. They maintain good relations with the local governments in the area, and as a result they are allowed to concretely express which policy direction the local government should take to further develop the industry. These private sector organizations are able to work together with the local authorities to protect themselves against the adverse effects of globalization and reap its benefits.

This empowerment also means that private sector groups and civil society organizations can also aid the government in helping the communities adjust to these global changes that affect local areas. As such, governance no longer belongs to the government alone. In the case of Cebu, private sector organizations worked together with the government to create policies that would allow people to reap the benefits of globalization. This sharing of responsibilities essentially changes then the scope of governance to include both state and nonstate actors. Moreover, government at the local level, instead of the national level, now becomes the center, because globalization essentially affects local people, and it is these local governments, such as the municipal or city governments, that are at least in closer proximity to the very people that the process of globalization affects. Glocalization then serves as a balancing force between the global and local spheres. "It is marked by the development of diverse, overlapping fields of global-local linkage."

Iglesias explains that the use of ICT can also help to facilitate good governance by compelling government agencies to increase transparency and accountability. It enables government to be more responsive to the needs of the citizenry through the widened scope

of communication afforded by the Internet and related technologies. Roldan likewise observes that the diffusion of information and communications technology allows local constituencies to push for more recognition and increase their credibility with respect to policy decisionmaking vis-à-vis their local government. Iglesias examines how technology has the ability to transform relations between the LGUs and their constituencies and promote better delivery of services. It can improve accountability through clear definitions of people's functions, by monitoring the viewing of documents that are censored, and by decreasing corrupt activities by making standardized payments for fees, permits, and taxes transparent.

### *Conflict between modernizing norms and national traditions*

The third theme focuses on the dialectical relationship between the modernizing norms, rules, and values of good governance as against the persistence of national political traditions and cultures. Traditional practices of politics are conflicting with the modernizing values accompanying globalization. Foreign investors and traders are turned off by inefficient bureaucracies, corruption, and the arbitrariness and inconsistency of policy, defined more by personal connections rather than any cost-benefit considerations. Weak institutions and highly discretionary policy decisions are at variance with the rationality of markets that seeks to maximize return and efficiency. Business corporations seek to deal with governments that are transparent, fair and effective in service delivery. Problems occur when countries are unable to reconcile old patterns of behavior and long-established systems with the values emanating from the international environment. These have caused policy disruptions and certain unevenness as the old conflicts with the new.

Roldan's paper examines how localities can also accommodate opportunities presented by globalization to capacitate themselves and improve local quality of life. She explains that there are enabling factors that allow people to maximize the advantages brought forth by globalization. First and foremost is leadership, not only of national executives but also of the local government, and within the private

sector and among civil society organizations. Second is the use of information that allows people in the locality to access documents and process them efficiently. Third is education that allows the locality to produce skilled workers that are demanded all over the world. Lastly, is the attitude that allows people to understand the world in global terms while dealing with and responding to local issues.

Iglesias, however, cautions against the view that ICT is the panacea to all government ills. It can only help increase efficiency, accountability, and transparency. Essentially, these good governance efforts still have to come from the people themselves. A strong foundation or framework that encourages these good governance initiatives must be in place for ICT to truly take off. ICT is merely one of the many instruments one can use to improve governance and public service delivery, and therefore is not the only solution. Efficient and responsive governance certainly does not rely on the success of ICT alone.

Moreover, the application of ICT does not happen overnight. ICT requires a technology-friendly environment that includes technology-literate staff. Iglesias notes that there is a serious digital divide in the Philippines. Unable to adapt to the changing environment brought about by globalization, many older civil servants need to be trained in new computer applications. Unfortunately, the government lacks the resources to be able to provide such training opportunities. The maintenance and sustainability of these ICT systems also imply that even more resources will be needed by the government. Moreover, most Filipinos as yet do not have access to the Internet, so the establishment of full scale e-governance might seriously marginalize certain people.

The papers of Avila and Pasadilla and Liao both highlight the persistence of turf wars and bureaucratic gridlocks that aggravate the problem of coordination between the different offices involved in trade policymaking. Avila points out that problems of coordination persist because of the resistance of certain agencies to the prospects of reduced regulatory powers and control. There is also the persistence of vertical as against horizontal methods of policymaking. Tillah notes

the tenacity of bureaucratic culture in the departments he surveyed, which somehow undermines the objective of promoting greater administrative efficiency and rationality.

Developing economies like the Philippines manifest this problem of political adaptation. The Philippine political system is commonly described as dominated by an oligarchic elite, who also exercises control over the national economy. An alliance of the landed elite and industrial oligarchs as well as nationalist groups has strongly opposed reforms that will undermine their political base. The structure of the Philippine political economy forms the basis for crony capitalism, or what Paul Hutchcroft (1998) refers to as "booty capitalism," which many blame for the continued underdevelopment of the country. The pervasiveness of rent-seeking and monopolistic behavior represents a stranglehold on economic progress.

However, as the Philippines seeks to integrate itself more fully with the global economy and attract foreign capital, the domestic political system is compelled to conform to international practices and standards. Globalization has thrust key reform policies aimed at the bureaucracy, the judiciary, and other political institutions into the public governance framework. Efforts at opening up the domestic economy and making local industries more competitive become unsuccessful apart from actions directed against corruption, political instability, and incompetent government. The Philippines is forced to abandon its traditional political culture and transform itself into an accountable, rules-based, and responsive political system.

De Dios and Hutchcroft (2003) maintain that while there had been some success in utilizing economic liberalization as a means of undercutting oligarchic power and promoting democracy, there has been less success in promoting institutional, redistributive, and political reforms. Indeed, this process of institutional change is hard and faces many challenges. Traditional structures and vested interests can slow down the development of a political system more attuned to the global economy. Individuals and groups that benefit from the existing political setup seek to maintain the status quo and resist institutional changes. This highlights the potential for conflict as the domestic political system evolves in the context of globalization.

## Conclusion

The different authors in this volume have made a number of policy recommendations on how the Philippine state can more effectively benefit from the opportunities and challenges presented by globalization and governance.

First, a number point to the need to improve and strengthen the administrative capacity of the Philippine state. In her study, Iglesias enumerates the different requirements for effective e-administration, particularly in integrating process and knowledge. Pasadilla and Liao as well as Tillah and Avila all call for the development of strong technical and analytical skills to develop specific competencies needed in trade and investment policymaking.

Second, the authors also stress the need for improved coordination and stakeholder participation in the formulation of trade and investment policy. Avila as well as Pasadilla and Liao argue for improvements in interagency coordination, particularly at the Cabinet-level Committee on Tariff and Related Matters, the main office in charge of trade policy decisionmaking. Roldan cites the participation of the private sector and civil society organizations in helping local communities cope with globalization. Iglesias and Tillah highlight the need for people-centered administration.

In general, the studies highlight the key developmental role of public institutions in creating an enabling environment for economic growth, improved welfare, and sustainable development. The impact of external pressures on national economies and public policies depends to a large degree on the ability of domestic institutions to adapt to this process of change. The Philippine state has an important role to play in managing this process of growing internationalization and economic integration. Effective bureaucracies and stakeholder participation are important elements of this process. Sustainable economic growth requires greater participation in economic decisionmaking, improved administrative capacity and coherence, and strengthened rule of law. This also means building up technical competencies and resources in public service delivery while ensuring transparency and accountability in decisionmaking. The competitiveness of the Philippine economy

depends on responsive and adaptable institutions. States unable to make these political and institutional adjustments would be seriously disadvantaged as it seeks deeper involvement in the world economy. Globalization highlights the need for public sector reform, good governance, and state capacity building.



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# Globalization, Redemocratization, and the Philippine Bureaucracy<sup>1</sup>

2

MIRSHARIFF C. TILLAH



## Introduction

*"The defining anxiety in globalization is fear of rapid change from an enemy you can't see, touch or feel – a sense that your job, community or workplace can be changed at any moment by anonymous economic and technological forces that are anything but stable."  
(Friedman 1999)*

Today's globalizing world brings about a dizzying pace of change that continuously reshapes our institutions. Even the largest of human organizations – the government bureaucracy – is not immune to these changes. Driven by great leaps in technology, the almost-instantaneous diffusion of ideas, and the rapid movement of capital, goods and people across national boundaries, globalization has challenged our notions about how we organize ourselves collectively to address societal problems whether as individual nation-states or as part of the global community.

The result of all these developments is the failure (real or perceived) of governments in addressing public issues. This breeds distrust and generates skepticism, most especially towards government's service-delivery and policy-implementation mechanism: the bureaucracy. But this crisis facing government is not new. As far back as the late 19<sup>th</sup> century, Woodrow Wilson – scholar, former president of the United States, and acknowledged founder of the science of public

<sup>1</sup> This paper is part of "Globalization, Governance and the Philippine State," a collaborative research project undertaken in 2004 and completed in 2005 under the Philippine APEC Study Center Network.

administration – first called for the scientific study of how to run governments as discontent with how the bureaucracy (mal)functioned became pervasive.

From the ideal concept of the German sociologist Max Weber as a legal-rational structure, built for efficient management of people on a large scale to perform complex and routine tasks (deHoog 2000), the bureaucratic organization is now associated with negative connotations to the extent that the word “bureaucracy” or “bureaucrat” is now often times used as a pejorative. The bureaucratic model is characterized thus: “being lazy, rule-minded, rigid, wasteful and eager to retain power” (Goodsell 2000); “engulfed in a cocoon of indifference, ignorance, incoherence and inefficiency” (Sosmeña n.d.).

This dissatisfaction with the bureaucracy became severe, especially beginning in the 1970s, with noted scholar Herbert Kaufman (1981, cited in Reyes 1993) claiming that during this period, “anti-bureaucratic sentiment has(d) taken hold like an epidemic.” This sentiment had become so strong that a new phrase was coined to characterize the penchant for blaming the government with everything that was wrong – “bureaucratic bashing” (Goodsell 2000).

All this negative sentiment would culminate in what is the latest and probably most global movement for bureaucratic reform – now called NPM. Resulting from government’s inability to cope with crises, this movement’s message was that government was to blame for the ills of society because it restrained the mechanism for generating development – the market. And since government was seen as the culprit, the call was for less of government and more of the market, which in turn would mean economic liberalization, downsizing, privatization, debureaucratization, and deregulation (UNPAN 2001; Pierre 2000; Kamarck 2000). This view was popularized by “Reinventing Government,” which declared that the “hierarchical, centralized bureaucracies designed in the 1930s and 1940s simply do not function well in the rapidly changing, information rich, knowledge-intensive society and economy of the 1990s” (Osborne and Gaebler 1992).

But there is nothing to suggest that the NPM is the “end of history” for public administration. New Public Management represents merely the latest paradigm in a continuing quest that has lasted more than a century: the search for a panacea to address the manifestations of “bureaupathology” such as inefficiency, goal displacement, red tape, rigidity, and obsolescence.

Academics and practitioners from a wide array of fields have been making their own prescriptions, resulting in a continuous stream of theoretical clashes and reform movements — from the politics-administration dichotomy of the late 19<sup>th</sup> century to the human relations movement in the early part of the 20<sup>th</sup> century; from the administrative sciences movement of the 1930s, to new public administration in the 1960s and development administration in the 1970s. The paradigms for bureaucratic reform rise and fall, but governments continue their work amidst all these intellectual and practical debates.

How then are the different agencies of the bureaucracy coping with the challenges posed by an environment that is anything but stable? In a developing country like the Philippines, the issue of trying to rebuild State institutions within a democratic framework after two decades of authoritarianism, accommodating new actors in governing society, and working with severe restrictions in terms of human, financial, and other resources, is becoming more acute as the democratic deficit is growing larger. With new economic, political, and social challenges sweeping across the globe, agencies of the bureaucracy that deal with the visibly direct consequences of globalization, such as foreign affairs, national defense, trade and industry, environment, or agriculture, are now facing even more pressures to adapt and deliver their services more effectively, economically, and efficiently.

The obstacles that the different agencies of the bureaucracy have to surmount are characterized as “increasingly acute and almost overwhelming” as they continue “to be perceived by their publics as ill-adapted to the vicissitudes and realities of prevailing market and enterprise dynamics” (Reyes 1997). It is therefore ironic that at a time when the bureaucracy is facing even greater challenges, public support is thinning. In fact, the very study of the field that deals with

government and the bureaucracy – public administration – is “hardly able to monitor, much less keep pace with, simultaneous developments on a global, regional and national scale” (Briones 1997).

So even before they can adequately address the nagging issues of delivering services more effectively, efficiently, and economically, bureaucracies (as everything else) face qualitatively different challenges because of a single defining concept that is either a buzzword, a curse, or nothing more than an ill-defined idea driving today’s debates – globalization.

### Rationale, scope, and limitations of the paper

This paper represents an initial step in documenting empirical effects of globalization on the bureaucracy. It utilizes a descriptive-analytical approach to categorize, identify or enumerate the said effects on the three agencies as representative units of analysis for national government. Specifically, the impact areas are delimited to the financial resources, personnel requirements, organizational structure and policy inputs and outputs.

The paper delves into the nature of globalization today, and tries to analyze its impact within the context of a redemocratizing government. Three agencies that are central to the bureaucratic response to the rapidly changing international environment have been identified: the DFA, the DA, and the DTI.

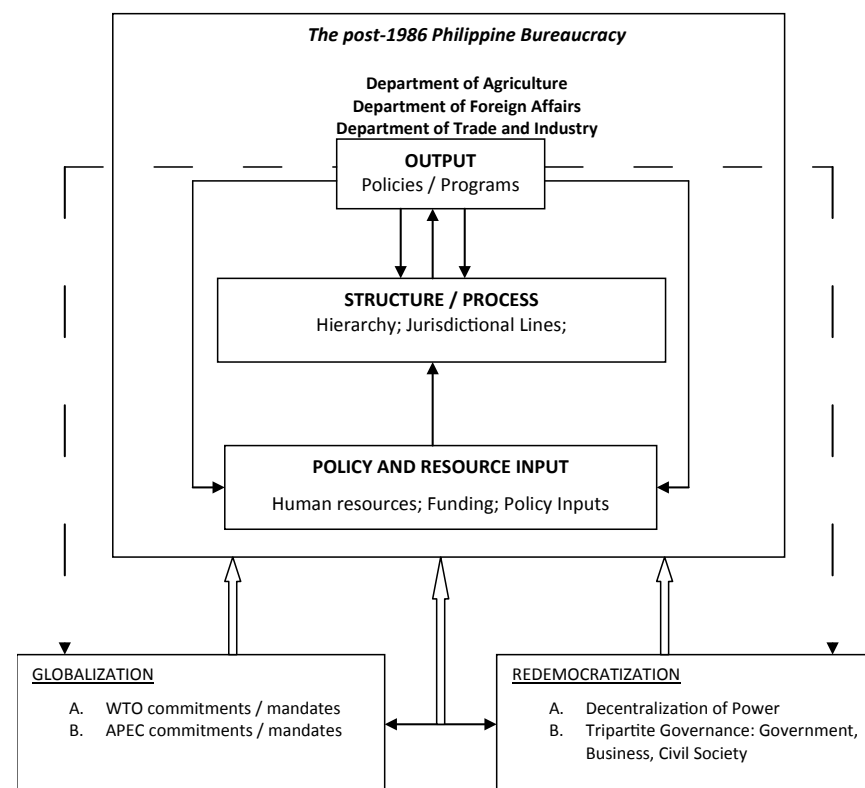
Because of its mandate, the DFA has to be at the frontlines of global concerns, since it is the principal agency tasked with international affairs. As an agency in an agricultural country like the Philippines, the DA is a focal point, especially since the production and trade of agricultural goods is a very socially and economically sensitive issue in global affairs. Finally, the importance of the DTI cannot be overestimated as the world moving toward harmonization of policies in trade, and as globalization’s economic discourse is centering in on the movement of goods and services across state boundaries.

Before the individual agencies will be discussed, the globalizing and redemocratizing context of the national bureaucracy is first

presented. Data on the different transformations within the bureaucracy are further delimited to the period 1992-2002, with the assumption that the period 1986-1992 was a transition administration that focused on the strengthening and/or reestablishment of democratic institutions.

Given the breadth and depth of globalization, the study operationally defines the WTO and the APEC as the main sources of globalization initiatives, representing two multilateral institutions whose guiding principles the Philippines has committed itself to. This study makes use of quantitative methods in the form of descriptive statistics, and cross-references this information with qualitative data as gleaned from key informant interviews and documentary content analysis.

Figure 1. Conceptual diagram



The conceptual framework below is presented as a heuristic guide to understanding the complex nature of the impact of globalization and redemocratization on selected agencies of government. There is, of course, no meaningful way by which the effects of globalization or redemocratization can be isolated from each other, or from other variables that might affect any organization. Nor can the different changes in the bureaucracy that have been observed be attributed to any single variable. Rather than causation, what this paper presents is the dynamics that happen within and among the agencies under study, from which one can draw some important lessons.

### *A note on contingency theory*

Because of this interplay between the bureaucracy and its redemocratizing and globalizing environment, the study utilizes a theoretical framework that may be useful in trying to grasp the potential impacts on the different agencies of the Philippine government and their varied responses. This framework is based on contingency theory.

In his book, *The Administrative Capacity of New Types of Governance*, Nelissen (2002) notes how “it is striking that new types of governance are contingent responses to specific policy problems and specific arrangements.” According to Luthans (1995, cited in Domingo 1998) contingency theory is concerned with how the organization structure adjusts to fit with both the internal environment (in this case, the redemocratizing context) and the external environment (globalization).

It was first advanced in 1967 by two behavioral scientists from Harvard University — Paul Lawrence and Jay Lorsch (Gonzalez 1974) and is a derivative of Systems Theory (Ott and Shafritz 1992, as cited in Domingo 1998). Contingency theory identifies the necessary initial step of environmental scanning, and understanding the requirements of task and need differentiation from different units. Hence, only by taking into account the differences can one begin to analyze meaningfully the changes obtaining in any organization. It is not entirely accurate to use business models in a public sector setting because of the different legislative and policy environments. Stakeholders also possess varying

degrees of power and modes of influencing and participating in the decisionmaking process. Not even the impact of different forces will be felt the same way even among government agencies.

Richard Daft (1998) states that “the correct management approach is contingent upon the organization’s situation, and what works in one setting may not work in another.” He adds: “In a stable environment, bureaucratic control procedures, a functional structure, and formal communication would be appropriate.” But given the rapid changes associated with globalization and redemocratization, the environment in which the Philippine bureaucracy has to operate is anything but stable. It is safe to assume theoretically that control procedures, fixed and rigid structures and formal channels of communication are constantly under pressure.

This approach is radically different from the previous paradigms, which proclaimed that there was “one best way” to organize public or private organizations, as advocated by adherents of the classical school of public administration and management. Contingency theory eliminates any preconceived notions on ideal forms of organization and makes it imperative to study the context and environment in which organizations such as the bureaucracy operate.

The utility of this theory is thus evident, as it allows research flexibility in accounting for effects or impacts of globalization and redemocratization on agencies with different mandates, resource constraints, and structures to begin with. With this framework, it is important to categorize first what is happening at the national level, given that the legislative and policy environment serves as the overall framework for each of the agencies to be studied.

### *Structure of the paper*

The paper is divided into five major parts, beginning with the general context and concepts of globalization, the bureaucracy, and administrative reform, and ending with the specific case studies of agencies. The introduction above presented the rationale of the study, its scope and delimitations, a brief discussion on the methodology and conceptual framework, as well as the foundations and utility of

contingency theory in analyzing the different changes in the bureaucracy brought about by redemocratization and globalization.

The second part addresses some of the key concepts in the great debate on globalization – what globalization is, and how it affects governments and organizations – and explains the role of NPM as the apparent dominant administrative reform movement today. This part also discusses APEC and the WTO as the two institutions that embody globalization. The paper then proceeds to sketch the changes in the bureaucracy, and why governance is an inseparable component in the discussion of redemocratization and globalization.

The third chapter is a situationer on the Philippine bureaucracy. It makes a brief historical survey and presents the legislative and policy environment in which the three agencies under study must operate. This is where the issues and concerns of the national government are placed in the context of globalization and NPM. The issues of decentralization, privatization, and streamlining, among others, are discussed. This part also presents the story behind the numbers – the size and “weight” of the civil service, and how much it costs to run the national government.

The fourth chapter of the paper presents the case studies on the DTI, DA, and the DFA as the venues where the effects of globalization may be studied. It presents the changes that are happening in terms of organizational structure, human resource requirements, funding and policy inputs/outputs, as well as inter-agency coordination.

The paper then ends with an analysis of the three agencies, some conclusions and policy recommendations for the national bureaucracy as well as the specific agencies under study.

## Globalization and the bureaucracy

*“The question is not – will globalization be governed? – but rather, how will globalization be governed?” (Keohane and Nye 2000)*

Despite the prodigious literature on globalization, there apparently is still no consensus on what globalization exactly is and what it means for the future of the State and its administrative arm – the bureaucracy. Different sides in the discussion cite authoritative research to support their claims, and they all seem to make sense.

The Visions of Governance for the 21st Century Project of the Kennedy School of Government in Harvard University provides a sufficiently broad definition: globalization is the increase in globalism, with globalism referring to that state of the world involving networks of interdependence at multi-continental distances. These networks may be economic, security, environmental or socio-cultural in nature, with each network’s impact overlapping with the others. It is not whether globalization is new or old (it has been an ongoing process for centuries), but whether globalization is “thick” or “thin” (Keohane and Nye 2000).

Thus, globalization (or increasing globalism) refers to the increase in “flows and influence of capital and goods, information and ideas, people and forces, as well as environmentally and biologically relevant substances” (Keohane and Nye 2000). This definition then adequately captures the complex and dynamic nature of globalization.

David Held (1999) provides a typology of different major perspectives in this globalization debate. First are the “hyperglobalists,” who look at globalization through an economic lens, and celebrate “the emergence of a single global market and the principle of global competition as the harbingers of human progress.” The motive engine for the phenomenon in this view is capitalism and technology.

Then there are the “skeptics” who see globalization as merely heightened internationalization, or interactions between predominantly national economies. They claim that there is nothing inherently new about globalization, with statistical evidence on economic activity showing that today’s phenomenon is not historically unprecedented. For the “skeptics,” the driving forces are states and markets (Held 1999). This hews closely to the realist perspective, one of the still prevalent frameworks used in the study of international relations.

Realists subscribe to the notion of a still dominant state in international affairs even in a globalizing world, and are represented by the likes of Kenneth Waltz (1999), who asserts that “the twentieth century was the century of the nation-state. The twenty-first will be too since national politics, not international markets, accounts for many international economic developments. The decisions of a country or a set of countries, arriving at political agreements, shape international and economic institutions. Governments now intervene much more in international economic matters.” This is the business-as-usual view held by governments and their bureaucracies, where everything boils down to national interest.

Finally, there are the “transformationalists” who view globalization as a long-term process inscribed with contradictions. There are no clear distinctions between international and domestic processes in expanding political, economic, and social spaces. However, there is a reconstitution of power such as the creation of the WTO or the European Union (EU), with the combined forces of modernity driving the process forward (Held 1999).

Anne-Marie Slaughter (1997) provides another way to characterize the major perspectives in this debate. There are the “liberal internationalists” who proclaim the need for international rules and institutions to solve States’ problems. The United Nations system and the creation of the WTO and its rules may be seen as a step towards this vision. This view looks to international governance as a solution to global problems, perhaps leading to a global government someday.

The “new medievalists” (the equivalent of Held’s “hyperglobalists”), on the other hand, have sounded the death knell on the nation-state, with the international system degenerating to a feudal-like environment, where different power centers, state and non-state actors alike, compete for everything. This is a more Hobbesian view of globalization much like Realism, but does not restrict the contest of power to nation-states alone.

Thomas Friedman (1999) takes this “new medievalist” approach as he attributes any major change in global affairs to market forces (private entities or what he calls “the electronic herd” represented

by multinational corporations or international investment houses) and even “super-empowered individuals” (e.g., Osama bin Laden or George Soros) who have been given new methods of influencing global events by economic openness and technological improvements as a result of globalization.

Kenichi Ohmae (1993) also takes this view but comes to a different conclusion. He claims that “the nation state has become an unnatural, even dysfunctional, unit for organizing human activity and managing economic endeavor in a borderless world.” However, instead of a free-for-all power struggle between states and nonstate actors, he sees the creation of region-states as the primary unit of global economic interaction. This can be seen today in the rise of regional fora such as the APEC, the EU, or the ASEAN.

Indeed, this view that the state and its bureaucratic apparatus may just “whither away” and be replaced by nonstate actors finds validity in how governments today seem helpless in the face of so many new challenges. Environmental degradation, transnational crimes, communicable diseases, terrorism, and migration are just some of the issues that often figure in discussions on how states are increasingly vulnerable in today’s globalizing world. An illustration of state vulnerability to the shifting winds of global forces is the so-called contagion of the 1997 Financial Crisis, which knocked down developing and transition economies such as Thailand, Malaysia, the Philippines, Russia, and Brazil.

This paper takes a more nuanced approach in acknowledging that globalization increasingly impinges on the administration of State affairs through the bureaucracy, and that the national government still remains as the primary actor in global affairs because of its influence, scope and power — economic, political and military. But there is a need to temper this assertion with observable facts of how politics are responding to stimuli — the business community, civil society, international organizations, and other organized groups, both within and outside the State.

Merilee Grindle (2000) points out that while “changes are so significant that they are robbing the state of sovereignty, making the



state less central to national opportunities for development,” the “creation of state institutions in developing countries are essential to address vulnerabilities from globalization.” The United Nations’ *World Public Sector Report* (2001) supports this view. “A strong democratic State and globalization go hand in hand,” says the Report.

This is what Held (2002) dubs the “institutional reformist perspective.” The WB’s 1997 *WDR* states that today, the greatest determinant in development is still an effective state. Indeed, “the nation-state is not about to be replaced as the primary instrument of domestic and global governance” (Keohane and Nye 2000). Not yet, anyway.

### *What globalization means for administrative reform*

Mainstream thought still views globalization as primarily an economic or business phenomenon (Briones 1997), made possible by the developments in information and telecommunications technology, which in turn makes global economic activities more interdependent and connected. Following Held’s account, two of the three schools of thought – the hyperglobalists and the skeptics – clearly favor an economic perspective.

Dani Rodrik (2000) views globalization as “enhanced trade and financial integration” while Jones (2000) sees globalization as “the internationalization of finance and production; accelerating applications of transformational technologies; and the growing interconnections among people” (as cited in UNPAN 2001), while the World Bank (2002) sees globalization as the “growing integration of economies and societies around the world.”

The *World Public Sector Report* of the United Nations (2001) identifies the following forces that spur globalization: trade and investment liberalization policies; technological innovation and the reduction in communication and transportation costs; entrepreneurship; and global social networks. This categorization obviously gives prominence to the economic dimension. According to a document from the Organisation for Economic Cooperation and Development (OECD 1996), globalization is not a single phenomenon. But from an economic perspective, it is “manifested in a shift from a world of

distinct national economies to a global economy in which production is internationalised and financial capital flows freely and instantly between countries” (OECD 1996).

All of these transformations have led to different responses and prescriptions on how the bureaucracies must adapt to globalization. Friedman (1999) identifies a specific economic phenomenon behind globalization and what it implies for government. He describes globalization as the spread of free-market capitalism to virtually every country in the world. The consequent rules of the game that undergird this type of economy is what he calls the “Golden Straitjacket,” which comprises norms and policies that each country must adopt. By and large, they are prescriptions for how governments must behave vis-à-vis the free market economy.

Kamarck (2000) maintains that the economic pressures engendered by globalization have led many governments across the world to undergo national reform movements to synchronize activities and make activities more uniform. Many of these synchronizing activities are synonymous with the concepts espoused by the NPM.

### *New Public Management*

In 2001, the International Association of Schools and Institutes of Administration said the “New Public Management is an example of globalization at work. It has diffused a set of values among the public services of nation-States, subnational units, international and supranational bodies.” It went further to claim that the NPM “provides an object lesson about the nature and effects of globalization on governance in the opening decade of the twenty-first century” (UNPAN 2001). What then accounts for the growth of the NPM?

The 1980s and 1990s saw the ascendance of neo-liberal regimes in several advanced democracies (Pierre 2000). Many countries at the time were reeling from the combined effects of the oil shocks and stagflation, and fingers were pointed squarely at governments for their perceived failure to address these issues as well as the financial burdens that the apparently inutile bureaucracy placed on the citizens who after all were supporting these organizations through taxes (Yergin and Stanislaw 1998).

The United Kingdom's Margaret Thatcher, Canada's Brian Mulroney, and the U.S.'s Ronald Reagan attacked the bureaucracy and blamed it for many of the ills of society. This failure was attributed to the fact that the state had exerted too much control over market forces, thus limiting development and even causing some of the problems. The end result was a call for the retreat of the State from the economy, with various prescriptions on how this should be done. The catch-all concept for all these is the NPM (UNPAN 2001; Kamarck 2000; Friedman 1999; Parsons 1995).

Following the success of these conservative administrations in addressing the economic challenges, the NPM has caught on and has apparently become a widespread, perhaps even global, model for administrative reform (UNPAN 2001). NPM has become the "*Zeitgeist* heralding private enterprise and the market as the superior resource allocating mechanism" (Pierre 2000) in contrast to the inefficiency of government.

The NPM is sometimes attributed to a particular institution or an aggrupation of interests pushing its own agenda. For example, it is seen as a "shorthand for a group of administrative doctrines from the Organization for Economic Cooperation and Development," which stresses economic-based principles in running bureaucracies, and prescribes a minimalist role for government (Ocampo 1998).

Don Kettle (Kamarck 2000) identifies two distinct phases in the development of the NPM — the initial one in the 1980s (dubbed the "Westminster reforms" of New Zealand and the United Kingdom) as governments moved towards free market economies through initiatives such as privatization of state-run corporations and deregulation; and the second phase, which began in the mid-1990s, known as American-style reinvention.

Rhodes (1997) says there are two stages to the NPM: "managerialism" and "new institutional economics." The former refers to the introduction of private sector methods in the public sector, while the latter refers to the introduction of incentive structures such as market competition into public service provision. What are the basic prescriptions of the NPM? Drawing from several accounts, the following factors were found to be the most common bureaucratic reform adjustments being attributed to the NPM:

**Table 1. NPM and its various elements**

"Entrepreneurial Government" Osborne and Gaebler in "Reinventing Government" (1992)	The "Golden Straitjacket" of Friedman (1999)	UN's World Public Sector Report (2001)	OECD (as cited in Ocampo 2003)
Preference for market mechanisms to bureaucratic mechanisms	Making the private sector the engine of growth	Market-like mechanisms	Strengthening steering functions at the center
Catalyzing all sectors to solve problems (as against focusing on the provision of services)	Privatization and deregulation	Privatization and deregulation	Improving the quality of regulation
Empowerment of citizens Promotion of competition Redefining clients as customers	Allowing citizens to choose	Debureaucratization	Providing responsive service Developing competition and choice
Decentralization	Shrinking the size of the bureaucracy	Decentralization	Devolving authority Providing flexibility
Creation of performance measures focusing on outcomes and missions rather than rules and regulations	Eliminating government corruption		Ensuring performance, control, accountability Improving the management of human resources Optimizing information technology

These basic principles have led to new catch phrases such as “results over process,” “downsizing and rightsizing,” “lean and mean,” “contracting out and off-loading and outsourcing,” “steering rather than rowing,” “empowering rather than serving,” “earning rather than spending” (Frederickson in UNPAN 2001). The discourse has thus veered away from traditional notions of public administration and the bureaucracy to a more economic approach.

The commonalities of the various categorizations point to a clear direction – a minimalist government that simply facilitates global market forces; a veering away from the top-down, hierarchical bureaucratic structure; a more open and competition-oriented organization; and an adaptive, decentralized decisionmaking process that empowers its customers and other sectors of society.

How widespread then are these reforms? A survey of 123 countries in 1999 done by Elaine Kamarck (2000) in her study on “Globalization and Public Administration Reform” yielded some statistical evidence:

- 76 percent had established special units for administrative reform
- 60 percent had initiated privatization policies, including contracting out services
- 40 percent had decentralization efforts
- 34 percent had resorted to downsizing the bureaucracy
- 24 percent had regulatory reform initiatives

Whether these countries have adopted the NPM formally, or that these reforms are identical in execution, is another matter. But it appears that this would empirically show that many governments across the world are engaged in some sort of administrative reform process, and that these reforms reflect many of the NPM’s prescriptions.

Concluding that many countries in the world are engaged in adjustments to the new global economy, and that there seems to be a pattern in these adjustments, Kamarck presents four stages which many countries apparently undertake: Level 1 involves the establishment of the rule of law; Level 2 sees the privatization of state industries and the movement to a market economy; Level 3 focuses on capacity-building of the state to support a market economy; and Level 4 sees the state going beyond the bureaucratic paradigm (Kamarck 2000).

There are several ways to explain the existence of similar if not identical administrative reform movements that have been observed. Laurence Lynn, Jr. (2000) cites the work of DiMaggio and Powell (1991) in trying to account for this “convergence” in administrative reform movements. There could be a coercive force (emanating from political or economic factors) that exerts pressure on the bureaucracy to adjust. The similarities could be mimetic, or the “standardization of responses to uncertainty.” Finally, it could be normative, or standardization that is borne out of professional beliefs and values.

Whatever the reason, “governments everywhere are engaged in self-conscious projects of administrative and managerial improvement” (Lynn 2000). Whether it is an international framework set by multilateral institutions such as the WTO and APEC, structural adjustment programmes or conditionalities from the International Monetary Fund (IMF), or the WB’s measures of good governance values, many countries in the world are indeed undergoing bureaucratic reform movements. Whether these movements are prompted by globalization is less important than the fact that many of the initiatives are apparently similar in name, if not in practice. It is important to note that the Philippines is one of the countries which has adopted many of the principles and initiatives espoused by the NPM, as discussed in the succeeding chapter.

### *Role of APEC and WTO*

Given that many scholars emphasize the economic aspect of globalization and that the adjustments of the bureaucracy have to do with fitting in with this international or global framework for economic activity (i.e., putting on the “Golden Straitjacket”), then one of the main drivers of globalization in the Philippines would be the country’s commitment to multilateral institutions, namely, the APEC and the WTO.

These two institutions represent what Welch and Wong (2001) call “global institutional pressure” – defined as “the pressure exerted by an influential institution with a global jurisdiction that has authority and power over or attraction to individual countries and that causes

commitment of resources or effort in the related area.” Potentially, these multilateral institutions may even exert more influence than domestic economic institutions. (Welch and Wong 2001).

This is supported by the OECD, which claims that “the framework of rules within which economic activity takes place is increasingly defined in the international framework of the WTO, the IMF, the WB, the OECD, and G7<sup>2</sup> summits, and is heavily influenced by regional trading blocks such as APEC, the European Union and NAFTA.”

The APEC and the WTO have played vital roles in trade liberalization and the opening up of national economies to the global market. Following the discussion above, they constitute two very powerful forces that are responsible for globalization today. The WTO is the only multilateral organization that promotes trade with all major countries as members, while APEC is one of the most important regional trade arrangements that complements the WTO and includes the largest economies of the world outside of Europe.

The APEC began in 1989 when Australia hosted the first annual Ministerial Meeting of Foreign and Trade Ministers from 12 Asia-Pacific economies<sup>3</sup> to discuss ways to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. Since then, it has worked to reduce tariffs and eliminate trade barriers across the region, creating efficient domestic economies and dramatically increasing exports. Its current 21 members comprise more than a third of the world’s population, and represent approximately 60 percent of gross world product and about 47 percent of world trade. It also proudly represents the most economically dynamic region in the world having generated nearly 70 percent of global economic growth in its first 10 years.

APEC is also the only intergovernmental grouping in the world that operates on the basis of nonbinding commitments, open dialogue, and equal respect for the views of all participants. It has no

<sup>2</sup> Or Group of 7 industrialized nations, namely, France, Germany, Italy, Japan, United Kingdom, and the United States

<sup>3</sup> APEC’s 21 Member Economies: Australia, Brunei Darussalam, Canada, Chile, People’s Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, the Russian Federation, Singapore, Chinese Taipei, Thailand, United States of America, Viet Nam.

treaty obligations required of its participants and decisions are made by consensus. Several general principles apply to its liberalization and facilitation process under the Osaka Action Agenda: comprehensiveness, WTO consistency, comparability, nondiscrimination, transparency, avoidance of protective measures, simultaneous start, continuous process and differentiated timetables, flexibility, and economic and technical cooperation (Osaka Action Agenda 1995).

The WTO, which began in 1995,<sup>4</sup> advocates trade liberalization, with governments negotiating trade agreements and settling trade disputes. Its objective is to reduce tariffs and set limits to the amount of trade through quotas and other such restrictions. Moreover, it has expanded to include issues such as intellectual property rights, government procurement procedures, and electronic commerce.

The WTO is founded on the same principles as its predecessor, the General Agreement on Tariffs and Trade (GATT): nondiscrimination and reciprocity. Nondiscrimination means that every WTO member must be accorded the most-favored-nation status and must have fair treatment. Reciprocity means that the same benefits or rights must be exchanged among the members based on the principle of equality of sovereignty. The WTO operates a system of trade rules. Unlike in the APEC, agreements in the WTO are negotiated and signed by a large majority of the world’s trading nations, and ratified in their parliaments. These agreements, essentially contracts, are the legal ground rules for international trade. They bind governments to keep their trade policies within agreed limits to everybody’s benefit.

The two institutions have continuously explored opportunities for cooperation. It is said that when the Uruguay Round was in deadlock in 1993, it was APEC that maintained the momentum for trade liberalization at the regional level. And when the APEC failed to reach an agreement with the Early Voluntary Sectoral Liberalization consultations, it was the WTO which took over the initiative (Yanai 2000).

As mentioned earlier, one of APEC’s core principles is consistency with WTO. APEC decisions recognize the superiority of the WTO system and emphasize that regional liberalization must

<sup>4</sup> Its trading system is half a century older: Since 1948, GATT provided the rules for the world trading system.

be implemented in accordance to the WTO framework. In 1996, APEC pursued a partnership with WTO and called for cooperation on trade liberalization at the regional and multilateral levels. As the ministers put it, “APEC’s voluntary framework and the WTO’s legal one can mutually reinforce liberalization and the process of analysis and consensus building in one forum to progressing negotiations in another” (APEC 1996).

Whether as binding treaties or principled agreements among nation-states, APEC and WTO commitments remain important catalysts of change as the Philippine government remains committed to both multilateral agreements. And these commitments will definitely impact the bureaucratic agencies that have to implement and comply with these sovereign commitments.

Furthermore, global economic integration is forcing bureaucracies worldwide to be more functional, efficient, predictable, and stable. Rodrik (2001) asserts that globalization is putting a premium on solid national institutions, and that the stakes for developing countries (such as the Philippines) are greater because they have weaker institutions. We can therefore expect to see this pressure translate to actual initiatives at the national bureaucracy to meet these demands for efficiency, predictability, stability, and functionality.

Briones (1997) maintains that “as one of the earliest members of this [WTO] organization, the country is under obligation to comply with policies, rules and regulations. (T)his has implications not only for policy but also for actual programs and projects in the Philippines.” Of course, there is no single model for reform, as the OECD notes, and following contingency theory, the organizational responses will be different on a per-country, and even per-agency, basis.

### *Governance perspective*

Like globalization, the concept of governance also does not have a universally accepted definition, but many agree on what is behind it and what its basic elements are. A survey of the definitions of governance yields the following:

- “The process whereby elements in society wield power and authority, and influence and enact policies and decisions

concerning public life, economic and social development” (The International Institute of Administrative Sciences 1996, as cited in Cariño 2003).

- “The manner in which power is exercised in the management of a country’s economic and social resources for development” (World Bank 1997; adopted by the ADB).
- “Administering in a political context and directing competence towards the broadest possible interest” (Green and Hubbell 1996).
- “Capacity of states, social actors, and economic operators to guarantee the systemic management between democracy, market and equity” (UNDP 1996).

These definitions clearly do not indicate any one major actor in “governance,” and that government (through its bureaucracy) may just be one of the institutions that is wielding authority and influence, administering in a political context, and soundly exercising this authority for development. Thus, the major difference between governance and traditional public administration is that the latter focuses solely on government, whereas the former takes into account other actors in society.

The UNDP definition identifies two actors other than the state: social actors (or civil society) and the private sector. Interrelationships and interactions between and among the State, the private sector and civil society groups are called tripartite governance.

Rhodes (1997) presents six categorizations of what the governance may refer to. It may mean a minimalist state, corporate governance, “good governance” (as espoused by the WB), a socio-cybernetic system, self-organizing networks, or new public management. With this typology, Rhodes has identified the apparent intersection between governance and globalization at the point of NPM, which is seen as the response of government (plus other sectors) to a globalizing world.

This is echoed by Pierre (2000), who claims that the globalization of the economy and the growing importance of transnational political

institutions like WTO have led to an increased interest in the concept of “governance” as States cut back services as a result of diminishing resources and capacities, as well as the search for alternative service delivery systems (Pierre 2000).

Hence, the call for the retreat of the state from economic life (through the NPM’s prescriptions in privatization, deregulation, and decentralization) has increased the need to identify different ways by which activities of society may be regulated and services delivered. The need to supplement or replace the all-too-visible hand of the State with the invisible hand of the market has resulted in the re-conceptualization of the role of governments. In governance, the State then is seen merely as a facilitator who provides resources to assist markets and communities (Cariño 2003). This is the “catalytic government” view of reinventing government, one which prefers “steering” (policymaking) over “rowing” (service delivery).

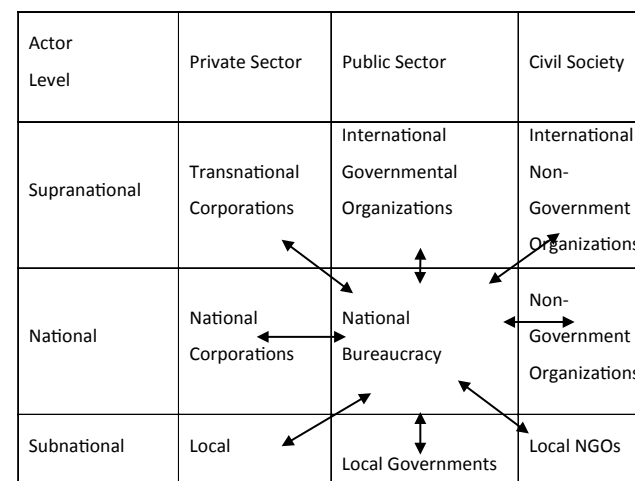
Cariño (2003) identifies four factors pushing the concept of governance to the fore: the quest for growth and development, the environmental movement, globalization, and consolidating peace. According to her, there would be no issues with government if it were business-as-usual. But due to rapid social and technological change, good governance, rather than just good government, is needed.

Harlow (2001, as cited in Wooldridge 2004), asserts:

“In the global economy, the balance of power has shifted sharply between public and private sectors. National governments can no longer rely on command. Their administrations are learning to lobby and network, and structures may change to reflect a market ideology, as governments learn to accommodate relationships with international capital and public international organizations.”

Since governments have to accommodate relationships with other actors – not just international organizations, as Harlow states, but domestic ones as well – a “multilayering” of governance relationships has emerged. This has been made possible by the rise of different centers of power that exert pressures on the State. It can be seen in the following matrix adapted from by Keohane and Nye (2000).

**Figure 2. Multilayered governance**



In this model, the power of the government over decisions in society is then shared sideways between market and civil society groups (such as nongovernmental organizations) in addressing national needs. This sharing of decisionmaking could also be “upwards,” that is, toward international governmental organizations (such as the United Nations or APEC), transnational corporations, or international civil society groups (such as the World Wildlife Fund or Amnesty International). Finally, this power can also be pushed downwards through decentralization and community empowerment, with local businesses, peoples’ organizations, and community organizations being tapped to address local needs (Figure 2).

At any given time in a particular policy issue, there could be multiple actors involved in the various stages of policy formulation, implementation and evaluation. In terms of economic management, an international governmental organization like the WTO may set the rules of the game, but it is the representatives of national government agencies that negotiate and implement the rules. However, civil society groups may exert pressure in this forum (as seen in the massive protests during the 1999 WTO Ministerial Conference in Seattle, for example). Of course, it is the profit margins and operations of

private sector entities such as domestic or multinational corporations that are directly hampered or facilitated by these rules of the game emanating from the WTO.

The complexity of governance means that the bureaucracy does not simply respond to internal pressures and demands for reform. Agendas for action, as previously mentioned, can result from global institutional pressures. It could also come from the local or national private sector or civil society organizations. It could be coercive, mimetic, or normative, or a combination of the three.

At any rate, the performance of governments still matters a lot, as the institutional reformists assert. It does provide the environment in which civil society and the market function. The framework that governs the interactions of the three major players at the different levels is determined to a great extent by what government does. Thus, government performance and its measures are increasingly becoming important as a gauge by which the private sector makes important investment (and divestment) decisions, and to determine the extent to which civil society can participate.

This is why the World Bank has begun the performance evaluation of governments worldwide by looking at “good governance” indicators. This is Rhodes’s (1997) third characterization of governance, shaping the lending policy of the World Bank and serving as either a coercive or normative pressure for bureaucratic reform, depending on one’s point of view.

In this view, good governance is seen as the existence of “an efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; an independent auditor, responsible to a representative legislature; respect for the law and human rights of all by government; a pluralistic institutional structure, and a free press” (Leftwich 1993, as cited in Rhodes 1997).

### ***Good governance indicators***

The WB has identified six dimensions of good governance which are seen as the major determinants of how governments are selected and replaced, the capacity of governments to formulate and implement

policies, and how citizens view the institutions that govern them. These dimensions and what each tries to measure are:

1. *Government Effectiveness*: responses of quality of the bureaucracy and public service, independence of civil service from political pressures, and the credibility of government’s commitments to policies;
2. *Voice and Accountability*: different aspects of civil and political rights, and citizen’s participation in the selection of governments;
3. *Political Stability and Absence of Violence*: perceptions of likelihood that the government will be destabilized or overthrown by unconstitutional or violent means;
4. *Regulatory Quality*: incidence of market-unfriendly policies such as price controls, burdens imposed by excessive regulation in foreign trade, inadequate bank supervision;
5. *Control of Corruption*: perceptions of extent of use of public power for private gain;
6. *Rule of Law*: extent to which agents abide by rules of society, incidence of crime, effectiveness and predictability of judiciary, and enforceability of contracts (Kaufmann 2002).

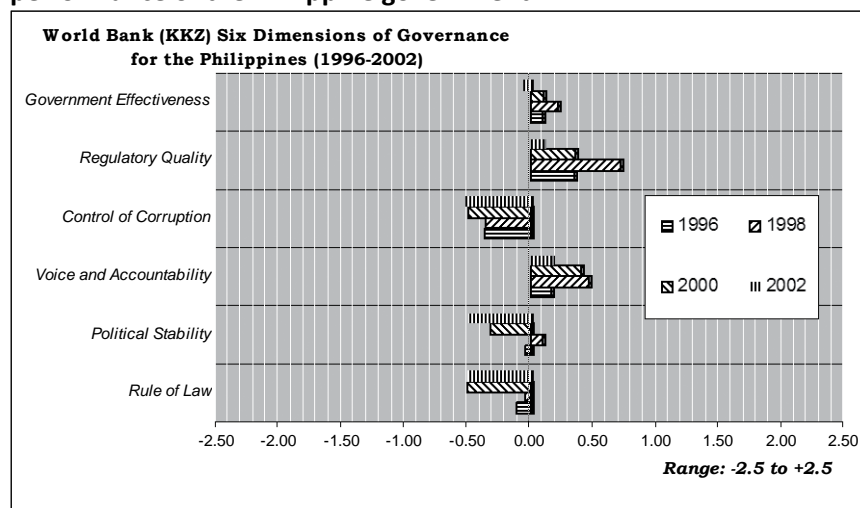
Figure 3 shows the rating of Philippine government in the past four survey periods covered by the World Bank based on each good governance indicator.

The average global score in every period for each indicator is zero, and may move toward +2.5 (highest) or –2.5 (lowest).

Since 1998 the Philippine has steadily declined vis-à-vis all indicators, and this does not bode well for the international community’s perception of the Philippine government. Rule of law and control of corruption measures all indicate a performance that leaves much to be desired, with Philippine scores falling below the 40 percentile mark, whereas political stability is even below the 30 percentile, most likely because the indicator year was immediately preceded by the political upheaval of 2001. Even the “Voice and Accountability” measure, while still positive, has steadily gone down and is indicative of an eroding perception of the government.

Other global measures of governance such as the Growth Competitiveness Report of the World Economic Forum, the World

**Figure 3. World Bank good governance indicators (1996–2002) and the performance of the Philippine government**



Competitiveness Yearbook of the International Management Development, and Transparency International's Corruption Perception Index also paint an unflattering image of the Philippines. Based on many of these measures, the Philippines is often at the lower rungs of government performance in Southeast Asia, and the declines have been quite recent. Below is the rating of the Philippine government in the past four survey periods covered by the WB based on each good governance indicator.

What then is the true state of the Philippine bureaucracy today? What is the historical, politico-legislative and economic context in which it is working in? How has the national government approached reforming its agencies? Has it been influenced by NPM? These questions are addressed in the succeeding chapter.

### Legislative and political context of the Philippine bureaucracy

*"The fundamentals of an independent, merit-driven civil service have long ago been established in the Philippine constitution: Government does not have to be reinvented...."*  
(Root 1996)

Emerging from what Samuel Huntington labels as the "Third Wave" of democratization, developing countries such as the Philippines are struggling to surmount new and more difficult challenges to development.

The first of these challenges was to strengthen the bureaucratic apparatus of the State to improve servicing the public interest. This was supposed to be achieved after several decades of cooptation or subversion from authoritarianism and dictatorship. According to Grindle (2000) "developing countries almost invariably possess weak governance institutions that can function effectively in a democracy. Weak institutions of governance are also a defining characteristic of developing countries. Democratization in the 1980s and 1990s did not noticeably put an end to problems of rent seeking, abuse of power, or institutional incapacity and decay." In the Philippine context, this aptly describes the situation of the post-Marcos bureaucracy.

The Marcos regime made many significant policies that shaped how our bureaucracy is run today. The elevation of the Civil Service Commission (CSC) to the status of a constitutional body was by fiat of the 1973 Constitution (and later the 1987 Constitution). Presidential Decree No. 1 put into effect the Integrated Reorganization Plan, which resulted in an extensive transformation of the civil service – partial decentralization, creation of administrative regions, standardization of office functions, abolition or merger of offices, and the creation of a central planning entity, the National Economic and Development Authority (NEDA). PD No. 1 also led to massive purges as scores of civil servants were fired. Presidential Decree 807, or the Civil Service Code, established the Civil Service as the central personnel agency of government (De Leon 2002; Rosas 2000; ARMDEV 1998; Endriga 1985).

However, under the Marcos regime, the bureaucracy was transformed into an instrument to serve the interests of the powers-that-be instead of the public interest. As Endriga (1997) notes, Marcos made the civil service "more subservient than at any other time in history." The almost two decades of dictatorship led to a reorientation of the civil service away from the democratic principles of representativeness, responsiveness and responsibility. With the ousting of the dictatorship in 1986, several legislative and policy initiatives were undertaken to restore public trust in the bureaucracy.



## Redemocratizing Philippine bureaucracy

The 1987 Constitution laid the groundwork for the conduct of public officials. Article 11 devotes 18 sections to the accountability of government officials. The Anti-Graft and Corrupt Practices Act (Republic Act 3019) was enacted in 1960, the Code of Conduct and Ethical Standards for Public Officials and Employees (RA 6713) in 1989, and the Anti-Plunder Law (RA 7080) in 1991.

The bureaucracy had to function once more under a republican, democratic, presidential structure. This structure was built not for efficiency, but to ensure there is no over-concentration of powers. This meant dealing with different power centers that resulted from the reestablishment of the checks-and-balance mechanism of a presidential system. A very vibrant and sometimes oppositionist bicameral legislature, and an increasingly activist judiciary became regular features in policymaking and execution.

Redemocratization also meant the creation of more access channels for citizen's participation. This is evident in the decentralization process, made possible by the passage of the Local Government Code (LGC) (RA 7160) of 1991, as well as the enshrinement of civil society participation in governance and the Constitutional emphasis on the private sector as the engine of economic growth.

Finally, emerging from years of authoritarianism meant that the Philippine bureaucracy had to be weaned away from the value system that was predominant circa pre-1986. This entailed the reestablishment of civilian supremacy over military rule, respecting the rule of law, ensuring that transactions were more open to public scrutiny, and that the duty ethic would lead to accountability in government. The presence of a very active and adversarial media, as well as the rise of watchdog groups, have all served to constrain negative bureaucratic actions.

However, the (re)birth pangs of democracy became apparent as the bureaucracy faced one crisis after another. When the revolutionary government of President Corazon Aquino came into power, it set up the Commission of Government Reorganization with the following

aims: “de-Marcosify” the bureaucracy, reduce its size, increase decentralization, decrease government’s role in the economy, and increase accountability, efficiency and cost effectiveness” (ARMDEV 1998).

This period also coincides with the rise of New Public Management, and that these reforms reflect many of the NPM’s prescriptions. According to Cariño (1990) the Aquino government had “reaffirmed its commitment to free enterprise and people power, both implying a reduced role for itself,” and that this reduction would occur with privatization and citizen participation – two key concepts that would guide subsequent legislation and policies undertaken during that period, and which underpinned the NPM.

This then led to the broadest and fastest reorganization experienced by the civil service, which covered 22 administrative offices, 250 government-owned and controlled corporations, and was accomplished in three months and 10 days (ARMDEV 1998).

### *“De-Marcosification”*

According to Patricia Sto. Tomas (1998), former chairperson of the CSC, the so-called “de-Marcosification” during the Aquino administration did not bode well for members of the civil service because “it was selective and arbitrary.” The period 1986–1987 was extremely turbulent for the Philippine bureaucracy, and in the purge that followed scores of career personnel were fired, while the technocrats, politicians and other high-ranking officers who managed to switch sides and abandon the dictatorship at the last moment were retained (Sto. Tomas 1998).

This led to great disaffection with the Aquino administration because the reorganization was seen as an excuse to practice patronage politics. Positions were granted to people according to their newfound political loyalties while the practice of the “spoils system” became rampant. As a result, the bureaucracy during Aquino’s regime became very top-heavy (Sto. Tomas 1998), with some departments (e.g., Agriculture, Agrarian Reform, and Environment and Natural Resources) having as many as five undersecretaries and eight assistant secretaries (ARMDEV 1998).

The depoliticization of the armed forces was facing a similarly uphill battle, with huge setbacks brought about by the nine coup attempts that rocked the Aquino administration in less than four years. Clearly, the ethic of civilian supremacy had yet to take hold. Even more than a decade later, manifestations of military adventurism (i.e., the Oakwood mutiny) still persist.

### *Security of Tenure Act*

The Aquino administration had to stabilize the situation with the bureaucracy. In 1987, an Administrative Code was passed, which integrated the various statutes pertaining to the civil service in one document. In 1988, RA 6656, or the Security of Tenure Law, was also passed. Government reorganization then became methodical and orderly, as due process was observed in the hiring and firing of bureaucrats (Sto. Tomas 1998).

The Security of Tenure Act has gotten mixed reviews in view of its perceived impact on the civil service. On one hand, the members of the bureaucracy have been provided protection against the vagaries of political change (perhaps as the logical consequence of what has since been perceived as the arbitrary and wholesale dismissals during the “de-Marcosification” purge). In theory, civil servants could now fulfill their functions and obligations without fear of political backlash.

On the other hand, security of tenure has been attacked because it has made the removal of government personnel extremely difficult. Personnel inefficiency or negligence, unless really pronounced, is not sufficient ground for dismissal from the bureaucracy. Thus, civil servants have become “headless nails” – once in, it is almost impossible to get them out. The consequences of this are obvious. Inefficient and ineffective employees get to stay on, depriving civil service of more competent people. The delivery of public service also suffers, with employees not really facing any sanctions for lackluster performance (despite the existence of the performance evaluation system in government), seemingly secure in the knowledge that for as long as they are not criminally negligent, they are sufficiently protected by the Security of Tenure Law.

The law also makes quick responses to changing demands difficult. Some changes in personnel requirements resulting from, say, technological innovations cannot be addressed. In an extreme case, some government workers left computers to accumulate dust in storerooms because they were fearful of or unwilling to use such technology (Sto. Tomas 1998).

But some feel that such a situation in the reconfiguration of the government workforce to respond to change is a small price to pay for insulating civil servants against the constant buffeting of political forces in the public bureaucracy. This is the age-old dilemma conveyed by the politics-administration dichotomy model, one of the theoretical constructs in public administration.

### *Salary Standardization Law*

RA 6758, entitled “An Act Prescribing a Revised Compensation and Position Classification System in the Government,” or more popularly known as the Salary Standardization Law (SSL), was also passed in 1989. It was envisioned as a mechanism to make civil service salaries comparable with the private sector. This was a measure that also aimed to attract better people toward government service.

It did succeed in its quest to give parity to government and private sector salaries, with an average increase of 160 percent from the 1993 baseline salary of government employees. However, this was true only for the lower positions. The law also had unintended consequences. Naturally, it led to a ballooning of the wage bill for the bureaucracy (discussed in detail in the section below, titled “Cost of Running a Bureaucracy”) and wage compression (Gonzalez and Mendoza 2002).

The SSL immobilized many government agencies from merit-based rewards for performance, as the salaries were fixed to a standard formula, making it harder to reward exemplary performance at the agency level without resorting to a promotion in rank. Thus, the SSL created the proverbial straitjacket for most, while those government branches or units with clout managed to obtain legislative exemptions. These include the judicial branch, the police and the armed forces, and government corporations.

While these exemptions may be justified in many cases, other civil servants who were tied down to the standards in compensation felt aggrieved.

### *Decentralization and tripartite governance*

As previously mentioned, the 1987 Constitution established the foundation for tripartite governance and decentralization. The Aquino administration was responsible for the passage of Republic Act 7160, or the LGC of 1991. The Code basically provided for the decentralization process in order to address the symptoms of the so-called “Imperial Manila” syndrome – overconcentration of administrative and political power in the nation’s capital.

Decentralization was undertaken with two major aims. The first was to achieve administrative efficiency through faster decisionmaking, as local units are able to take control of their own fates. The second and more important reason was to increase people’s participation as government is brought down to the grassroots level. This promotes people empowerment, particularly in the Philippines, which has a sub-city level in the baranggay, which is seen as a mechanism for direct participation in community affairs (Tapales n.d.)

Along with decentralized political powers, several administrative functions were devolved to the LGUs. Among these are field health and hospital services; social services, community-based forestry projects, locally funded public works, school building programs, tourism facilities development, telecommunications and housing projects (for provinces and cities only), enforcement of the national building code, reclassification of agricultural lands, and agricultural extension and on-site research (Brillantes 1998).

The LGC also institutionalizes and strengthens civil society participation in the different local development councils such as the Local Development Council, the local health board, and the school board. It mandates representation of nongovernment organizations to strengthen the democratic process by giving people direct participation in the policy making process at the local level. By mid-1990s there were over 16,000 civil society groups accredited

for participation in the country (Brillantes 1998). These are measures reflective of the NPM. But whether the decentralization effort (as well as other reforms) of the Philippines was due to the formal adoption of NPM has not been publicly acknowledged.

### *Privatization*

Another major NPM prescription is privatization. In the Philippine economy, there was a rapid expansion of the public enterprise sector in the Philippine economy from 1975–1985, which grew from 70 corporations in 1973 to 303 in 1985. As a strategy for sustainable economic growth and as a quick solution to the persistent fiscal burden imposed by inefficient public enterprises, privatization was undertaken. In December 1986, President Corazon Aquino issued Proclamation No. 50, creating the Asset Privatization Trust (APT), which was mandated to dispose of government assets under the supervision of the Committee on Privatization (Patalinghug 1996).

According to Reforma (2003), privatization had the following goals, three of which were accounted for by the NPM:

- As a mechanism to get government out of the business of private sector
- Dispose of nonperforming assets to fund the agrarian reform program
- Ease financial burden of government by reducing outlays for GOCCs, and
- As part of the conditionalities of the IMF in its stabilization and structural adjustment programs

Philippine privatization moves happened in three waves: the first being the initial stage in 1986 in which many surrendered and sequestered assets of Marcos cronies were disposed (in line with the de-Marcosification strategy). The second wave started in 1990 in the power sector, and was replicated in other sectors such as infrastructure and water. The present stage is the third wave in which government is privatizing services such as the postal services, housing, and health (Ortile n.d.). This period and the rationale for this administrative

reform then neatly coincide with the global movement in NPM as discussed in the preceding chapter.

The Philippine Privatization Programme has resulted in a trimming down the number of government-owned and controlled corporations (GOCCs) from 301 in 1986 at the beginning of Aquino's term to 79 in June 1994, midway through the term of Ramos. Most of the privatized entities involved the largest GOCCs such as Petron, National Steel Corporation, Philippine National Bank, and the Metropolitan Waterworks and Sewerage System.

The impact of GOCC privatization on the bureaucracy is clear. According to the APT 1995 annual report, revenues generated from the disposition of government assets from 1987–1995 amounted to more than PHP33 billion (Patalinghug 1996). UNPAN (1997) states that up to 1996, gross revenues from the sale of 91 GOCCs and other assets were at PHP170 billion. Substantial improvement in the management of the government corporate sector was also made (with standard corporate planning models adopted by the remaining GOCCs), and the leakage from GOCCs was contained (UNPAN 1997).

As a natural consequence of privatization, the number of government personnel in GOCCs went down from 111,707 in 1996 to 97,142 a year later, which went down further to 84,971 in 1999 (PSY 2002). When the Ramos administration took over in 1992, it had a “3-pronged strategy to right-size bureaucracy — attrition, privatization, and devolution” (ARMDEV 1998), two of which, as earlier mentioned, were initiated during the Aquino administration.

In the Medium-Term Philippine Development Plan (MTPDP) 1993–1998 of the Ramos Administration, the aims of administrative reforms were “private initiative and people empowerment, decentralization and local autonomy, effective frontline services, transparency and accountability, and cost-effectiveness.” There was a clear delineation between private and public sector functions, and a call for streamlining and rationalization of the structures of the bureaucracy. Again, these prescriptions are synonymous with the NPM.

The disposition of these GOCCs led the United Nations Public Administration Network (UNPAN 1997) to claim that in the

**Table 2: Employment of state corporations and other entities as a ratio to total population**

	1990 (or closest 2 years)	1997 (or closest 2 years)
Philippines	0.2	0.1
Average for Developing Countries	2.5	2.3
Average for Developed Countries	1.6	3.1
Average for Transition Economies	19.7	8.9
Global Average	5.7	3.7

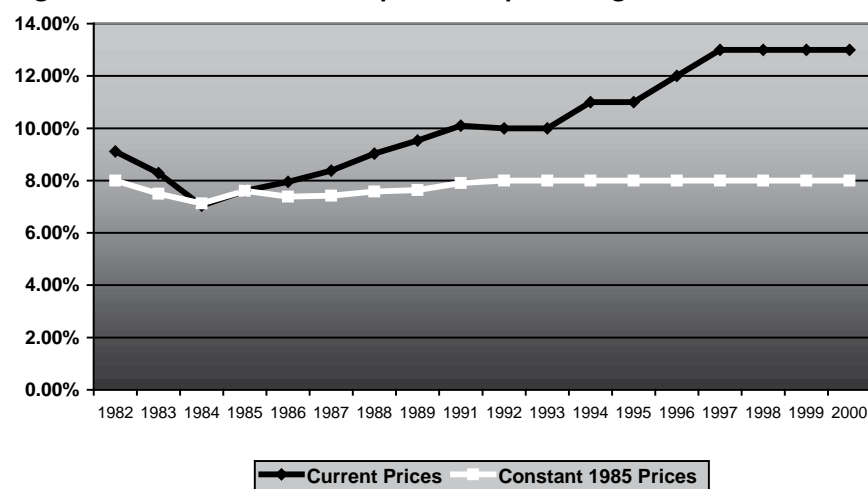
Source: UNPAN World Public Sector Report 201

Philippines, “virtually all commercial activity is now in the hands of the private sector.” Table 2 clearly illustrates the low level of employment in state-run corporations in the Philippines vis-à-vis the global average and that of developing countries.

As a matter of fact, in the intervening years of this global survey (1990–1997) it was the developed countries on the average that had increased their employment in state-run corporations, whereas the Philippines followed the global trend to downsize employment in public sector corporations.

Figure 4 details the Philippine government consumption as a percentage of the gross domestic product (GDP) from 1982 to 2000. According to Heritage House's Index of Economic Freedom government consumption as a percentage of GDP serves as a starting point in determining the level of government intervention in the economy. The interpretation of what the percentages mean are shown below.

With this measure, the assertion that government is too big seems to be a misplaced one. At current prices, government consumption has not exceeded 13 percent, which is ranked as “low intervention” by Freedom House. However, if one utilizes constant 1985 prices, then the Philippine government consumption has remained steady at 8 percent for the past two decades, placing it at a “very low intervention” level. While this measure has limitations (since a large portion consists of the wage bill), it is a more accurate gauge of what consumers gain from government spending (Gonzales and Mendoza 2002).

**Figure 4. Government consumption as a percentage of GDP**

Source: ADB Key Indicators of Developing and Asia Pacific Economies (2000; 2002)

In contrast, the United States rates government consumption at 24 percent of the GDP.

<i>Below 10% of GDP</i>	<i>= very low intervention</i>
<i>11-25% of GDP</i>	<i>= low intervention</i>
<i>26-35% of GDP</i>	<i>= moderate intervention</i>
<i>36-35% of GDP</i>	<i>= high intervention</i>
<i>46% or more</i>	<i>= very high intervention</i>

### *Trimming the fat off the civil service*

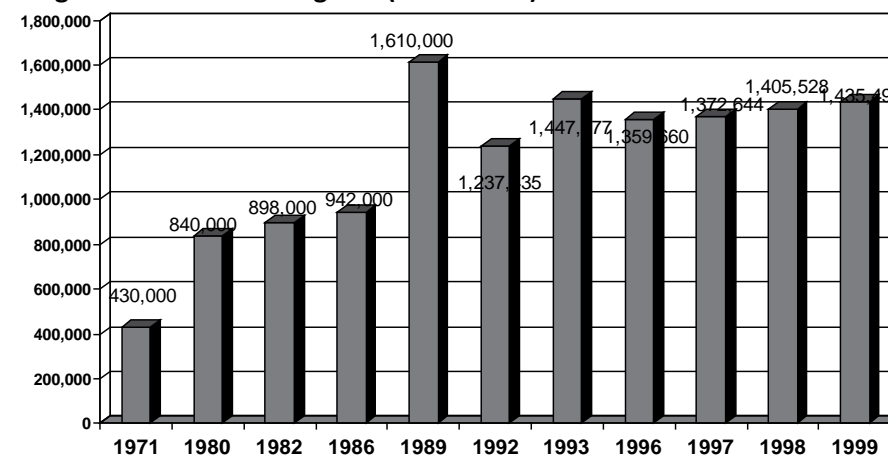
One of the main tenets of the NPM is the downsizing of the bureaucracy as a natural consequence of limiting the role of governments. While the Aquino administration had reducing the excess number of civil servants as one of its rationales for the bureaucratic purges during the “de-Marcosification” period, the number of civil servants increased considerably in a paradoxical turn of events (Endriga 1997).

Therefore, one of the first actions taken by the Ramos Administration was to implement RA 7430, “An Act Providing for Optimum Utilization of Personnel in Government Service Through a System of Attrition,” otherwise known as the Attrition Law. This was enforced from 1992 to June 1997 (UNPAN 1997, Associated Resources for Management and Development, Inc. 1998).

The Attrition Law was a frontal attack on what had been perceived as a bloated bureaucracy during the Aquino Administration (Sto. Tomas 1998). Its main objective: downsize government. Its main instrument: freeze hiring and prevent the filling of positions once rendered vacant by retirements or death.

But this was apparently an exercise in futility as the data in Figure 5 below shows. This may be attributed to a natural tendency of the bureaucracy to grow. As Downs (1967) said: “Bureaus will naturally or inherently seek to expand even if there is no reason to. In fact, all organizations tend to expand. Because expansion can lead to more prestige, power, stability, better chances of survival and harder to change, so more resistant to external forces.”

Thus, despite the enactment of the Attrition Law, the Philippine bureaucracy had in fact grown in size,<sup>5</sup> although the growth rates of

**Figure 5. Civil Service figures (1971–1999)**

Sources:

1982-1989 figures from Sto. Tomas 1998  
 1980 and 1992 figures from UNPAN 1997  
 1993 figure from Sto. Tomas 1995  
 1996 to 1999 figures from the CSC website

<sup>5</sup> Based on its 1998 study for NEDA, the Associated Resources for Management and Development came up with the following figures for the bureaucracy:

1993 – 1,066,928

1995 – 1,014,284

1996 – 994,598

This paper utilized data from the Civil Service Commission (1996 and 1997), which are based on occupied positions.

the number of personnel was clearly arrested as shown by the figures immediately preceding the implementation of the Attrition Law and immediately after its effectivity. According to the UNPAN (1997), the Philippine Civil Service human resource complement more than doubled from 430,000 in 1971 to 840,000 in 1980, to almost a million in 1985, but the law arrested the growth of government employment, and generated a savings of over Php6 billion in the five-year period:

### *Reinventing and reengineering the government*

The bureaucracy under Ramos made significant headway toward development. A bureaucratic reform movement was even plotted out with the end goal of “reengineering” the civil service. Making global competitiveness a flagship program, the bureaucracy was able to undergo some “load shedding” by the continued disposition of GOCCs to pursue the twin thrusts of market liberalization and privatization. But the reengineering plan remained just that, because Congress failed to lay down the legal framework for streamlining the bureaucracy (UNPAN 1997).

According to Danilo Reyes (1994), the MTPDP under the Ramos administration had “remarkable parallelisms” between the goals of Philippines 2000 and “reinventing government” advanced by Osborne and Gaebler. It called for “reduction in the size of the bureaucracy, facilitation of consensus in decisionmaking, strengthening of government capabilities to implement policies and programs through LGUs and volunteer organizations, the implementation of agency management improvement reforms, and the improvement of peace and order, law enforcement, and justice administration” (Reyes 1994). This shows a combination of managerialism and new institutional economics goals as manifestations of the NPM, side by side with traditional concerns of public administration.

All the MTPDP gains and plans, however, suffered heavy blows as a result of the Asian Financial Crisis just as Ramos was ending his term. The peaceful and orderly transfer of power to the newly elected president, Joseph Estrada, meant that the bureaucracy had to weather the adverse effects of the crisis under a new leadership.

On October 19, 1999 President Estrada issued Executive Order 165, “Directing the Formulation of An Institutional Strengthening and Streamlining Program for the Executive Branch.” This defined the Estrada administration’s priority vis-à-vis the bureaucracy, and laid down the “Reengineering the Bureaucracy for Better Governance Program.” It called for streamlining the executive branch by directing heads of departments and other levels to remove activities no longer essential in the delivery of services to the public. It also called for the establishment of productivity enhancement programs.

Estrada set up the Philippine Commission on Effective Governance (PCEG) in October 1999 to prepare a “Public Sector Institutional Strengthening and Streamlining Agenda” for administrative reform in the executive branch. The PCEG was also tasked with creating an Integrated Administrative Reform Plan that would contain measures such as human resource development, improvement of the incentives and rewards system in government, and shifting the structures and focus of some agencies.

Estrada’s term, however, was plagued with charges of corruption and incompetence, and the reengineering initiatives had the same fate as that of the Ramos administration’s plan. The Second EDSA Revolution of January 2001 abruptly ended Estrada’s presidency two-and-a-half years of his six-year term.

Upon her assumption of office, President Gloria Macapagal-Arroyo continued the initiatives to streamline the bureaucracy, but as yet has no overall agenda for reform in the bureaucracy. In the MTPDP 2001–2004, her administration adopted the “Reengineering the Bureaucracy for Better Governance Program” started by the previous administration. The Presidential Committee on Effective Governance (PCEG), which was created as part of the program, seemed to be the adhoc body that would serve as the focal point of administrative reforms in the civil service.

In 2002, 77 agencies and task forces attached to the Office of the President and which had a combined workforce of 110 were abolished, thus generating savings of PHP 56 million in annual salaries

and overhead expenses.<sup>6</sup> The PCEG also recommended the abolition of 6,082 positions in 13 line agencies, which resulted in a projected savings of PHP 1.5 billion annually. But this was to be offset by the plan to hire an additional 18,000 public school teachers and 5,000 military personnel in 2004.<sup>7</sup>

The 13 agencies targeted for closure are the following:

- International Coffee Organization Certifying Agency (Trade and Industry)
- Bonded Export Marketing Bond (Trade and Industry)
- Construction Manpower Development Foundation (Trade and Industry)
- Bureau of Maintenance and Bureau of Equipment (Public Works)
- Telecommunications Office (Transportation and Communication)
- Office of Transport Cooperatives (Transportation and Communication)
- Cotton Development Administrative Authority (Agriculture)
- Agricultural Credit Policy Council (Agriculture)
- Commission on Filipinos Overseas (Foreign Affairs)
- Commission on Settlement of Land Problems (Justice)
- Philippine National Volunteer Service Coordinating Agency (Economic and Development Authority)
- National Book Authority
- The National Printing Office<sup>8</sup>

Pending the passage of a reengineering legislation, streamlining was initiated at the department level through the issuance of executive orders by the President – EO 102 for the Department of Health; EO 15 for the Department of Social Welfare and Development; EO 5 for the National Statistics Office; EO 95 for the Department of Budget and Management; EO 112 for the Department of National Defense; EO 124 for the Department of Trade and Industry; EO 162 for the DA; and EO 290 for the Department of Agrarian Reform. Another

<sup>6</sup> " " Philippine Daily Inquirer, July 31, 2003.

<sup>7</sup> " " Manila Times, March 12, 2003

<sup>8</sup> Slated for privatization but the executive order for which had not been issued, according to July 31 report of the Philippine Daily Inquirer cited above.

initiative was the deactivation of the Economic Intelligence and Investigation Bureau through EO 191 (MTPDP 2001–2004).

Policies on continued and improved decentralization have been pursued alongside privatization efforts. For example, RA 9136, or the Electric and Power Industry Reform Act, which was passed in June of 2001, finally privatized the National Power Corporation (NAPOCOR). NAPOCOR was seen as a huge drain on government resources due to its huge debt, estimated at PHP801 billion in 1999.

Even after the Aquino administration ended, government efforts to improve the performance of the bureaucracy remained anchored on the solid legislative environment created immediately after redemocratization in 1986 — the Constitution, the Administrative Code, the LGC, the SSL, and the privatization thrusts of government. Many of these reform initiatives that were and are still being implemented reflect to a great extent many of the principles espoused by the NPM.

The Ramos administration, for example, had explicitly acknowledged the necessity of these reforms due to the pressures of globalization. The other reforms such as de-Marcosification and the Security of Tenure Law reflected the need to stabilize the bureaucracy in a redemocratizing context.

In general, the Philippine redemocratization process seems to be successful. Five national elections were held between 1986 and 2001. The Legislature and the Judiciary are once more playing central roles within their respective domains while the bureaucracy appears fully functional. The media, academe, the private sector, and civil society are each actively asserting themselves in the reemerging democratic space.

### *Size and distribution of the Philippine bureaucracy*

The oft-repeated claim that the Philippine bureaucracy is bloated seems to find credence in the fact that many of the past administrative reforms comprised downsizing measures. According to the MTPDP 2001–2004, Philippine civil service had 1.4 million personnel (as of 1999), or 1.93 percent of the total population during that period. This compares

favorably with other countries. Our bureaucracy-to-population ratio is 19:1,000, while that of Singapore is 23:1,000. The average ratio for Europe is way higher at 70:1,000. Considering that these countries have more advanced technologies and have computerized most of their bureaucratic processes (thereby significantly reducing their manpower requirements), the number of our civil servants therefore should not be an issue.

The personnel count of our civil service is shown in Table 3. The latest CSC data are for the years 1996–1999. The figures clearly show that there has been a steady increase in the personnel complements, with an average annual growth of 1.76 per year. The effectivity of the Attrition Law lapsed in May of 1997 (UNPAN 1997).

The consequent decrease in the bureaucrats employed in GOCCs is attributable to the privatization thrusts undertaken by the national government. However, this is counterbalanced by the resultant increase in the number of people hired at the national and local government levels. Almost one-third of our civil servants are already with the LGUs as a result of decentralization. Seen in the context of the essential

**Table 3. Distribution of government personnel by major subdivision (1996–1999)**

Year	Total	Nat'l Gov't. (% of total)	Local Gov't. (% of total)	GOCC's (% of total)	Discrepancy
1996	1,359,660	849,056 (62%)	353,897 (26%)	111,707 (8%)	3.3%
1997		913,951 (67%)	367,551 (27%)	97,142 (6%)	-.4%
1998	1,405,528 (estimate)	-- no data--	-- no data--	-- no data--	
1999	1,435,498	959,986 (67%)	389,561 (27%)	84,971 (6%)	.06%

Sources: Philippine Statistical Yearbook (2002) and Civil Service Commission's Inventory of Government Personnel (2001)

**Table 4. Distribution of civil servants type of work**

Type of Work	Number	Percentage of Total
Teachers	439,518	30.62%
Philippine National Police	109,521	7.63%
GOCC's	94,971	6.62%
LGU's	390,561	27.21%
Other Agencies	400,927	27.93%
<b>TOTAL</b>	<b>1,435,498</b>	<b>100.00%</b>

Source: CSC 1999 Inventory of Government Personnel

nature of civil servants' work, the assumption that we have a bloated bureaucracy seems to be a mistaken one. Table 4 shows the number of civil servants by type of work.

Almost a third (30.62 percent) of our government workers are teachers, thus comprising the single largest chunk of public service. The Philippine National Police make up 7.63 percent of the total number government workforce. This means that almost 546,039 of the 1.4 million civil servants (46%) are engaged in frontline social services, whose numbers are population-based (CSC n.d.). Constant hiring for these jobs is needed to keep up with the country's population growth and maintain a favorable teacher-student ratio and an adequate number of police personnel.

The other line and staff agencies of government make up the remaining 27.93 percent of government employment, but some of these agencies' personnel complement, such as health workers, is also population-based and involved in the delivery of basic social services. Whether other positions are redundant or not cannot be gleaned from these figures alone.

### *Politicization of the bureaucracy*

According to the 1999 CSC inventory of government personnel, of the 1,435,498 million civil servants, 1,250,510 million are part of the career service, of which 1.176 million occupy permanent positions. A total of 194,988 are part of the noncareer service, 17,126 of whom



are elective officials. The bulk of the noncareer service is classified as casual or contractual employees. The vast majority of these noncareer government workers are at the local level, accounting for 118,216 of the total figures. At the national level, many are already part of the career service.

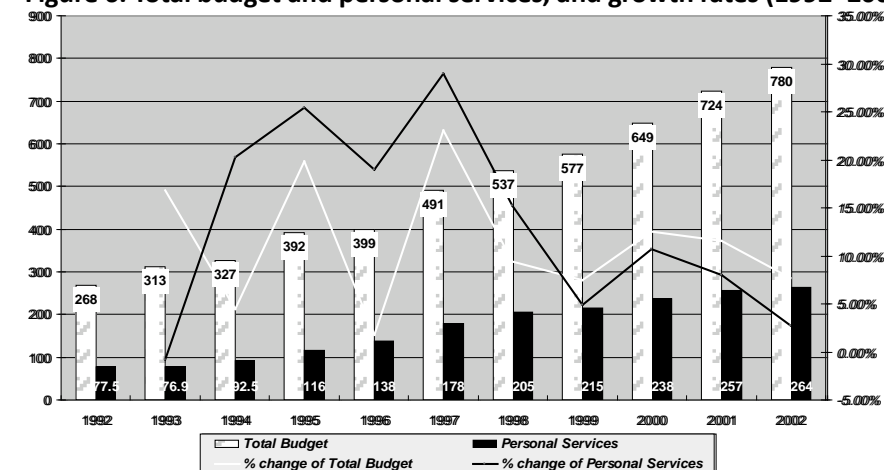
It is also useful to note that of the 1.4 million bureaucrats, 4,981 occupied the third-level positions — the career executive service. Of this number, only 2,054 were permanent (as of 1999). This means each new administration may appoint some 2,927 managers — a very tempting scenario for the political supporters of the incumbent President. This also affirms that the civil service remains very politicized at the critical management level, seen traditionally as the last bastion of technical expertise and a buffer between the political appointees (department secretaries) and the technical and professional staff (CSC 1999).

According to Sto. Tomas (1995), 90 percent of national government managers hold temporary appointments and are not protected by security of tenure. This is cause for deep concern because “senior executives set the tone, the pace and the directions of the bureaucracy’s operations” (Sto. Tomas 1995). Yet, she acknowledges that while patronage remains a gruesome reality in public governance, 94 percent of the total bureaucracy in 1999 already had permanent appointments, an indication that the Philippines was already moving toward a professional bureaucracy. This, on account of the fact that these permanent appointees already went through the requirement process and possessed the necessary merit qualifications prior to their appointment (Sto. Tomas 1995).

### *Cost of running the bureaucracy*

Figure 6 details how much it costs to run the Philippine bureaucracy. In 1993 the wage bill went down by less than 1 percent - a fact attributable to the immediate effects of the Attrition Law. However, there was an inevitable steady rise in the amount of salaries paid to the members of the bureaucracy as a function of their increasing numbers.

**Figure 6. Total budget and personal services, and growth rates (1992–2002)**

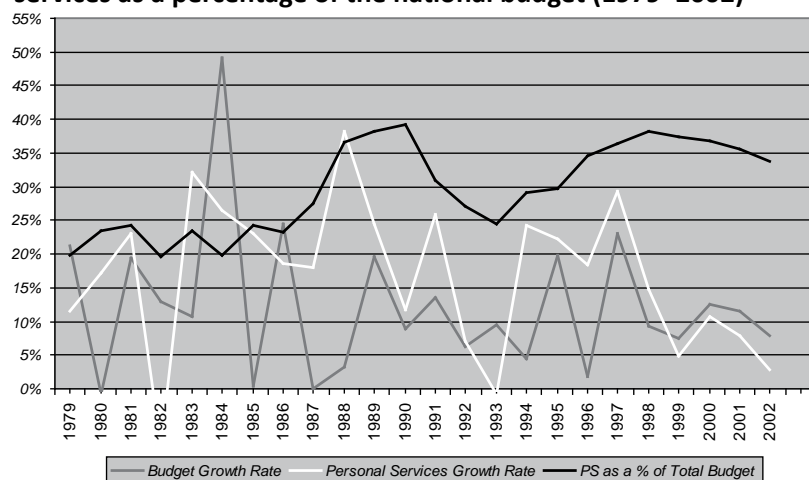


As a matter of fact, for the decade represented by the data, there was an average of 13.4 percent annual increase in the bureaucracy’s wage bill (or “personal services”), while the total budget grew at an average of 10.7 percent for the same period. The highest increase in personal services was registered in 1997, a 29.35 percent jump from the previous year. Total appropriations for the same period also registered its highest growth rate in 1997 at 23.02 percent. But since 2000, both the total budget and wage bill growth rates have slowed down.

The next graph (Figure 7) illustrates the major items in the national budget as a function of the total amount, with the values for personal services and debt servicing shown. For the decade 1992–2002, the total wage bill was hovering at just below 40 percent, by far the single largest item on the budget beginning 1994, surpassing debt servicing that year. In 2002, these two items by themselves comprised a massive 60 percent of the total budget, or PHP 468 billion of the PHP 780 billion national budget.

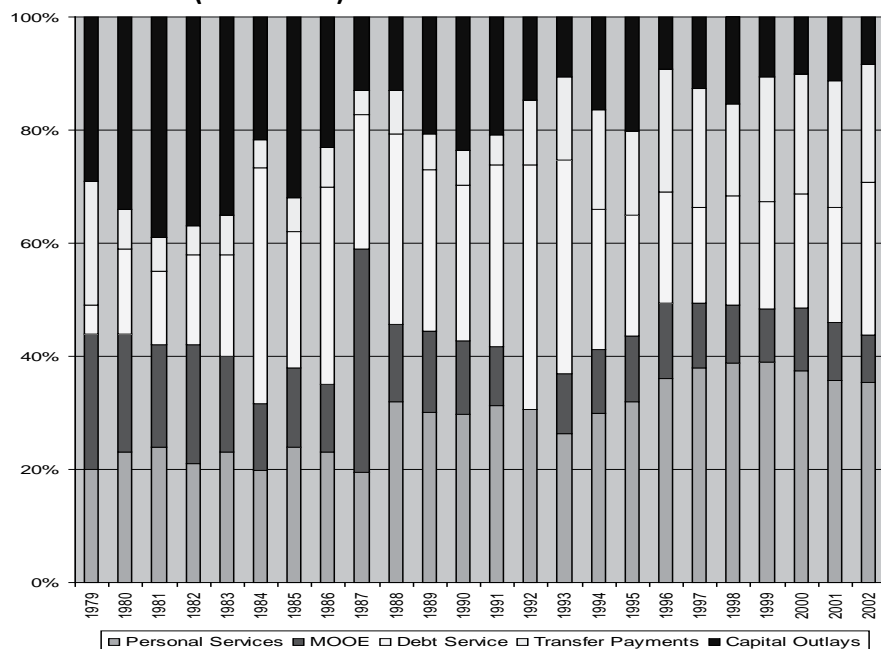
For a more comprehensive view that spans two decades and five administrations (Marcos, Aquino, Ramos, Estrada, and Macapagal-Arroyo), Figure 7 also presents the rate of growth in terms of the national budget and personal services, and the chunk that personal services took out of the national budget from 1979–2002.

**Figure 7. Growth rates of total budget, personal services, and personal services as a percentage of the national budget (1979–2002)**



Source: Philippine Statistical Yearbooks (1979–2002)

**Figure 8. National government expenditures by economic classification (1979–2002)**



Source: Philippine Statistical Yearbooks (1979–2002)

What is evident from the foregoing figures is that while the growth rates of the total budget and the budget allotted to personal services have been erratic, the percentage of the national budget that goes to the payment of bureaucrats' salaries has been steadily growing. The Marcos regime had the largest increase in budgetary allocations in its final year while salaries had remained fairly stable. With President Corazon Aquino's assumption of office, there was a steady increase of salaries starting in 1987, reaching its peak in 1989, when the SSL was passed. This, of course, is a function of the number of civil servants employed at the time and reinforces Endriga's (1997) assertion that the bureaucracy then was bloated.

Figure 8 shows how government has been allocating its funds in the past two decades, broken down into personal services (salaries), maintenance and other operating expenses, debt service, transfer payments (for local government units and other social transfers), and capital outlays (for big-ticket items).

The analysis focuses on three items: personal services, debt service, and capital outlays. What is immediately noticeable is the decreasing amounts for capital outlay, now one of the smallest items in the national budget, hovering around 10 percent since 1999. Based on the 2002 figure, it was pegged only at 8 percent. Under the Marcos watch, capital outlays averaged 32 percent of the national budget, and peaked to 39 percent in 1981. Under Aquino's watch, the average allotment was 22 percent, which fell to 11 percent beginning in the Ramos years. This means that expenditure on equipment, buildings, roads, and other capital outlay items essential to long-term development has become a relatively low priority of government, which has negative implications for long-term growth.

Debt service accounted for an average of 19 percent from 1979–1985 (from a low of 5 percent of the budget in 1979 to a high of 42 percent in 1984). This average ballooned to 35.7 percent of the total budget during the Aquino era, reaching 39 percent in 1988. It then tapered off to around 23 percent of the total budget under Ramos's watch, with the same proportions being allotted today, although there was a steady increase between 1999 and 2002 — from 18 percent to 26 percent.

Allocation for personal services during the Marcos administration was estimated at 22 percent. Salaries rose to a high of 39 percent in 1990 after the SSL was implemented during the Aquino administration. These averaged 33 percent of the national budget. The first two years of the Ramos administration saw a contraction in these allotments, mainly due to the Attrition Law, but the average during his term stood at almost 37 percent. The personal services item slowly built up to 38 percent of the budget in 1998, but had since slowly tapered off. In 2002, government employees' salaries accounted for 34 percent of the national budget.

In 2002, debt servicing (26% of the budget) and personal services (34%) accounted for a massive 60 percent of the total budget. But it is important to put these numbers, especially salaries, in perspective. In terms of population-to-economic intervention ratio, and given the nature of work of the majority of the country's civil servants, the Philippines has a very small government, as discussed above. In fact, it may even be argued that more government workers need to be hired, especially in the frontline social service delivery institutions and the police and military forces.

In their 2002 comparative study of ASEAN civil service systems, Gonzalez and Mendoza found the Philippines's "high average pay and a trim civil service" comparable to those of its neighbors. But the Philippines fared very poorly in terms of the salaries at the top echelons of the bureaucracy. Senior civil servants were being paid US\$1,200, which approximated the starting salary in Singapore during the comparative period. Those in Malaysia were receiving US\$550, and in Thailand, US\$252. The Philippines only offers US\$200 to government managers. This has implications for morale among high-ranking civil servants (Gonzalez and Mendoza 2002).

This then is the context and state of the national bureaucracy of the Philippines. Whether by accident or design, the Philippine government has been subscribing to the key ideas of the NPM. It has embarked on an effective privatization policy, which remains in place. It has also a constitutional mandate to make the private sector the motive engine for economic growth; it has pursued

decentralization measures alongside the institutionalization of civil society participation; it has recently identified an ad hoc body to oversee the various reform movements (PCEG); and it has tried to reduce the number of civil servants (albeit with mixed results).

Sto. Tomas and Mangahas (2002) made a survey of the government's initiatives to achieve good governance. Aside from the creation of the PCEG, they also have identified the following:

- Combating corruption
- Increasing participation of the private sector and civil society
- Promoting Results-Based Management through the Public Expenditure Management Investment Program
- Promoting accountability, emphasizing customer service, and establishing feedback mechanisms in the Civil Service Commission, all which should facilitate a shift in the mindset and attitudes of civil servants;
- Enhancing the use of information technology

Many of the issues facing the Philippine bureaucracy are well documented. Problems such as graft and corruption, politicization, poor planning mechanisms, inefficiency, and ineffectiveness all contribute to the negative image that it has today. However, it is also clear that the Philippines has the necessary legislative and policy environment in which to operate. Using the NPM as a measure, it would appear that the government has been relatively successful in meeting some of the demands for good governance on the global and domestic front. What is left to do, according to Sto. Tomas and Mangahas (2002), is the actual implementation, strengthening, and refinement of these policies.

Against this backdrop, it is useful to study how the DTI, DA, and DFA have taken on this task of responding to the redemocratizing and globalizing environment and its various demands. The next chapter documents some of the key elements of the responses of these three agencies.

### **Responses to globalization: case studies on DTI, DA, and DFA**

The participation of the Philippines in the WTO and APEC has resulted in some significant changes in the national government as well as the three agencies under study.

Major pieces of legislation have been passed, which were supplemented by various executive orders from the President, as well as administrative and department orders emanating from the concerned departments. Some organizational restructuring has also happened along with the creation of new interagency councils. This collaboration increasingly involves nongovernmental organizations and private sector participation. Furthermore, new institutional arrangements have been created to adapt to the new demands.

### *Permanent mission to the WTO*

EO No. 271 issued by President Arroyo on January 19, 2004 created a Permanent Mission of the Republic of the Philippines to the WTO. This distinct diplomatic mission and post of the country is responsible for leading trade negotiations, handling trade disputes, and representing the Philippines before the WTO, the United Nations Commission on International Trade Law, and the United Nations Conference on Trade and Development.

The Permanent Mission is mandated to receive technical assistance and support, specifically from the Office of the Undersecretary for International Economic Relations and the Office of United Nations and International Organizations (UNIO) — both of which are under the DFA — the DTT's Bureau of International Trade Relations (BITR), the personnel of the Foreign Trade Services Corps in Geneva, Switzerland, NEDA's Trade, Industry, and Utilities Staff involved with the Committee on Tariffs and Related Matters, and the Department of Agriculture insofar as agricultural policy is concerned.

### *WTO/AFTA commission*

To directly address the country's concerns as a member of the multilateral trading system, EO No. 193 issued by President Ramos on August 2, 1994 created the WTO/AFTA Advisory Commissions or WAAC. The Advisory Commission was mandated to prepare and implement a plan of action to be adopted by the Philippine government

and the private sector in compliance with the country's commitments made in the Uruguay Round and the AFTA Agreements.

It was also tasked to conduct an education information campaign on the effect and implications of the Uruguay Round and the AFTA. In 1996, EO No. 193 was amended by EO 322 to expand the scope of the Commission to include APEC-related concerns. The WAAC has also undertaken research on issues pertinent to WTO, AFTA, and APEC to help in identifying areas that may enhance the country's competitive advantages in the global economy. Since its inception, the WAAC has reviewed existing legislation and policies and has made recommendations regarding amendments, revisions or additions to these laws.

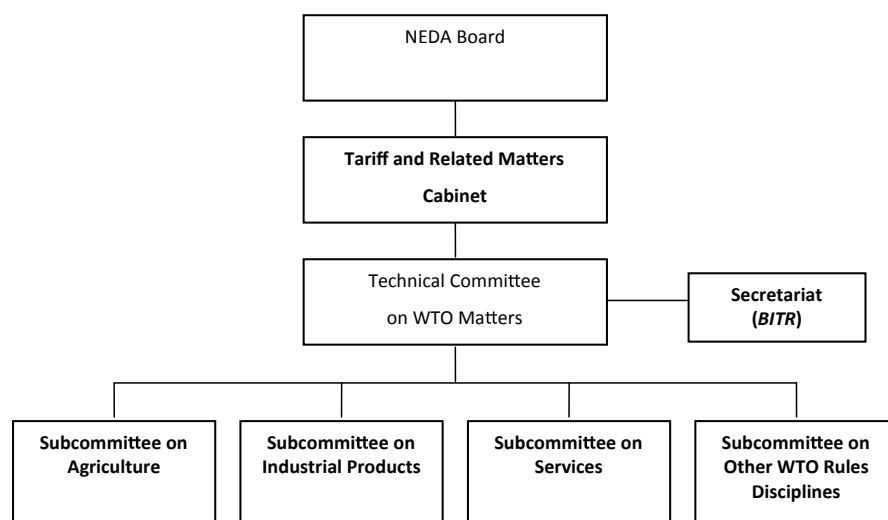
Among other initiatives, the WAAC has maintained the office of the Legal Counsel for WTO Affairs based in Geneva, as well as consulted with international trade law experts to assist the Commission.

The WAAC is composed of the DTI Secretary as Chair, a representative from the private sector appointed by the President as Co-chair, and eight other department secretaries, including that of Foreign Affairs and Agriculture. The Director-General of NEDA, the Press Secretary, the Central Bank Governor, and the Head of the Presidential Legislative Liaison Office are also members. Eleven representatives from the private sector and civil society representing industry, agriculture, labor, banking, export, academe, research, and consumers are also members. This is clear evidence of how tripartite governance is at work.

At the end of 2002, however, the WAAC was effectively abolished as its functions and mandates were either merged with or transferred to the DTI's BITR).

### *WTO decisionmaking process*

Under the Estrada administration, a decision-making process on WTO issues was developed. It involved four levels (see Figure 9). At the bottom are four subcommittees, namely the Subcommittee on Agriculture, which is chaired by the DA and also includes Task Force

**Figure 9. Decisionmaking process on WTO matters**

WTO Agreement on Agriculture Renegotiations (WAAR), which has representatives from different interest groups, the private/business sector, and civil society; the Subcommittee on Industrial Products that is chaired by the Tariff Commission and co-chaired by the Board of Investments; the Subcommittee on Services chaired by NEDA; and the Subcommittee on Other WTO Rules and Disciplines chaired by the BITR of the DTI.

All the outputs of the four subcommittees are brought to the Technical Committee on WTO Matters (TCWM), created in August 1999 and chaired by the Undersecretary for International Trade of the DTI, with the DA as co-chair and NEDA as vice-chair. Included as members are senior officials from the DFA, seven other agencies, the WAAC, the Office of the President-Office of the Executive Secretary, the Department of Agrarian Reform (DAR), and the Tariff Commission. The DTI-BITR serves as the TCWM Secretariat. The TCWM's main function is to discuss and recommend Philippine positions or strategies on issues with direct relevance to the country's implementation of its WTO commitments and continuing participation in the multilateral trading system such as APEC and AFTA.

From the TCWM, policies are elevated to the Tariff and Related Matters (TRM) Cabinet. The TRM Cabinet is composed of the DTI Secretary as Chairperson, with the NEDA Director-General as Co-Chair. Its members are the Executive Secretary, the Secretaries of the DFA, DA, the Departments of Transportation and Communications (DOTC), Environment and Natural Resources (DENR), Budget and Management (DBM), and Finance (DOF), the Central Bank Governor, and the Chair of the Tariff Commission. The Secretaries of the DAR and Labor and Employment (DOLE) were included in the TRM Cabinet on August 19, 1999. The TRM Cabinet advises the President and the NEDA Board on tariff and related matters, and on the effects on the country of various international developments; coordinates agency positions and recommends national positions for international economic negotiations, and proposes to the President a continuous rationalization program for the country's tariff structure.

From the level of the Cabinet-level Committee on Tariff and Related Matters (CTRM), policy is brought to the NEDA Board, which is chaired by the President of the Philippines with the NEDA Director-General as Vice-Chair. Its members initially included the Executive Secretary, the Secretaries of the DOF, DTI, DA, DENR, DBM, DOLE, Department of Public Works and Highways, and the Department of the Interior and Local Government. Subsequently added were the Secretaries of the Department of Health, DFA, and DAR in 1988; the Secretary of the Department of Science and Technology in 1989; Secretary of DOTC in 1990; Secretary of Energy in 1992; and the Bangko Sentral ng Pilipinas Deputy Governor in 1993.

Interagency policy coordination, however, has not been as simple as it seems. According to the director<sup>9</sup> of the BITR, which serves as the Secretariat of the Technical Committee on WTO Matters, interagency coordination at times becomes very difficult because each department seems to be too concerned with its immediate functions and fails to see the broader picture. There is a need, according to him, for an agency similar to the Office of the US Trade Representative to be the country's primary coordinator of international trade policy,

<sup>9</sup> Kabigting, Ramon Vicente T. Director, DTI-Bureau of International Trade Relations, interview with the author, May 7, 2004.

which should have the autonomy to define national positions in multilateral negotiations after consultations with other departments of the government. What is important is that international trade policy must be strategically formulated by an independent body, which will also serve as the country's chief trade negotiator, he said.

Clearly, the country's membership in the WTO and APEC as well as the demands of democratization underscore the need for better coordination in policy formulation and implementation within and among the concerned agencies of government. This goes hand in hand with the changes in organizational structures.

Coordination among the different departments of the national government has been a feature of government policymaking since the resurgence of democracy in the country. Interagency councils and committees have been established to address various national concerns, such as those discussed above. However, the membership of these interagency bodies has not been limited to government agencies. Over time, more and more representatives from the private sector and civil society have been included in these policymaking councils.

More agency-specific changes and responses, specifically those involving the DTI, DA, and DFA, are documented below.

### *Department of Trade and Industry*

Covering the period from 1992 to 2002, this case study focuses on the efforts of the DTI in coping with the demands of globalization and redemocratization, as manifested in the changes in the DTI's (1) organizational structure, (2) policymaking process, and (3) resource management. The collaboration between DTI and other government agencies, the private sector as well as civil society are also discussed.

### **Development of a department**

Reorganized by former President Corazon C. Aquino in 1987 through EO 133, series of 1987, the DTI is mandated to serve as the primary coordinative, promotive, facilitative, and regulatory arm of government for local and foreign trade, industry, and investment activities in the country. The DTI is also directed to facilitate the active participation of

the private sector in the promotion of national economic development through a comprehensive industrial growth strategy, a progressive and socially responsible liberalization and deregulation program, and policies that will ensure the expansion and diversification of domestic and foreign trade. EO 133 specifically states, "it shall be the national policy to pursue a private sector-based growth strategy, centered on a socially responsible program to deregulate business in a manner that shall encourage private initiative and create a dynamically competitive economic environment."

EO 133 provides for one DTI Secretary, five Undersecretaries, five Assistant Secretaries, and the various staff bureaus and department's line operating units (comprised of national service centers, regional offices, and line corporate agencies and government entities). Table 5 shows the list of offices directly under the DTI and its attached agencies and corporations:

These units were grouped into five, each headed by an Undersecretary and Assistant Secretary, who were tasked to oversee the (1) the Policy Planning and Support Services Group, (2) Industry and Investments Group, (3) Domestic Trade Group, (4) International Trade Group, and the (5) Regional Operations Group (Figure 10), respectively. This in part reflects the government-wide expansion, earning the moniker "bloated" during the Aquino administration.

Over the succeeding years, the various staff bureaus and department line operating units have been regrouped to rationalize the organizational structure of the DTI in reaction to the charges of being a top-heavy and bloated bureaucracy (Figure 11). During the Ramos administration, the number of Undersecretaries and Assistant

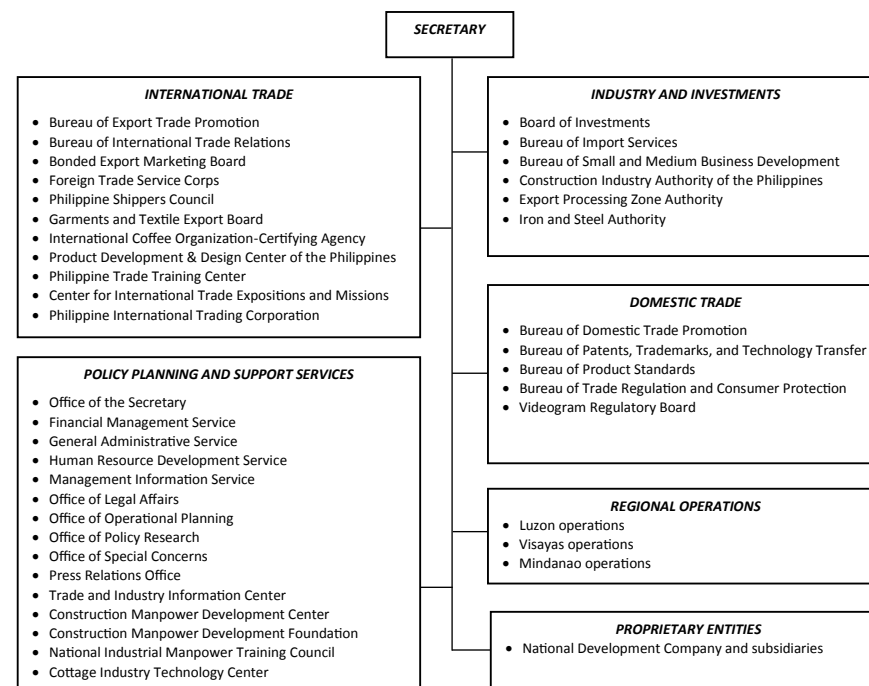
**Table 5. DTI bureaus, attached agencies, attached corporations (EO133, s. 1987)**

DTI Proper / Head Office	Attached Agencies	Attached Corporations
• Bureau of Domestic Trade Promotion (BDTP)	• Board of Investments (BOI)	• Center for International Trade
• Bureau of Export Trade Promotion (BETP)	• Bonded Export Marketing Board (BEMB)	Expositions and Missions (CITEM)
• Bureau of Import Services (BIS)	• Construction Industry	• Center for Labor Relations Assistance

(Table 5 continued)

DTI Proper / Head Office	Attached Agencies	Attached Corporations
<ul style="list-style-type: none"> <li>• Bureau of International Trade Relations (BITR)</li> <li>• Bureau of Patents, Trademarks, and Technology Transfer (BPTTT)</li> <li>• Bureau of Product Standards (BPS)</li> <li>• Bureau of Small and Medium Business Development (BSMBD)</li> <li>• Bureau of Trade Regulation and Consumer Protection (BTRCP)</li> <li>• Financial Management Service (FMS)</li> <li>• Foreign Trade Service Corps (FTSC)</li> <li>• General Administrative Services (GAS)</li> <li>• Human Resource Development Service (HRDS)</li> <li>• Management Information Service (MIS)</li> <li>• Philippine Shippers' Council (PSC)</li> <li>• Press Relations Office (PRO)</li> <li>• Office of Legal Affairs (OLA)</li> <li>• Office of Operational Planning (OOP)</li> <li>• Office of Policy Research (OPR)</li> <li>• Office of the Secretary (OSEC)</li> <li>• Trade and Industry Information Center (TIIC)</li> <li>• Videogram Regulatory Board (VRB)</li> </ul>	<ul style="list-style-type: none"> <li>Authority of the Philippines (CIAP)</li> <li>• Construction Manpower Development Center (CMDC)</li> <li>• Construction Manpower Development Foundation (CMDf)</li> <li>• Garments and Textile Export Board (GTEB)</li> <li>• International Coffee Organization-Certifying Agency (ICO-CA)</li> <li>• Iron and Steel Authority (ISA)</li> <li>• National Development Company (NDC)</li> <li>• National Industrial Manpower Training Center</li> <li>• Product Development and Design Center of the Philippines (PDDCP)</li> <li>• Philippine Trade Training Center (PTTC)</li> </ul>	<ul style="list-style-type: none"> <li>(CLARA)</li> <li>• Cottage Industry Technology Center (CITC)</li> <li>• Export Processing Zone Authority (EPZA)</li> <li>• Philippine International Trading Corporation (PITC)</li> </ul>

Figure 10. DTI organizational structure, 1987

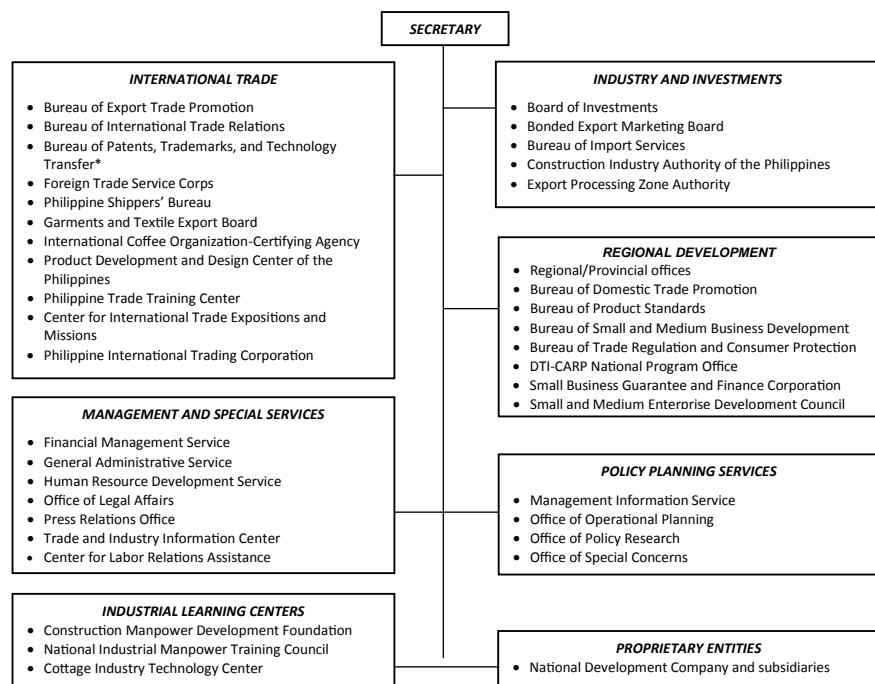


Secretaries were reduced from five to three and each operating group was headed either by an Undersecretary or an Assistant Secretary.

Refocusing its orientation to the citizens as customers, and putting emphasis on the welfare of Filipino consumers led the DTI to the formation of the Consumer Welfare Group in 1995. This in turn resulted in the addition of one Undersecretary and Assistant Secretary, bringing their respective numbers to four (Figure 12). This was also the year the Philippines became a member of the WTO.

In 1998 as the Philippine government recognized the increasing importance of information technology and intellectual property and the urgent need to address these. In response to the Philippine commitment to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Congress enacted Republic Act No. 8293, known as the Intellectual Property Code of the Philippines. This led to the establishment of the Intellectual Property Office (IPO)

Figure 11. DTI organizational structure, 1992–1994

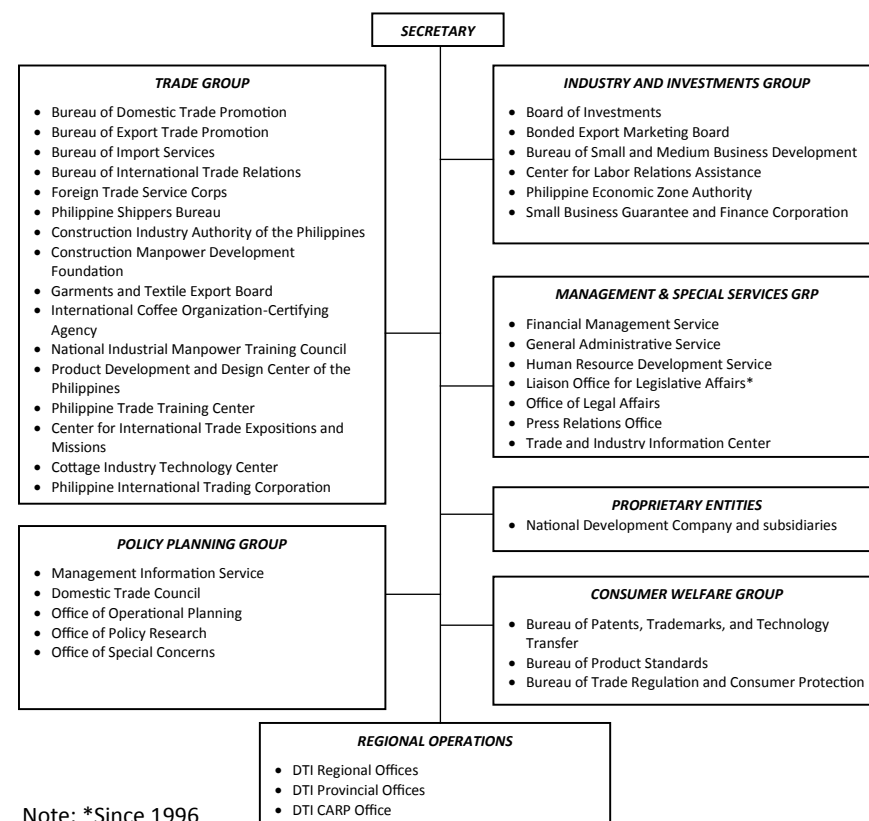


Note: \*Belonged to International Trade from 1992 to 1993; moved to Management and Special Services in 1994

under the office of the Executive Secretary, which replaced the Bureau of Patents, Trademarks, and Technology Transfer (BPTTT) under the DTI beginning January 1, 1998. The BPTTT was eventually abolished.

Of particular importance is the creation of the Honorary Investment and Trade Representatives (HITR) International Network through EO No. 20 (series of 1998). Recognizing the limitations of government resources to expand the corps of Philippine trade attachés, the HITR was formed to attract more foreign investments into the country, thus complementing the DTI official foreign trade corps in the campaign to promote the Philippines's investment and trade agenda. It was composed of individuals with impeccable business and professional track records, who did not receive any "salary, allowance, or remuneration from the government except a token sum of one

Figure 12. DTI organizational structure, 1995–1998



Note: \*Since 1996

peso a year.”<sup>10</sup> This is a useful example of leveraging resources outside government to meet new demands and needs in the face of limited resources.

The more noticeable change took place in 1999, following the issuance of EO 124 by then President Joseph Estrada. This mandated the DTI Secretary to effect “policy, organizational, functional, and operational refocusing strategies to address concerns on trade policy, promotion/marketing, consumer advocacy, operations, and internal administration and finance.” EO 124 also created the Office of the Senior Undersecretary in the DTI, as well as authorized the DTI Secretary to deputize the Undersecretary concerned with multilateral

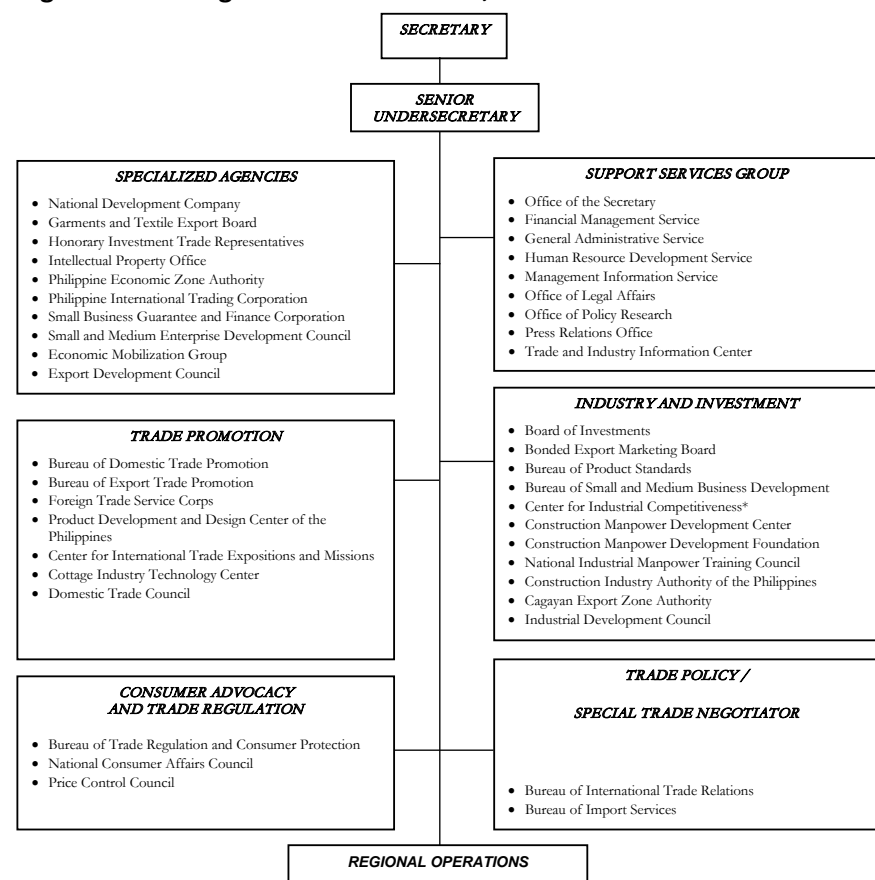
<sup>10</sup> From Section 3 of EO No. 20



trade as a special trade negotiator. This then brought the number of undersecretaries back to five (Figure 13). However, the Office of the Senior Undersecretary/Special Trade Negotiator in Geneva was only operational for a year and was abolished in 2000.

This restructuring resulted in the subdivision of the previously existing Trade Group into smaller groups. One of these was the Trade Policy/Special Trade Negotiator group, which included the BITR, Bureau of Import Services, International Coffee Organization-Certifying Agency, and the Philippine Shippers' Bureau. The other

**Figure 13. DTI organizational structure, 1999**



Note: \* Formerly the Center for Labor Relations Assistance

group was the Trade Promotion group, which included the Foreign Trade Service Corps, Center for International Trade Expositions and Missions, Bureau of Export Trade Promotion, Product Development and Design Center of the Philippines, Cottage Industry Technology Center, Bureau of Domestic Trade Promotion, and the newly created Domestic Trade Development Council. Two other bodies were created: the Specialized Agencies and the Consumer Advocacy and Trade Regulation groups. Also significant in 1999 was the creation of the position of the Undersecretary for WTO matters, concurrently held by the Undersecretary of the International Trade Group (DBM 1999).

In 2000, the units under the Trade Promotion, Specialized Agencies, and the Trade Promotion / Special Trade Negotiator groups were placed in one grouping, the International Trade Group (Figure 14). The Office of the Investment Ombudsman (OIO) was designated as an attached office to the DTI (EO 224, series of 2000) and tasked to directly address investor complaints and assist investors and other businessmen in eliminating administrative and bureaucratic obstacles that drive up transaction costs (EO 180, series of 1999). In 2002, the IT (Information Technology)/E-Commerce, Policy and Communications, and Management Support Services Group was divided into two: the IT, Policy Planning, and Communications Group and the Support Services Group. At the time, the DTI is headed by a Secretary, four Undersecretaries (one each for the International Trade Group, Consumer Welfare and Trade Regulation Group, Industry and Investments Group, and Regional Operations Group), and four Assistant Secretaries (one each for the International Trade Group, Consumer Welfare and Trade Regulation Group, Regional Operations Group, and Support Services Group)(Figure 15).

### Intradepartmental coordination

Coordination between the different DTI bureaus has taken a significantly different form in recent years. As part of his advocacy for a seamless organization in the DTI, former Secretary Manuel Roxas II introduced the matrix approach to the department through the creation of business development teams (DTI Department Order No. 97, 2001).

Figure 14. DTI organizational structure, 2000

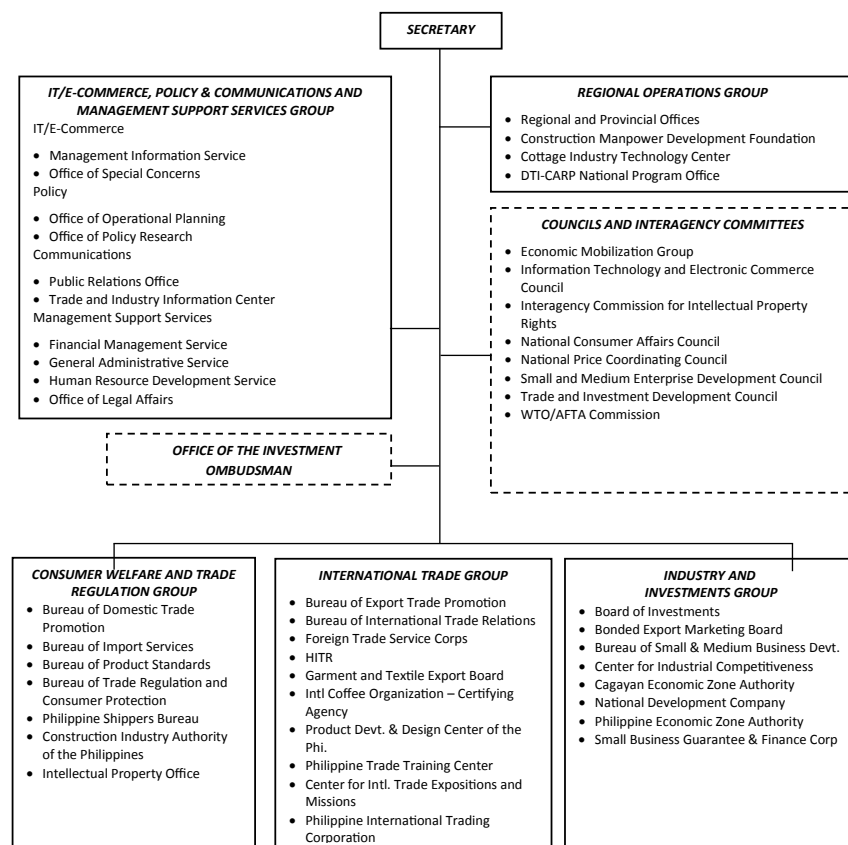
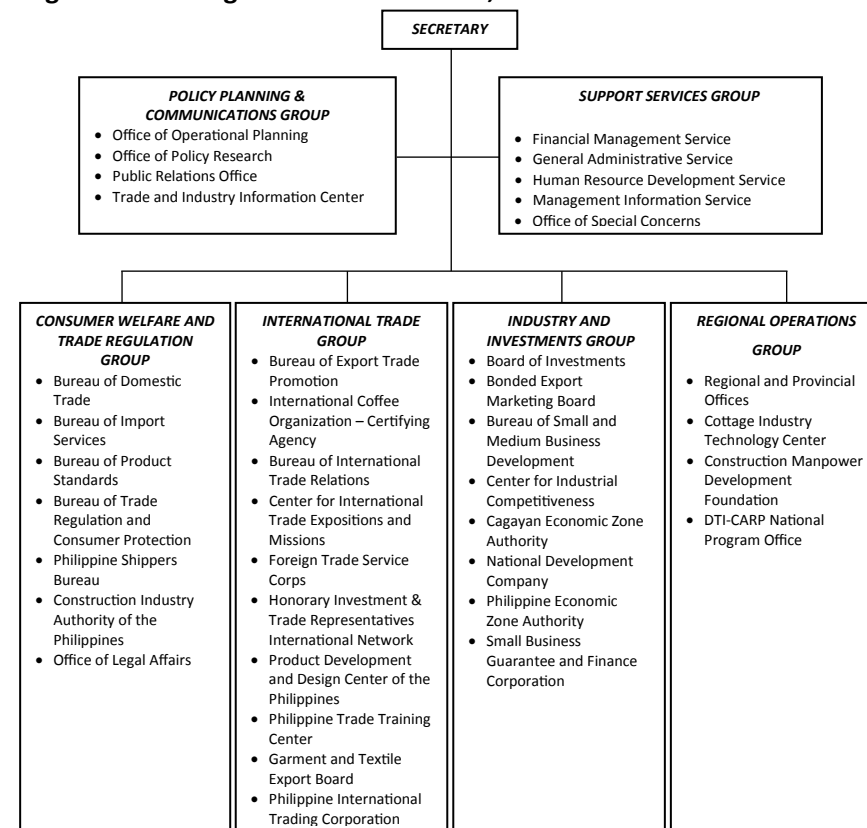


Figure 15. DTI organizational structure, 2002



their concerns directly to the CEO or brand manager of a particular product instead of the usual cumbersome government procedure of going to every single bureau or unit in the DTI that covers the product. The brand manager then takes charge of relaying the matter to the concerned bureau(s) in the DTI. This transfers the burden of getting the necessary government approvals, certifications, and the like from the producers and investors to the brand manager. According to the director of the DTI Office of Operational Planning, which serves as the secretariat of the business development teams, the matrix approach has helped reduce transactions costs to local and foreign producers and investors.<sup>11</sup>

<sup>11</sup> Pacheco, Mary Jean T. Director, DTI-Office of Operational Planning, interview with the author, April 1, 2004.

A common practice in the private sector, this approach designates a chief executive officer or a brand manager for a particular product or revenue stream to ensure increased profits (Roxas 2002). Ten revenue streams or focused product groups were identified under this approach because of their proven competitiveness. These include (1) construction materials, (2) electronics, (3) food products, (4) giftware and holiday décor, (5) home furnishings, (6) IT services, (7) marine products, (8) motor vehicles, parts, and components, (9) organic material products, and (10) wearables.

Through the matrix approach, the DTI aimed to facilitate the conduct of doing business. Producers or investors communicate

### Additional organizational restructuring

In recent years, there have been efforts to restructure the DTI bureaus to cope with their new mandates and functions brought about by the country's membership in the WTO and APEC. While proposals are still pending approval by the DBM, the DTI bureaus mentioned have been operating under a different structure given the constraints imposed by their personnel complement and budgetary allocations.

One of these is the Bureau of Import Services (BIS), which was restructured in 1997. The BIS now has four divisions, namely, the Import Strategy Division, Import Monitoring Division, Import Action Division, and Import Regulatory Division. The functions of the first two divisions were redefined.

The Import Strategy Division is tasked with enforcing the laws on countervailing duties and anti-dumping. It also seeks to strengthen these and other measures, among others, by formulating administrative and legal procedures related to detection of unfair trade measures, identifying products susceptible to dumping, providing technical assistance to local industries on anti-dumping cases, and conducting preliminary investigation of anti-dumping cases.

The Import Monitoring Division keeps tabs on the Home Consumption Values as part of anti-dumping and countervailing measures. It also keeps track of the quantities/values of liberalized and selected "sensitive" items, alerts the private sector on dubious transactions and unfair trade practices, assists importers/exporters/customs brokers on their query pertaining to export values which is the basis of valuation, provides information on export values as requested by the industries and other government agencies, extends assistance to foreign supplier for possible business opportunity, and disseminates information to create clients' awareness on importation rules/regulations and procedures.

Aside from the redefinition of the functions of the two divisions mentioned above, two units were created — the Trade Policing Unit and the Anti-Economic Crimes Unit – to ensure fair trade practices. The former handles anti-import surge and safeguard measures,

monitors trade compliance, provides information support for trade negotiations, conducts research and analysis on international trade in enforcing Philippine trade compliance issues in support of Philippine exporters, and alerts private sector companies on sensitive products which exhibited import surge.

On the other hand, the Anti-Economic Crimes Unit handles administrative functions of the Inter-Agency Committee on Economic Crimes as defined by Administrative Order No. 201. It also monitors import transactions, detects smuggling, circumvention or non-compliance of import guidelines and tax evasion; and conducts regional information campaigns to increase awareness on effects and consequences of smuggling, incorrect payment of duties and taxes on highly taxable goods and other similar related economic crimes.

In January 2003 the Board of Investments (BOI) was restructured, resulting in the formation of four operating groups. The Investment Promotions Group is tasked to generate investments and improve the image of the country as a viable investment destination, and undertake investment promotion efforts, inbound and outbound missions, facilitation of investors' transactions and requirements, and the implementation of special projects and other investment promotion related activities.

The Technical Services Group provides support services to the Board and its clientele through the enhancement of management processes, provision of incentives, design and implementation of information systems, grant of legal support on investment-related issues, and conduct of human resource development programs.

The Industry Development Group prepares the annual Investment Priorities Plan and formulates policies and programs for the development of key industry and service sectors. It also monitors and coordinates the implementation of the programs/business plans/roadmaps, develops and monitors strategies and measures to deal with the country's international trade and environmental commitments, and provides technical industry expertise on tariff and related concerns and on international trade negotiations.

The Project Assessment which is in charge of evaluating, registering, supervising, monitoring and giving project assistance to registered firms, from their registration and infancy stage of their operations to the time that they are fully operational.<sup>12</sup>

### Legislative context

Aside from policies emanating from the Office of the President, Congress has also passed various measures that provide the DTI with additional mandates to better prepare the country in responding to domestic and international demands and pressures.

RA 6977, otherwise known as the Magna Carta for Small Enterprises, created the Small and Medium Enterprise Development Council (SMEDC) in 1991. The SMEDC is mandated to be the primary agency responsible for the promotion, growth, and development of small and medium enterprises. This law was amended by RA 8289 in 1997.

RA 7394, or the Consumer Act of 1992, empowered the DTI, together with the DA and the DOH, to enforce quality control and safety measures for consumer products. It also created the National Consumer Affairs Council, which manages and coordinates consumer programs to ensure their effectiveness. The Council is composed of the DTI, the Department of Education, DOH, DA, and six representatives from other sectors — four from consumer organizations with a nationwide base to represent civil society, and two from the business sector.

RA 7581, or the Price Act of 1992, designated the DTI, DA, DOH, and the DENR as implementing agencies. It also created the Price Coordinating Council to effect a general stabilization of prices of basic necessities and prime commodities at affordable levels. The Council is composed of the DTI Secretary as Chair and, as members, the secretaries of six other agencies and the Director-General of NEDA. Four people from the private sector and civil society (one each from the sectors of consumers, agricultural producers, trading, and manufacturers) are also members.

<sup>12</sup> Based on Office Order No. 1, "BOI Re-engineering 2," issued in January 2003, and interview with Rafaelito H. Executive Director, DTI-BOI Industry Development Group, May 3, 2004.

RA 8762, otherwise known as the Retail Trade Liberalization Act of 2000, opened up the retail sector of the country to foreign competition in another move to open up the economy to market forces. DTI has been tasked with the implementation of this Act.

RA 8792, also known as the Electronic Commerce Act of 2000, authorizes the DTI to direct and supervise the promotion and development of electronic commerce — one of the main drivers of international economic and financial integration — in the country with relevant government agencies.

### Other policy responses to WTO participation

To operationalize its participation in the WTO, the Philippines passed major laws to comply with the Agreements on Anti-Dumping Measures, Subsidies, Countervailing Measures, and Safeguards. These laws are fallback mechanisms to give some sort of safety net to domestic industries as the country opens up fully to global competition.

RA 8752, otherwise known as the Anti-Dumping Act of 1999, provides for the strengthening of substantive and procedural remedies available to domestic enterprises to protect them from unfair foreign competition and trade practices. The DTI, in the case of non-agricultural goods, or the DA in the case of agricultural products, is tasked to administer the anti-dumping legislation, together with the Tariff Commission and the Bureau of Customs (BOC).

RA 8751, otherwise known as the Countervailing Duty Act of 1999, provides protection to a domestic industry adversely affected by subsidized products imported into or sold in the Philippines. The objectives of the law are: (1) to transform the domestic countervailing duty law into a more workable and simple piece of legislation providing safety nets against the inflow of cheap subsidized imports; (2) to strengthen the rules governing the investigation of countervailing cases; and (3) to align the domestic law with the WTO Agreement on Subsidies and Countervailing Measures. The DTI's Bureau of Import Services, in the case of industrial goods, or the DA, in the case of agricultural products, are the government agencies tasked to administer the countervailing legislation, together with the Tariff Commission and the BOC.

RA 8800, or the Safeguards Measures Act of 2000, aims to protect local manufacturers from trade practices that are seen as unfair. It seeks to provide relief to domestic industries in the face of sudden or unexpected increases in imports. Under the law, government can levy a higher tariff on imports of agricultural products once they breach a certain volume or price, thus protecting local farmers growing the same products. The DTI, in the case of non-agricultural goods, or the DA, in the case of agricultural products, are tasked to administer the safeguard measures provided for by this law.

RA 8293, otherwise known as the Intellectual Property Code of the Philippines, harmonizes the country's intellectual property rights laws with the minimum standards for IPR protection under the WTO TRIPS Agreement. Approved on June 6, 1997 and taking effect on January 1, 1998, the Intellectual Property Code streamlines the administrative procedures for registering patents, trademarks and copyright; liberalizes the registration on the transfer of technology; and enhances the enforcement of intellectual property rights in the Philippines. As pointed out earlier, the law also created the IPO, which exercises original jurisdiction over certain cases involving violation of intellectual property rights. Its decisions are appealable to the Court of Appeals and the Supreme Court.

### Interagency networking and collaboration

This section details the policy environment that identifies the specific forms of collaboration between agencies, as well the participation of the private sector and civil society in crafting and implementing policies to respond to the demands of globalization. Apart from the regroupings of the staff bureaus and department line operating units, the DTI has also either served as chair or member of various interagency councils and committees created by the President.

A look at the composition of the different interagency bodies of which the DTI has been a member shows the extent of the inclusion of private/nongovernmental actors in government policymaking. They comprise a significant number, which approximates that of government representatives (as in the case of the Trade and Industry Development Council, for example).

When the membership of an interagency body is amended by an executive order in order to include other government agencies, the number of private/non-government representatives also increases (as in the case of the Export Development Council). Of significance is the designation of a private/civil society sector representative as Vice-Chair or Co-Chair in many of the interagency councils, an example of which is the Information Technology and Electronic Commerce Promotion Council.

In 1991, EO 499 established the Export and Investment Development Council (EIDC) to support the government's commitment to export development as the key to balanced economic growth. The EIDC, later renamed the Export Development Council (EDC), was mandated to give guidance and coherence to export and investment activities in the country. RA 7844, also known as the Export Development Act of 1994, strengthened and institutionalized the EDC. Under this law, the EDC is tasked to supervise the implementation of the Philippine Export Development Plan prepared by the DTI as well as coordinate the formulation and implementation of policy reforms to support the Plan.

In 1996, EO 380 created the Industrial Development Council (IDC) to sustain the economic growth rate of the country toward the attainment of the status of a Newly Industrializing Country by 2000. Among other functions, the IDC recommends an Industrial Development Plan, which must be compatible with the Philippine Export Development Plan and the MTPDP.

In 1998, EO 58 created the Domestic Trade Development Council (DTDC) to integrate government and private sector efforts to create a business climate that will foster the growth of domestic trade as a condition for job creation, sustainable economic growth, and countryside development. The DTDC and IDC were merged in 2000 by virtue of EO 225 into the Trade and Industry Development Council (TIDC). The TIDC's chief function is to define the overall trade development strategy for the country — a Philippine Trade Development Plan — aimed at developing a strong industrial base and directed toward global competitiveness.

In 1999, EO 155 was enacted to address the need to enhance the coordination and complementation efforts of government to promote investments and provide assistance to current and potential investors by designating the Investment One-Stop Action Center (OSAC) as the clearing house for potential investors. The OSAC was tasked to provide advice, guidance, and information on various laws, rules, and regulations governing investment and the conduct of business in the country; serve as the “ombudsman” of investors and act as a complaints and action center; assist in identifying investment opportunities; facilitate the processing of all investment-related requirements by concerned agencies; and improve time and quality standards for processing of investment-related papers in government agencies.

The OSAC was placed under the direct supervision of the DTI Secretary. Furthermore, EO 180, series of 1999, amended EO 155 and created the Office of the Investment Ombudsman (OIO) under the Board of Investments. The OIO acts as a Complaints and Action Center for Investment and as a Special Deputy of the Ombudsman. EO 180 also transferred the OSAC from the BOI to the OIO and renamed it the Quick Response One-Stop Action Center.

At the height of the Asian crisis, the Office of the President issued Administrative Order No. 376 on January 23, 1998, which created the Economic Monitoring and Mobilization Task Force (EMMTF) whose task was to enhance the coordination among key economic players and expedite the implementation of measures to stabilize the Philippine economy. On August 27, 1998 the EMMTF was renamed the Economic Mobilization Group (EMG). At present, the EMG has 30 members — 18 from government (with the DTI Secretary as Co-Chair) and 12 from the private sector (including two representatives from the labor sector).

EO 193 created the Economic Coordinating Council (ECC) on January 6, 2000 to continuously boost Philippine competitiveness, fast-track the implementation of priority programs, and focus on urgent and time-sensitive execution of economic and development priorities, especially those related to the country’s commitments to the WTO, APEC, and ASEAN. The ECC is composed of the President as Chairperson, the Finance Secretary as Vice-Chair, and the following

as members — the Executive Secretary, DTI Secretary, Secretary of Budget and Management, DA Secretary, NEDA Director-General, and the Chair of the HUDCC, plus the Central Bank Governor as an ex-officio member. The ECC is tasked to ensure the consistency and complementation of all issuances, pronouncements, plans, programs, and projects, and proposed legislation with the country’s economic reform direction to further promote deregulation, liberalization, free and fair market competition, and increased private sector participation.

The increasing indispensability of IT in the promotion of e-commerce and the concurrent necessity of protecting intellectual property rights led to the issuance of another executive order. In 1993, EO 60 created the Presidential Inter-Agency Committee on Intellectual Property Rights to coordinate government efforts in safeguarding and combating violations of intellectual property rights. In 1994, EO 190 created the National Information Technology Council (NITC), the IT advisory body to the President, tasked to implement the National Information Technology Plan for the 21st Century. EO 190 was amended in 1998 by EO 469, which named the Secretary of the Department of Science and Technology its Chair and the DTI Secretary as member, and in 1999 by EO 125, which revitalized the NITC as the government’s highest planning and policy advisory board on IT matters.

In 1998 EO 468 created the Electronic Commerce Promotion Council (ECPC) to serve as the coordinating body for the promotion of the development of electronic commerce in the country. It is also empowered to create a National Program and Strategy for the Promotion of Electronic Commerce in the Country, which should complement the National Information Technology Plan for the 21st Century. Eventually, in 2000, the NITC and ECPC were merged to form the Information Technology and Electronic Commerce Council by virtue of EO 264.

### **Multiplying mandates, rigid resources**

The DTI, like any other government agency, depends heavily on the financial and human resources allocated to it by the national government for the fulfillment of its mandate. The amount of resources available to

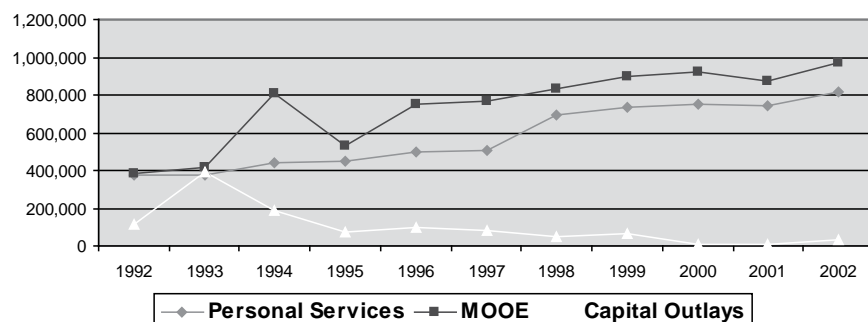
the DTI sets the limits to departmental operations and, in some cases, constrains its ability to effectively fulfill its mandates. The annual budget of the DTI from 1992 to 2002 is presented in Figure 16.

Based on the foregoing graph the DTI does not follow the national government budgetary trend on personal services, which has the largest individual share of the national budget. What the data show is the DTI's low expenditures on capital outlays. On average, more than half of the DTI's total budget is allotted to Maintenance and Other Operating Expenses (MOOE) throughout the period under study. Most of the remaining appropriations go to personnel salaries (or Personal Services), while a minimal percentage goes to capital expenditures (or capital outlays).

Notwithstanding the nominal increases in the total budget of the DTI, as well as in the budget for personnel, MOOE, and capital outlays, its budget has not significantly increased in real terms. Given the additional mandates as a result of the country's membership in the WTO and APEC as well as increasing demands from local producers and consumers, the DTI has had to implement measures that would enable it to fulfill its expanded mandate functions in spite of the limited financial resources.

Still and all, the DTI had to reduce the number of foreign commercial posts from 34 down to 26, in order to rationalize resources

**Figure 16. DTI budget, 1992–2002**  
(In thousand pesos)



and focus on the Philippines's priority markets. The commercial posts closed down were located in:<sup>13</sup>

- Japan (Fukuoka)
- Saudi Arabia (Jeddah)
- Israel (Tel Aviv)
- South Africa (Johannesburg)
- United States (Seattle, Chicago)
- Canada (Toronto)
- Taiwan (Kaoshing)

The remaining foreign trade posts are in:

- China (Beijing, Shanghai, Guangzhou, and Hong Kong)
- Indonesia (Jakarta)
- Korea (Seoul)
- Malaysia (Kuala Lumpur)
- Singapore
- Taiwan (Taipei)
- Thailand (Bangkok)
- Australia (Sydney)
- Japan (Tokyo and Osaka)
- Belgium (Brussels)
- France (Paris)
- Germany (Cologne and Hamburg)
- Italy (Milan)
- Netherlands (Rotterdam)
- Spain (Madrid)
- Sweden (Stockholm)
- Switzerland (Geneva)
- United Kingdom (London)
- United Arab Emirates (Dubai)
- United States (Washington, D.C., New York, and Silicon Valley)

*Trade promotions.* The operations of DTI bureaus have also been constrained by their limited budget. For example, in the case of the Foreign Trade Services Corps, one Commercial Attaché of the DTI remarked that they have had problems in promoting Philippine products because they did not have the funds to bring a

<sup>13</sup> Based on Foreign Trade Services Corps Document and interview with Ileto, Saleda S. Commercial Attaché, DTI-Foreign Trade Service Corps, May 4, 2004.

Filipino producer around a particular country and introduce him or her to foreign nationals with whom the former could do business. Nonetheless, the members of the Honorary Investment and Trade Representatives international network have been helpful in promoting the Philippines as an investment destination.<sup>14</sup>

An official of the BTR emphasized the need to have adequate financial resources, because they have to regularly attend and participate in international and regional trade conferences.<sup>15</sup> In addition, says one key informant, the country's need to create a separate trade attaché for investments. Currently, the commercial attachés in foreign trade posts handle the promotion of trade in goods and investments. Other countries have one trade attaché and another one exclusively for investments – making investment promotion more focused and effective. With only one commercial attaché, Philippine investment promotion has not been as competitive as it should be.<sup>16</sup>

*IT services.* In spite of the limited budgetary allocations, the DTI has also taken advantage of innovations in information technology to improve its service delivery. Two of these are the web-enabled Business Name Registration System (BNRS) and Tradeline Philippines (Tradeline).

The BNRS is one of the frontline services of the DTI whose main objective is to facilitate the registry of business names. Through the system, anyone can conduct a business name search, submit a new application for a business name, renew a registered business name, change business information, request business certifications, and cancel a business name.

Tradeline, on the other hand, is an information system maintained by the BETP that provides data such as those on Philippine exports and imports, exporters and suppliers, local and foreign buyers, and product and market profiles. It also provides various services to assist local and foreign exporters and importers. These initiatives are aimed at improving customer service and facilitating transactions, with the end goal of oiling the gears of global competition.

<sup>14</sup> Ileto, interview with the author, May 2004.

<sup>15</sup> Kabigting, interview with the author, May 2004.

<sup>16</sup> Reyes, Lucita P. Executive Director, DTI-BOI Technical Services Group, interview with the author, March 2004

*Human resource requirements.* In terms of human resource requirements, the personnel complement of the DTI since 1998 is presented in Table 6:<sup>17</sup>

In general, there has been no significant change in the personnel complement of the DTI from 1998 to 2003. This trend is true as well at the level of individual bureaus and offices. It is also important to note that the DTI actually had more plantilla positions and personnel before 1998. Yet their number has either been declining or has not increased significantly since the department's reorganization in 1987.<sup>18</sup>

Nonetheless, there are two important exceptions to this trend – the decline in the number of filled plantilla positions in the DTI head office from 1998 to 1999, and the increase in the number of filled plantilla positions in the DTI Attached Agencies in the same period. The reason for both is the replacement of the BPTTT by the IPO. The BPTTT was then part of the Consumer Welfare Group but was abolished by RA 8293, while the newly constituted IPO became an attached agency of the DTI. In relation to this, the decline in the number of filled plantilla positions in the DTI attached agencies from 2001 to 2002 was due to the transfer of the IPO from the DTI to the Office of the Executive Secretary (EO 39, series of 2001).

Furthermore, the membership of the DTI in the various interagency councils has not led to any significant increase in its personnel. This is because the personnel of such bodies were normally “borrowed” from existing offices in DTI.<sup>19</sup> Simply put, existing personnel have been given additional tasks on an ad hoc basis or whenever necessary.

This is particularly true for the brand managers of the Business Development Teams created, for which no new plantilla positions were added. Instead, each brand manager is “borrowed” from other units within the DTI. Hence, the brand manager for giftware and holiday décor and food products comes from the BETP; for IT services, microelectronics, marine products, motor vehicle parts

<sup>17</sup> The personnel complement of the DTI prior to 1998 is unavailable from the DTI Personnel Division. Data from 1992 to 1997 was obtained from the Office for Planning and Administration, Civil Service Commission. However, the data was incomplete and disaggregated and thus could not be used as a basis for interpreting the changes in the personnel complement of the DTI.

<sup>18</sup> Pedro, Leo. HRMO III, DTI Personnel Division, interview with the author, December 4, 2003

<sup>19</sup> Pedro, interview with the author, December 2003.



**Table 6. DTI personnel 1998–2003**

	1998	1999	2000	2001	2002	2003
<b>ACTUAL PLANTILLA</b>						
DTI Proper/Head Office	1150	961	962	960	960	960
DTI Regional Office	1863	1863	1863	1867	1867	1876
Attached Agencies	1106	1278	1554	1554	1076	1080
Attached Corporations	2081	2197	2293	2309	2309	2309
<b>TOTAL</b>	<b>6200</b>	<b>6299</b>	<b>6672</b>	<b>6690</b>	<b>6212</b>	<b>6225</b>
<b>CASUAL PERSONNEL</b>						
DTI Proper/Head Office	36	35	36	22	24	27
DTI Regional Office	2	2	2	1	0	0
Attached Agencies	49	60	53	46	45	46
Attached Corporations	256	256	0	0	0	1
<b>TOTAL</b>	<b>343</b>	<b>353</b>	<b>91</b>	<b>69</b>	<b>69</b>	<b>74</b>
<b>CONTRACTUAL PERSONNEL</b>						
DTI Proper/Head Office	24	19	18	12	12	13
DTI Regional Office	295	233	221	136	141	134
Attached Agencies	17	13	15	14	10	4
Attached Corporations	63	61	16	0	32	22
<b>TOTAL</b>	<b>399</b>	<b>326</b>	<b>270</b>	<b>162</b>	<b>195</b>	<b>173</b>
<b>TOTAL DTI PERSONNEL</b>						
DTI Proper/Head Office	1005	827	782	749	727	741
DTI Regional Offices	1968	1935	1916	1769	1810	1782
Attached Agencies	923	1076	1038	1115	807	807
Attached Corporations	1293	1225	1109	1091	1139	1126
<b>TOTAL</b>	<b>5189</b>	<b>5063</b>	<b>4845</b>	<b>4724</b>	<b>4483</b>	<b>4456</b>

and components, from the BOI; for organic and natural products and home furnishing, from the CITEM; for construction materials, from the Construction Industry Authority of the Philippines; and for wearable's, from the PITC. However, this does not mean that the DTI has no need for additional personnel. On a number of occasions, it has requested additional plantilla positions from the DBM or for authority to hire more people and fill the vacant plantilla positions. But these requests were consistently turned down due to budgetary constraints.<sup>20</sup>

*Human Resources Development.* Given this difficulty in hiring new personnel, the DTI has turned to training existing personnel and human resource development. In the BETP, for example, reorientation programs were conducted to change the mindsets of its personnel and upgrade their skills. Retraining personnel is vital amidst a more competitive and global marketplace. This also helps ensure a more competitive workforce whose increased numbers may not always be warranted.<sup>21</sup>

Furthermore, the DTI has been putting emphasis on the continuous professionalization of the personnel recruitment and selection process in the DTI. The DTI Revised Merit Selection Plan (DTI Department Order No. 58, series of 2002) requires a the creation of Personnel Selection Board in every DTI unit to ensure consistency and professionalism in the selection of personnel, while Department Order No. 85 (DO 85), series of 2002, provides for a DTI Human Resource Development Program. DO 85, in particular, mandates each DTI employee to attend 40 hours of training annually (20 hours for general competencies, 10 hours for technical competencies, and 10 hours for personal development) and has set aside P12 million for the program.

The task of the Human Resource Development Services (HRDS) of DTI is to guarantee that the applicants meet the requirements of the CSC as regards government employment. In case a specific bureau or unit of the DTI has a particular qualification requirements for its personnel needs, the request is made by that unit concerned to the

<sup>20</sup> Pedro, interview with the author, December 2003.

<sup>21</sup> Cala II, Fernando P. Director, DTI-Bureau of Export Trade Promotion, interview with the author, April 22, 2004

HRDS for the latter's guidance in hiring.<sup>22</sup> The BITR, for example, has needed more technically trained people or specialists in trade issues as a result of the country's membership in the WTO. They have communicated to the HRDS this particular need as an added criterion in hiring personnel.

### *Department of Agriculture*

The DA is the country's primary agency tasked with promoting agricultural growth and development. It was created under a Presidential Proclamation issued on June 23, 1898, and originally named Department of Agriculture and Manufacturing. Since then, the bureau has undergone numerous structural and institutional changes. It was eventually named Department of Agriculture in May 1974 under P.D. 461 after its predecessor, the Department of Agriculture and Natural Resources, was split into two departments. Later, it was renamed as the Ministry of Agriculture by virtue of P.D. 1378, and as Department of Agriculture on February 28, 1986.

In 1999, the Philippines, being an agricultural country with a landmass of roughly 40 million hectares, has 47 percent of its area classified as agricultural land. This area is planted to food grains, food crops, and nonfood crops, among others. Agriculture, including forestry and fishery, plays a dominant role in the Philippine economy. The country's population is predominantly rural (70% of the total), two-thirds of which depends on farming for their livelihood. In terms of employment, about one-half of the labor force is engaged in agricultural activities.

Given the country's economic landscape, the DA therefore plays a vital macro and microeconomic role for the country's development. Specifically, the DA's main functions can be summarized as follows: (1) empower the farming and fishing communities, (2) modernize the agricultural and fisheries sector, (3) improve rural infrastructure, (4) increase the incomes of farmers and fisherfolk, and (5) ensure that

<sup>22</sup> Baua, Ma. Lourdes T. Director, Human Resource Development Services and Janet N. Safranca, Division Chief, HRDS, interview with the author, December 8, 2003

sufficient food is produced that is both accessible and affordable for Filipinos. In today's increasingly competitive world, achieving these goals becomes imperative not only for the Department but for the national government as well.

During the past years, the DA has undergone numerous changes. One of the most significant is the decentralization efforts undertaken in 1991 with the passage of the LGC which deconcentrates certain agricultural functions to the local government units. Another factor is the strengthening of global forces, like the WTO-GATT and APEC.

These two global organizations, given their commitment to foster a free trade environment, have made bureaucratic reform imperative for the Philippines, and consequently, for the DA. By becoming members of the WTO and APEC, the Philippines is bound to respond to these global organizations by complying with their rules and honoring its commitments to them.

Evidence of the WTO and APEC's impact on the country can be seen in the manner by which the agricultural bureaucracy has been developing its policy framework in recent years. This global institutional pressure is reflected in a number of laws directly stemming from the need to comply with WTO rules. This shows why changes in the country's agricultural bureaucracy are inevitable.

Given the changes brought about by the redemocratizing context and the centrality of agriculture in the WTO and APEC, it is imperative to analyze how the DA, as an institution, has been affected by our country's membership to these organizations. This section will describe and explain the bureaucratic changes within the department based on its (1) organizational structure, (2) outputs, through policies, and (3) budgetary and personnel requirements.

### **WTO and APEC**

Both APEC and the WTO seek to create a free trade environment for all world economies. Given that a large portion of the world economy is still classified as developing economies dependent on agriculture,

this sector is vital in world trade. Thus, the WTO Agreement on Agriculture (AoA) was included in the Uruguay Round Final Act to facilitate trade in the sector. This became the blueprint for agricultural trade among member countries of both APEC and the WTO.

The main goal of the agreement “is to establish a fair and market-oriented agricultural trading system and that a reform process should be initiated through the negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines” (AoA). Specifically, it is aimed at achieving binding commitments on market access, domestic support, export competition, and sanitary and phytosanitary issues.

In terms of market access, the AoA requires all members to replace nonquantitative restrictions with tariffs and to further reduce existing tariffs by 36 percent within six years for developed countries and 24 percent within 10 years for developing countries. It also requires countries to reduce export subsidies within the same timetable.

In addition to market access, the AoA also outlines safeguard measures to protect countries from unfair trade practices. To ensure domestic support, it calls on countries to create countervailing measures and safeguards, and initiate antidumping investigations. Such measures, which have minimal impact on trade, provided they are in accordance with WTO commitments.

Lastly, it also requires countries to harmonize sanitary and phytosanitary measures to ensure food safety and preserve the health of different ecosystems by adhering to international standards. According to the agreement, countries may use sanitary and phytosanitary standards higher than the international standard only if there is justifiable scientific evidence of risk to human, animal, or plant life and not to discriminate against other members.

The Philippines, as a member of the WTO, is therefore bound to follow the aforementioned agreements. The country’s commitment to APEC, on the other hand, is a different story. As mentioned in the second chapter of this paper, the Philippines has no binding

commitment to APEC in agriculture because of the flexibility of the agreement. The Early Voluntary Sectoral Liberalization scheme used in APEC allows countries to determine which sectors and at what pace to liberalize. Thus, based on the country’s Individual Action Plan, the Philippines’s commitments to APEC simply mirrors its commitments to the WTO.

## Organizational structure

The DA is governed at two levels — national and local. At the national level, the DA is responsible for “increasing productivity, improving market efficiency, and ensuring sustainable growth of crops, livestock, and fisheries” (David n.d.). At this level, the DA is composed of different bureaus, administrative services, central and regional offices, and attached commodity-based agencies.

On January 30, 1987, President Aquino signed EO 116, which served as the legal basis for the present organizational structure of the DA (see Appendix 2). Under this organizational structure, the DA is composed of the Office of the Secretary, the staff offices, attached agencies, bureaus, and central and regional Offices. Under this EO, the DA was grouped into five functional, central offices under the Office of the Secretary, each headed by an Undersecretary and a corresponding Assistant Secretary.

These five groups consisted of Regional Operations, Staff Operations, Policy and Planning, Livestock and Attached Agencies, and Special Concerns. Major changes created by EO 116 included the creation of the Bureau of Agricultural Research to coordinate all research activities of the department, the merging of the Presidential Committee on Agricultural Credit and the Technological Board of Agricultural Credit into the Agricultural Credit Policy Council (ACPC), the clustering of commodity agencies into the five functional groups mentioned earlier, the establishment of regional offices, and the merging of some commodity agencies into one. Among the merged commodity agencies are the Agricultural Training Council, Philippine Training Center for Rural Development, and the Bureau of Agricultural Extension into the Agricultural Training Center. The National Tobacco Administration also evolved from EO 116.

However, some recommendations corresponding to this EO were not followed. These include the transformation of agencies such as Bureau of Plant Industry, Bureau of Animal Industry, Bureau of Fisheries and Aquatic Resources (BFAR), and the Bureau of Soils and Water Management from line agencies to staff agencies. The agencies still retained line functions such as research and technical regulation, and the power to implement projects.

### Interagency collaboration

Like the DTI, the DA is also a member of almost all of the interagency councils that have already been tackled in the previous case study (see Appendix 1). It is part of WAAC, the Permanent Mission to WTO, the Export Development Council, the Industrial Development Council, the Domestic Trade Development Council, the Trade and Industry Development Council, the Economic Mobilization Group, and the Economic Coordinating Council.

Many of these councils are tripartite in composition (including many members from the private sector and civil society), and necessitate more interaction with the other line and staff agencies of government. The responses to WTO/APEC then have given the DA more contact points with the other bureaucracies as well as other stakeholders.

The DA is also tasked to chair the Task Force WAAR.

### Restructuring and reorganization

Based on the LGC of 1991, certain DA powers and functions were devolved to the various LGUs, specifically the provincial, municipal or city, and the baranggay levels (Table 7).

Because of this reorientation of functions, certain bureaus and offices of the DA were found to have functions overlapping with the local government. These include the Philippine Coconut Authority (PCA), the Sugar Regulatory Administration (SRA), the Fiber Industry Development Authority, the National Tobacco Administration (NTA), and the National Irrigation Authority (NIA), among others. However, these agencies remained within the department despite having functions that should have been devolved to the local governments.

**Table 7. Devolved agricultural functions**

Provincial	Municipal/City Level	Baranggay
1. Extension and on-site research services and facilities	1. Extension and on-site research services and facilities	1. Distribution of planting materials
2. Assistance in the organization of farmer's and fisherman coops and other organizations.	2. Quality control of copra	2. Operations of farm produce buying stations
	3. Improvement or development of local distribution channels	
	4. Communal and other small-scale irrigation	
	5. Water and soil resource utilization and conservation projects	
	6. Enforcement of fishery laws in municipal waters including conservation programs	

Source: David (n.d.)

During this time, the DA's undersecretaries and assistant secretaries were also trimmed down to three each (refer to Appendix 2). These are the undersecretary for Policy and Planning, supported by the assistant secretary for Policy and Planning, under which are the Bureau of Agricultural Statistics, Planning and Monitoring Service, ACPC, National Nutrition Council, Quedan and Rural Credit Guarantee Corporation, Special Concerns Office, Computer Services, and International Agricultural Development Council coordinating office.

The undersecretary for Livestock, Fisheries, Staff Operations, and Attached Agencies, on the other hand, is supported by the assistant secretary for Livestock, Fisheries, and FAPs. Under this functional grouping are six livestock agencies, administrative services, numerous commodity-based agencies, and the SRA, PCA, National Food Authority (NFA), and NTA.

Lastly, the undersecretary for Regional Operations and Research and Training (renamed the undersecretary for Field Operations) is supported by the assistant secretary for Soils, Irrigation, Research and Training, under which are the Technical Regulatory Aspects of Grains, Crops, Fiber, and other crops outside commodity-based agencies, NIA, marketing assistance, and agricultural investment. Of these three undersecretaries, the one assigned to Livestock, Fisheries, Staff Operations, and Attached Agencies has the heaviest workload, being in charge of the most number of functional and commodity-based concerns.

In keeping with the country's commitment to trade liberalization, and in response to the need to modernize and make the sector globally competitive, RA 8435 or the Agriculture and Fisheries Modernization Act (AFMA), RA 8550 (the Philippine Fisheries Code) and RA 8178 (the Agricultural Tariffication Act) were passed into law. These legislative pieces brought about a number of changes in the DA's organizational setup.

First, AFMA called for the creation of the Bureau of Agricultural and Fisheries and Product Standards (BAFPS), the Minimum Access Volume (MAV) Secretariat, and the Agricultural Competitiveness Enhancement Fund (ACEF) office. The last two were created only by virtue of administrative orders issued by the DA and were intended to provide services in response to the Agricultural Tariffication Act. BAFPS, on the other hand, was created to formulate and implement standards for fresh, primary, and secondary processed agricultural and fishery products.

The Philippine Fisheries Code authorized the designation of an undersecretary for Fisheries and Aquatic Resources to attend to the needs of the fishing industry. In addition, the BFAR, which was transformed into a staff agency through EO 116, was then

reconstituted as a line agency, placing it under the undersecretary for Fisheries and Aquatic Resources. Thus BFAR became the primary agency responsible for the fisheries sector.

In response to the Safeguard Measures Act (RA 8800), the Countervailing Measures Act (RA 8751), and the Anti-Dumping Act (RA 8752), the Trade Remedies Office (TRO) was created (as previously discussed in the case study on DTI).

These laws were enacted as a result either of the redemocratizing impetus of decentralization or the country's commitments to global institutions. In response to these legislative mandates, the DA, under then Secretary Leonardo Montemayor, drafted an Agriculture Bureaucracy Restructuring Plan (ABRP) to reorganize the country's agricultural bureaucracy. Based on the ABRP recommendations, President Joseph Estrada enacted EO No. 338 on January 10, 2001. Under this new plan, five undersecretaries, six assistant secretaries, and the Inspectorate General and department spokesperson, both of whom also carried the title of assistant secretaries (bringing the total assistant secretaries to eight), were appointed.

The undersecretaries were those of Extension, LGU Support and Extension; Research and Development; Fisheries Regulation; Policy, Planning, and Project Development; and Finance and Administration. The department also had five functional lines, each of whom (except for Policy and Planning) had an assistant secretary. The assistant secretaries for Regional Executive Directors, Corporate Affairs, Inspectorate General, and the Department Spokesperson were placed under the direct supervision of the Office of the Secretary.

However, because of the unexpected change in administration following the second EDSA Revolution, which came on the heels of the signing the EO, the plans were not fully implemented. Hence, offices such as the TRO, MAV Secretariat, and ACEF, still retain their interim status within the department (see Appendix 3).

### Legislative environment for agriculture

During President Aquino's incumbency, the Department of Agriculture adopted a nationalized approach to agriculture (EO No. 116, 1986).

At the time, government policy toward agriculture was more inward-looking such that despite including the diversification of agricultural products for export as one of its goals, import restrictions were placed on several agricultural products and government agencies were given the power to impose further restrictions as they saw fit.

Since the country's membership to the WTO, however, the country's commitments have led to numerous pieces of legislation and policy changes affecting the agricultural sector. According to the WTO's AoA, the Philippines entered binding commitments on market access, domestic support, export competition, and sanitary and phytosanitary measures.

One of the major policy changes that resulted from the WTO agreement was the tariffication of the agricultural sector. The Philippines, under the WTO (specifically Section 5 of the Agreement on Agriculture), has committed itself to replacing all quantitative import restrictions on all agricultural products (except for rice) with tariffs through the enactment of RA 8178, or the Agricultural Tariffication Act, on March 27, 1996. It was the first in a series of laws resulting from the Philippines's commitment to the WTO.

Following the passage of the law, the import ban placed on several agricultural products such as onions, potatoes, garlic, tobacco, and coffee was lifted while other agricultural products were deregulated, leading to a more outward-oriented economy. This tariff scheme operates under the tariff-quota mechanism, where tariffs are determined through the "Minimum Access Volume."<sup>23</sup> Under this scheme, the volume of agricultural products imported within the MAV can be acquired at lower tariffs within the "In-Quota Tariff Rate" while those outside it will be given higher rates. To implement the MAV mechanism, the DA issued Administrative Order No. 8 in 1997, outlining the rules and regulations for its implementation.

Notwithstanding the passage of RA 8178, under the WTO's Agreement on Agriculture, special treatment is accorded to developing countries like the Philippines. Among others, this comes in the form

<sup>23</sup> Minimum Access Volume (MAV) refers to the "volume of a specific agricultural product that is allowed to be imported with a lower tariff as committed by the Philippines to the WTO under the Uruguay Round Final Act."

of exemption of rice as the country's staple food from the tariffication. Thus, the NFA retains the initial right to import rice.

In addition to the MAV mechanism and the tariffication of the agricultural sector, the law also created the ACEF, made up of proceeds from the importation of agricultural products through the MAV mechanism. This fund, which forms part of the national treasury, is used for the implementation of different infrastructure projects, research and development, and other activities intended to provide support and assistance to the agricultural sector.

RA 8178 also led to the revision of the powers of the NFA regarding importation. As a result, the powers of the NFA under the National Grains Authority Act was limited to the importation of rice, removing its power to import and equalize the selling price of other grains regardless of the demand-supply gap in the country.

Another legislation that resulted from the WTO agreement was RA 8435, or AFMA, signed into law on December 22, 1997. The act was intended to modernize the sector to become a technology-based industry, which in turn would improve the quality of Philippine agriculture and make it globally competitive. The policy's aims can be summarized as follows: (1) poverty alleviation and equity, (2) food security, (3) rational use of resources, (4) global competitiveness, (5) sustainable development, (6) people empowerment, and (7) protection from unfair competition.

AFMA is a comprehensive legislation that provides the country's blueprint for the sector's modernization and rural development. It defines a policy environment and public investment stream, which aims to transform the rural economy into one that is modern, science- and technology-based, more integrated into the national and international markets and thus highly productive and competitive. One could say that it is the country's framework for agricultural globalization.

The AFMA's major provisions include:

1. The reform and reorientation in the provision of public production and marketing services, on which the country's medium and long-term Agricultural and Fisheries Modernization Plan (AFMP) will be based

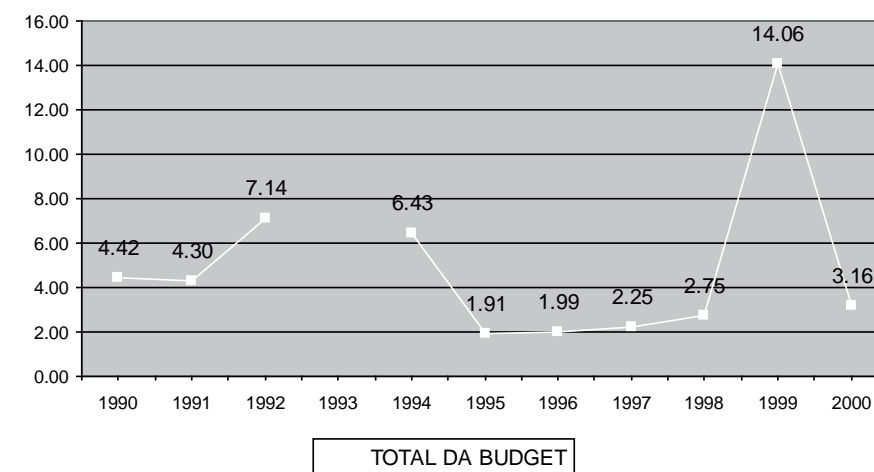
2. The development of human resources, to rationalize and strengthen the National Agricultural and Fisheries Education System, which will offer a high quality agriculture and fisheries education at all levels
3. Research and development
4. Extension, which aims to build strong partnerships with other national government agencies, local government units, civil society, and the private sector
5. Rural nonfarm employment, where policies and programs will be designed to employ workers efficiently in the rural areas
6. Trade and fiscal incentives, which will provide exemption to all agriculture and fisheries enterprises from tariffs and duties in the importation of specific types of inputs
7. Budgetary appropriation provisions of P20 billion for AFMA and P17 billion annually for the next six years. According to this provision, 50 percent of these funds should be appropriated for capital outlays — irrigation (30%), post-harvest facilities (10%), and other infrastructure (10%).

Through the AFMA, the department also adopted the “Ginintuang Masaganang Ani” (GMA) Program, which became the banner program for agricultural development of the DA and replaced the previous administration’s “Masaganang Ani Program.” The main goal of the GMA program is to achieve food security for the country, both in terms of the supply and accessibility of food for Filipinos through capability building, and improving the productivity of farmers and fisherfolk, thereby increasing their incomes. Consistent with the resurgent democracy in the country, the program also provides for the increased participation of all stakeholders. The products covered by the GMA program are rice, corn, fisheries, sugarcane, coconut, and other high-value commercial crops.

### Budgetary requirements

The DA, being one of the country’s biggest bureaucracies, has one of the biggest budgets in the national government. From 1990 until 2002, its budget grew annually by 14 percent. Figure 17 shows the

**Figure 17. DA total appropriations (1990-2002)**



DA allocations during the period 1990-2000, excluding the significant amounts allotted for the GATT-Related Measures Fund in 1995 and the Agricultural and Fisheries Modernization Fund.

These two responses are respectively consistent with the country’s commitments to protecting the agricultural sector from the negative impact of global competition and modernizing the agricultural sector to be globally competitive.

With the passage of the 1991 LGC, there was a subsequent decrease in the budget. There was a lag in the budgetary allocation for one year. Between 1992 and 2000, the government budget declined significantly from Php7.14 billion to Php3.16 billion.

Figure 18 shows the distribution of the budget according to three major items, namely, personal services, MOOE, and capital outlay. As the data show, the LGC arrested the growth of government workers’ salaries.

Like DTI, the DA has a much bigger allocation for MOOEs compared with other budgetary items. This, along with capital outlays, accounted for the huge increases in 1994 and 1999. The salaries remained fairly stable even before decentralization was implemented. This is partly explained by adjustments in personnel salaries. The huge spike in the

budgetary allocation happened during the Estrada administration and may be attributed to his declared thrust of focusing on agricultural concerns.

### Personnel requirements

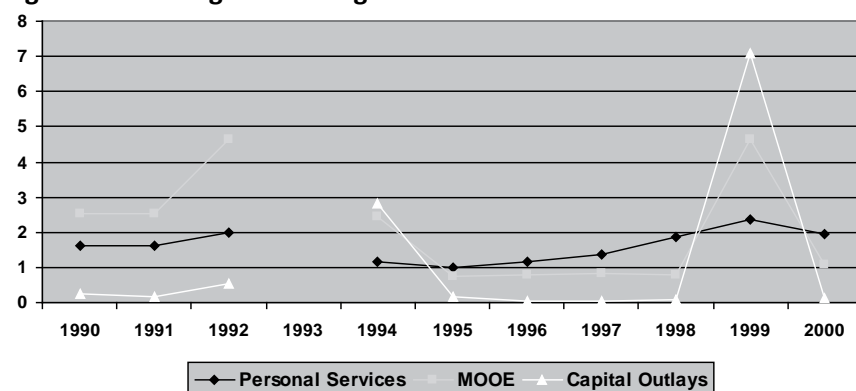
The impact of the LGC becomes evident when one compares the number of employees that the DA had prior to and after decentralization. Before 1991, when the law was enacted, DA employees numbered slightly over 30,000 (see Figure 19). After decentralization, this figure was pared down by two-thirds to 10,653 employees. This movement is also reflected in the subsequent increase in the total employment in local governments, as discussed in the previous chapter.

### GATT-related adjustment measures fund

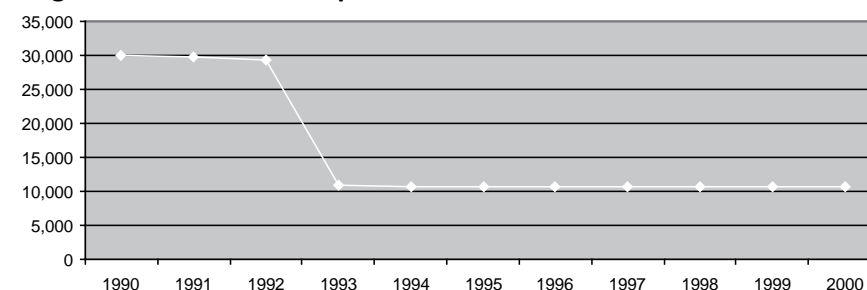
To assist the country's industries and protect them from the possible negative effects of trade liberalization primarily brought about by the country's membership in the WTO, a four-year "safety net" fund called the GATT-Related Adjustment Measures Fund (GAMF) was appropriated for the DA, DTI, and DFA, as well as some other affected agencies (see Figure 20). This fund was initially targeted at PHP 128 billion, but only PHP 82.6 billion was eventually allocated.

For the DA, the fund was principally geared toward the development of farm-to-market roads, irrigation systems, research and development, and

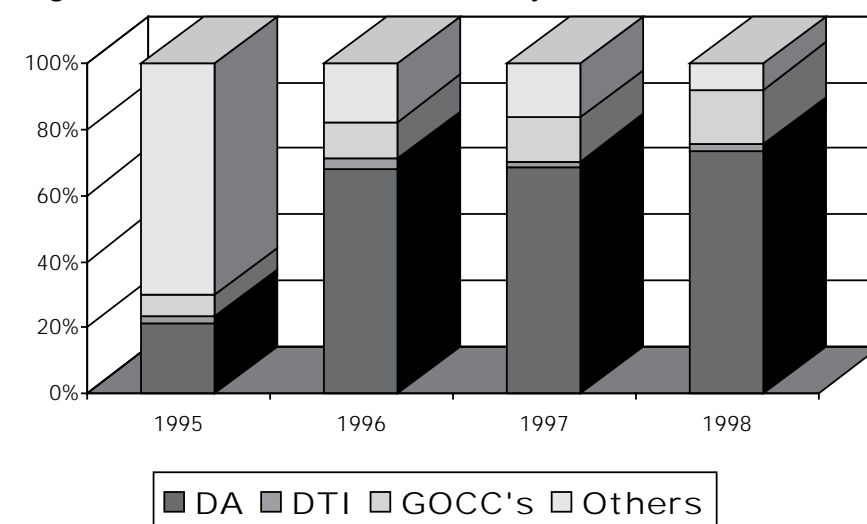
**Figure 18. DA budget according to economic classification**



**Figure 19. Number of DA personnel**



**Figure 20. Distribution of GATT-related adjustment measures fund**



**TOTAL GAMF (1995) – P32-billion**

**TOTAL GAMF (1998) – 16-billion**

Source: WAAC 2001

other infrastructure projects to help the country's farmers. Initially accounting only for 21 percent of the fund, DA ultimately took the bulk of GAMF, averaging 57.9 percent of the total appropriations for the entire period.

A major chunk of the allotment for government-owned and controlled corporations actually went to agriculture-related corporations such as the NFA, the PCA, the SRA, and the Philippine Rice Research Institute. Unfortunately, according to the DA, these



funds were not given in full. Five years after its implementation, the DA said that only 50 percent of the actual amount was released to them, with only a fraction of its sum used for actual capital outlays. The reason given was the country's ballooning budget deficit, which made it difficult for government to fund even the DA's regular budget.

As a result, the GAMF was replaced by the Agricultural and Fisheries Modernization Fund in 1999. However, a Special Account was not created for the DA in the General Appropriations Act until 2001. Under chapter 26 of the said document, the Agriculture and Fisheries Modernization Program (AFMP) was allocated PHP 14.15 billion to carry out this special project in stark contrast to the DA's total budget (excluding AFMP), which amounts to only PHP 3.16 billion. The following year, AFMP's allocation further increased to PHP 19.48 billion while the DA's budget increased to PHP 4.19 billion. Both the AFMP's and the DA's budgets went down in 2003 to PHP 16.3 billion and to PHP 2.06 billion, respectively.

Clearly, in all three aspects of organizational structure, policy formulation as well as resource requirements, the changes in the DA are explicitly due to the redemocratizing context as manifested in the decentralization process and the resultant commitments to the liberalization and globalization of the economy. These are all supported by policy pronouncements from the different administrations, as well as reflected in budgetary allocations (such as the GAMF and the AFMP funding).

### *Department of Foreign Affairs*

As the agency mandated to carry out the Philippine foreign policy, the DFA has been dealing with the issues of globalization long before the ensuing debate on this phenomenon. The mission of the DFA is to "advance the interests of the Philippines and the Filipino people in the world community." Its objectives are as follows: (1) to contribute to the enhancement of national security and the protection of the territorial integrity and national sovereignty; (2) to participate in the national endeavor to sustain development and to enhance the Philippines's competitive edge in a global milieu; (3) to protect the rights and promote the welfare of Filipinos overseas and to mobilize them as

partners in national development; (4) to project a positive image of the Philippines; (5) to increase international understanding of Philippine culture for mutually-beneficial relations with other countries; and (6) to increase and maximize human, financial, technological and other resources to optimize the performance of the Department.

Among its political strategies is the utilization of regional and international fora to enhance Philippine political and security interests. Also part of its key developmental strategies is to lead, in cooperation with the relevant government agencies, in overcoming market barriers facing Philippine exports and services through negotiations with other governments, active representation in APEC, WTO, ASEAN, and other networks.

Throughout the 1970s, the DFA, then Ministry of Foreign Affairs, actively pursued the promotion of trade and investments and concluded various bilateral and multilateral trade and investment agreements. The country played an active role in hosting international gatherings and conferences, particularly those of the UNCTAD, the IMF, as well as the WB.

With the passage of the new Constitution and the Administrative Code in 1987, the Ministry was renamed the DFA. On July 24, 1987, President Aquino issued EO No. 239 mandating the DFA to "resolutely design and harness foreign relations in the active pursuit of rapid international and sustained long-term growth and development." EO 239 then laid the groundwork for the Philippines's economic diplomacy thrust by redirecting Philippine foreign policy to actively pursue opportunities abroad through trade, investment and tourism promotion, labor, trade policy, official development assistance, debt representation and economic intelligence. Thus, there was a heavy economic orientation to this aspect of diplomacy.

The Philippines also became one of the founding members of the APEC at Canberra, Australia in November 1989. In 1990, it proposed the opening of more diplomatic missions in the Middle East to improve existing ties with Arab states and also to respond to the growing needs of the overseas Filipino workers in the region.

On September 19, 1991, President Aquino signed into law the Foreign Service Act (RA 7157). Revising RA 708, the law sought to professionalize the Foreign Service Corps and upgrade the quality of Philippine diplomacy. This Act sought to reorganize and strengthen the Philippine Foreign Service in order to: (1) upgrade the qualifications of foreign service officers; (2) strengthen their capability to conduct studies, analyses and evaluation of events to serve as guidelines for policy formulation; (3) ensure broad representation of the Philippine society in the foreign service; (4) institute improvements in the selection and training of personnel; (5) provide that promotions in the Service be based on merit; (6) guarantee security of tenure; (7) provide suitable salaries and benefits to attract the best people for the tasks; (8) provide a comprehensive and flexible framework for the administration of the foreign service consistent with the modern practices of the field; and (9) consolidate into one act all provisions of the law relating to the administration of the foreign service.

In addition, the Philippines became an active player in regional efforts to establish the AFTA, following the signing of the Singapore declaration in January 1992. The DFA also sent a mission to former Eastern Bloc countries of Poland, Hungary, Czechoslovakia, Bulgaria, Romania, Switzerland, and East Germany to promote bilateral trade relations with these newly redemocratizing countries.

More than ever, the Philippines has been active in the international community and this has resulted in more tasks and mandates for what is traditionally one of the most important departments of the State, the DFA. In November 1989, the Philippines became one of the founding members of APEC at Canberra, Australia. It has also been part of the Uruguay Round that created the WTO in 1995. The increased participation in such fora has resulted in several changes in the DFA.

### Organizational structure

The DFA has undergone several organizational changes. Under the presidency of Ferdinand Marcos, the Department was renamed Ministry of Foreign Affairs. EO 523 called for the “restructuring of the Foreign Service of the Philippines.” Its prefatory statement

recognized the “drastic measures to revamp our foreign service to encompass a comprehensive assessment of its human resource capabilities to make it more sensitive to national interest, particularly the need to promote and expand foreign trade, attract foreign investors and investments and to protect and advance the interests of Filipino migrant workers among others.” Two functional offices were created, namely, the Offices of Political, Economic and Cultural Affairs, and the geographical offices, mainly the Office of Asia and Pacific Affairs (ASPAC), Office of European Affairs, Office of American Affairs, and Office of Middle East and African Affairs.

A reorganization of the ministry came in 1982, with the promulgation of EO 850. The Office of United Nations and International Organizations (UNIO) was created with two divisions to manage economic matters: the division for UN Economic, Social, Cultural and Humanitarian Affairs and the Division of International Cooperation and Development. The latter handled multilateral economic cooperation, including trade negotiations not covered in other divisions (which were still in place when President Corazon Aquino came to power).

Marcos also created the Board for Overseas Economic Promotion (BOEP) and the Technical Secretariat for International Economic Relations. In December 1984, the BOEP was created under the Ministry of Foreign Affairs. The Board was to assist in establishing the goals and objectives of the promotion of exports, tourism, and foreign investments, and promote the protection of the interests of overseas Filipino workers. On the other hand, the Technical Secretariat for International Economic Relations was tasked to (1) coordinate the Ministry’s economic and development activities, (2) provide technical support to other offices on matters relating to economic development, (3) act as a liaison between the ministry and the private sector, (4) provide staff support in the implementation of the Integrated Action Plan of the national development plan, and (5) serve as the ministry’s implementing arm vis-à-vis exports, tourism, foreign investments, and other concerns (Morales 1995).

Under the Aquino Administration, the Ministry was renamed the DFA. There were only two undersecretary offices: Office of

Undersecretary for Administration (OUA) and Office of Undersecretary for Policy (OUP). Then Foreign Secretary Raul Manglapus created other offices: Office of International Cooperation for Science and Technology, Office of Human Rights and Humanitarian Affairs, Office of Cultural and Public Information, Office of International Labor Affairs, and the Office of International Economic Affairs and Development (OIEAD) (see Appendix 4).

Created by virtue of EO 239 in July 1987, the OIEAD was responsible for conducting the programs and activities of the department in the fields of international trade, finance and economics; coordinating with the regional offices and the Office of UNIO; and in coordination with DTI, conducting trade and investment promotion activities. It also acts as the chairman of the NEDA Subcommittee on Economic and Technical Cooperation Agreements, which was responsible for overseeing the different stages of negotiation, conclusion, and implementation of international agreements.

On January 22, 1990, Department Order No. 01-90 was issued, creating an Asia Pacific Economic Cooperation Policy Coordination Group. Its rationale was to study the implications of Philippine participation in APEC and to consider the type of arrangements and areas covered by APEC, which could adequately address Philippine interests. It was also tasked to consider the Philippine position on a possible follow-up action to the APEC Ministerial Meeting in November 1989 and to keep abreast of political and economic developments that had a bearing on APEC. The group was chaired by an undersecretary from DFA, with members composed of a chief coordinator, assistant secretary for OIEAD, director-general for ASPAC, director-general for ASEAN, and other officers upon request by the chairperson to assist the group (see Appendix 5).

Pursuant to RA No. 7157 and DO 39-91 and 02-92, the DFA's organizational structure was further changed. In 1992–1995, it added another undersecretary's office – the Office of Undersecretary for Economic, Science and Technology, Development Cooperation (OUESD), while retaining the two other undersecretary offices. Department Order No. 02-92, issued on January 8, 1992, abolished

OIEAD and transferred the coordination of economic functions with the geographic and multilateral offices to the Office of Policy Planning and Coordination in cooperation with the OUESD. It also transferred coordination of cultural matters handled by the Office of Cultural Affairs and Public Information Services to the OUESD, together with the Foreign Information Council. The Public Information Services, which primarily dealt with local public information requirements, became a unit under the Office of the Secretary.

The change from OIEAD to OUESD and the latter's elevation to an undersecretary-level office was more nominal than substantive in character although this was meant to give symbolic importance to the office. It performed the same functions with the inclusion of multilateral negotiations.<sup>24</sup>

On May 14, 1992, under DO 018-92, the APEC Policy Coordination group was reconstituted, with the Economic Undersecretary of Foreign Affairs as chairperson. Members included the assistant secretary for policy planning and coordination, assistant secretary for ASPAC, assistant secretary for ASEAN, and any other office/division requested to join the group. On June 1, 1992, Office Order No. 810-91, enacted on October 18, 1991, which defined the offices and functions under the supervision of the three undersecretaries, was amended to incorporate the provisions of Department Order No. 02-92.

Accordingly, OUESD became responsible for (1) the coordination of bilateral economic and development issues with the offices concerned, including other multilateral economic issues such as APEC; (2) the functions of the offices of the assistant secretaries under the organizational structure before RA 7157 was enacted in 1991; and (3) United Nations Educational, Scientific and Cultural Organization or UNESCO and the offices previously attached to the Office of the Secretary such as the SOCCOM, technical Assistance Council, and the Foreign Information Council.

The organization further evolved. DFA retained the OUA and OUP and changed the OUESD to the Office of Undersecretary for International Economic Relations (OUIER) through Department

<sup>24</sup> Macaranas, Frederico, Former Undersecretary for Economic Relations (1993-1997), Department of Foreign Affairs, interview with the author, 2003

Order No. 41-97. The restructuring was aimed to strengthen DFA in the conduct of the country's foreign economic relations vis-à-vis other countries. It was also meant to better define the role and responsibilities of the office (refer to Appendix 6 for present organizational structure). As such, it served as the DFA's major response to the increasing importance of economic affairs in international relations, as manifested in the country's participation in WTO, APEC, and AFTA.

### Role of the office of the undersecretary for international economic relations

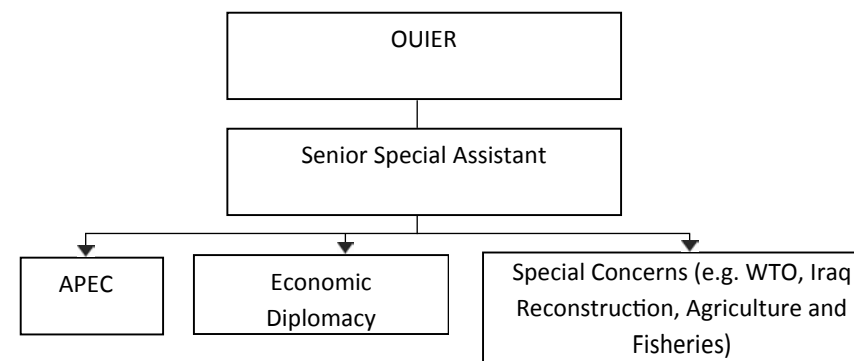
OUIER is primarily charged with implementing and coordinating the responsibilities and functions of DFA relating to trade and investments, tourism, science and technology, the environment and sustainable development, official development cooperation, and related concerns. It is the main coordinating office in the department with respect to furthering the national objectives of making the Filipinos globally competitive.

The office is also tasked to play the lead role in providing policy directions and guidelines to Philippine foreign service establishments in the pursuit of their economic goals in relation to their respective host governments and in relation to international social development issues that may be discussed bilaterally with their host governments or in collaboration with regional and international organizations to which they are accredited and/or are headquartered in their countries of jurisdiction.

OUIER has three pillars, namely, the APEC National Secretariat, the Economic Diplomacy unit, and the Office for Special Concerns (Figure 21).

Foremost among OUIER's functions is serving as the APEC National Secretariat, with the undersecretary as the Philippine Senior Official for APEC. OUIER coordinates and leads the Philippine participation in APEC summits and meetings. Its functions vis-à-vis APEC can be summed up in two parallel tracks: (1) At an interagency level it coordinates national positions for the Philippines on various APEC issues; and (2) deals with all APEC economies for the annual preparations for the Senior Officers' Meeting (SOM), the APEC Ministerial Meeting, and the APEC Economic Leaders' Meeting (AELM), and the implementation of decisions taken therein.

**Figure 21. OUIER's main pillars**



APEC has two aspects — the substantive and the administrative. This creates the delineation of two divisions related to APEC in OUIER. The Division on APEC Issues deals with the substantive preparations on Philippine national positions and the implementation of decisions taken at APEC meetings at all levels. The Division on the APEC National Secretariat deals with the administrative support services required to ensure coordination at the domestic interagency level and the international intra-APEC economy level.

OUIER leads the Philippine participation in the annual AELM, APEC ministerial meetings of foreign and economic/trade ministers, and SOMs. It coordinates sectoral ministerial meetings on areas that include education, energy, environment and sustainable development, finance, human resource development, regional science and technology cooperation, small and medium enterprises, telecommunications and information industry, tourism, transportation, and women's affairs.

Currently, OUIER coordinates the Philippine participation in the Committee on Trade and Investments (CTI) (in coordination with the DTI), SOM Committee on Economic and Technical Cooperation (of which the DFA is the lead agency), Economic Committee (in coordination with NEDA), and Budget and Management Committee (of which DFA is the lead agency). Working with the relevant government agencies, OUIER also ensures the Philippines's participation in CTI's

10 subcommittees and experts' groups, APEC's 11 working groups, one subgroup, and three SOM special Task Groups/Forces.<sup>25</sup>

The Technical Board on APEC Matters is overseen by the DFA. Its chair is the senior official in the Philippines, usually the DFA's OUIER undersecretary. The vice-chair is from the DTI BITR.

OUIER's third pillar is the Office for Special Economic Concerns. It deals with a wide range of issues that include the WTO, women, postwar reconstruction of Iraq, and Asia-Europe Meeting, among others. As designated by the President and the Secretary of Foreign Affairs in relation to WTO issues, OUIER represents the DFA in the NEDA Board Committee on Tariff and Related matters (CTRM), chaired by the DTI Secretary and co-chaired by the director-general of NEDA.

The CTRM has a three-fold function: (1) to advise the President and the NEDA Board on tariff and related matters and on the effects on the country of various international developments; (2) to coordinate agency positions and recommend national positions for international economic negotiations; and (3) to recommend to the President a continuous rationalization program for the country's tariff structure. The TRM's membership and organization set-up is as follows: The CTRM is constituted into three levels — the Cabinet Committee, the technical committees, and the subcommittees.

The Cabinet Committee is co-chaired by the DTI Secretary and NEDA Director-General. The DFA Secretary is a member, with the undersecretary of OUIER representing the Secretary. The TRM Technical Committee is co-chaired by the Undersecretary of DTI and the deputy director general of NEDA. The DFA is a member, with a OUIER representative attending the meetings.

The Technical Committee on WTO Matters is co-chaired by the undersecretary of DTI and DA, with NEDA as vice-chair. DFA is a member, with OUIER representative attending various meetings, together with UNIO representative. The Committee was created on

<sup>25</sup> Aside from annual summits, ministerial meetings, the following are APEC's relevant subcommittees and experts' groups, working groups, and special task force groups: CTI Sub-Committees and Experts' Groups — Market Access group, Group on Services, Investment Experts' Group, Sub-Committee on Standards and Conformance, Sub-Committee on Customs Procedures, Intellectual Property Rights Experts' Group, Competition Policy and Deregulation Group, Government Procurement Experts' Group, Informal Experts' Group on Mobility of Business People, and WTO Capacity Building Group.

August 19, 1999 and is chaired by the Senior Undersecretary of DTI, with DA as co-chair and NEDA as vice-chair, and with the senior officials from various agencies, DFA including, as members. Its main function is to recommend Philippine positions/strategies on issues with direct relevance to the country's implementation of its WTO commitments. It is given technical and administrative support by the WTO desk of the BITR.

The CTRM Technical Committee has the following subcommittees: (1) subcommittee on trade and investment agreements, which is tasked mainly with the formulation of the Philippine positions on trade and investments prior to their submission to the TRM technical committee; (2) subcommittee on economic and technical cooperation agreements, which deals with the formulation of drafts on economic and technical cooperation agreements; (3) subcommittee on Shipping; (4) subcommittee on tariff and nontariff measures/technical working group on tariff review. The DFA is a member of all four subcommittees and chairs the subcommittee on economic and technical cooperation agreements.

On February 6, 1998, the TRM Technical Committee endorsed to the TRM the dissolution on the subcommittee on UNCTAD Matters and International Commodity Producers Agreements, noting that UNCTAD was no longer active as a negotiating forum for trade issues. As the DFA notes:

“With the conclusion of the Uruguay Round and the emergence of APEC and ASEM, the benefits from the Generalized System of preferences conceived under the auspices of the UNCTAD and the international commodity agreements have been eroded. The DFA has been requested to continue coordinating directly with all other agencies in matters where an interagency representation is needed, e.g., ESCAP [United Nations Economic and Social Commission for Asia and the Pacific] and the UNIDO [United Nations Industrial Development Organization] in the formulation of the Philippine positions.”

From the evolution of the DFA organizational structure as discussed above, it appears that the department has increasingly become task-specific and open to interagency coordination.

The 1986 organizational structure shows the DFA with two undersecretary offices, one for administration and another for policy. Yet it appears that the offices under them were not in line with the tasks of the undersecretaries' offices. For example, the office of the UNIO, human rights and international labor were all under the undersecretary for administration when they were better overseen by the policy undersecretary. The Office for International Economic Affairs and Development and the Office for Cultural Affairs were not part of any undersecretary's office, but were separate offices under the foreign affairs secretary.

These issues were more or less resolved under the 1991 structure. The addition of the third undersecretary made the division of labor clearer. The undersecretary for policy handled all the geographic offices, the undersecretary for administration handled the managerial tasks while the third undersecretary (OUESD) handled the trade, economic, science and technology, and cultural matters.

Attempts for a separate line office for APEC and WTO were not successful. Among the reasons given by some DFA officials was that APEC was not big enough to warrant an office.<sup>26</sup> In the case of the WTO, there was not enough capacity in DFA. OUIER believes, however, that the WTO should have a separate office for the rules-based trading system. Since a law had to be passed to make this separate line office a reality, there were talks in the House of Representatives and the Senate on how to amend the Foreign Service Act of 1991, which created the different offices for the DFA.

Some of the suggestions put forth were the creation of a separate office for regional organizations, similar to the ASEAN office. Some of the proposed laws sought omnibus amendments to RA 7157 to further strengthen the diplomatic service by ensuring that only the best talent are recruited. There was also a proposal seeking the reorganization of the DFA structure, among others by the addition of another undersecretary to the present three.

Another was the proposal to promote the head of the Foreign Service Institute to an undersecretary level, with the title director-general. The explanatory note that accompanied the proposal said

<sup>26</sup> In an interview, former DFA Usec Macaranas said there was no need for the creation of a specific APEC office, adding that what the DFA needed were people well versed in economics.

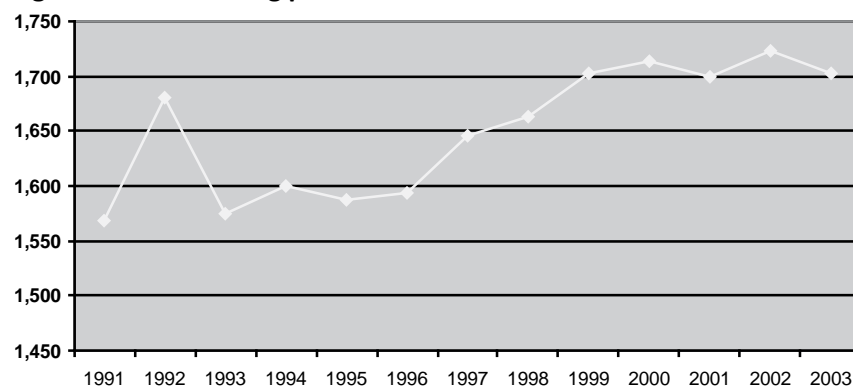
that "recent international developments particularly those in the region underscore the reality of globalization and the vital importance of effective management of the country's external relations." The changes are mostly in the upgrading of several offices, such as that on research and migrant worker affairs, which the legislators deemed were assuming increased importance amid the changing times.

### Human resource requirements

New qualifications for Foreign Service personnel stem from RA 7157 or the New Foreign Service Act of 1991. Among the provisions of this act is the creation of a Foreign Information Council (FIC), which will take charge of disseminating abroad information on Philippine economic and political developments. Under the Public Information and Services Unit, the FIC is a special multiministerial body composed of the secretaries of Foreign Affairs, Trade and Industry, Tourism, Defense, and Labor and Employment, and the Office of the Press Secretary. Its main task is to provide policy directions and to implement a unified overseas information program for the entire Philippine government (RA 7157).

The DFA also reviewed existing systems and procedures and subsequently adopted measures for streamlining the staffing pattern in both the home office and the foreign posts. The retooling of DFA personnel would make them more responsive to the needs of foreign service. Employees received the benefits of added training and orientation for foreign service work. They were also given the Career Ministers' Examinations on February 1993 and 1994. The successful examinees attended seminars and workshops organized by the Development Academy of the Philippines for a program on manpower development.

Staffing pattern. The DFA does not have as large a personnel complement as the DA or DTI, as shown Figure 22. However, the period 1991–2003 was marked by a steady increase in DFA personnel (here and abroad). In 1992 the number of personnel shot up to more than 1,650 immediately following the passage of the Foreign Service Act of 1991. But it quickly reverted back to a smaller number in 1993.

**Figure 22. DFA staffing pattern**

Growth was slow but steady from 1995 to 2002, only to reverse in 2003 to the 2001 level.

*Coping with new demands.* When APEC was organized, there were only a handful of DFA officers working on the concerns of the newly created regional forum. In fact, from 1989–1990, there were only two officials doing APEC work. The increase in personnel started with the preparations for the Philippine hosting of APEC. It took the Philippines five years to prepare for the hosting. It was not easy because, first and foremost, officials had to sell the idea to the President, to Congress, and to the citizens at large. Frederico Macaranas, then DFA undersecretary, had to lobby with then President Ramos, who eventually promised him full support for the planned hosting. In the DFA, there was no office to support this task. But in 1994, a group of young officers from the Foreign Service Institute undergoing economics training for APEC work volunteered to help. This became the start of a new generation of DFA officials with sensitivity to the specific needs of APEC.

For those directly involved in economic affairs such as the WTO and APEC concerns such as ASPAC, UNIO, or OUIER, there is no pattern of increase despite the multiplying mandates and increased international commitments. What is becoming apparent is that personnel requirements are not dependent on a particular issue. The DFA resorts

to letting present staff members absorb new tasks. Hiring additional personnel is very costly and impractical due to process and budgetary constraints. What the DFA does is (1) to restructure the jobs of the present personnel and (2) increase inter- and intraoffice coordination.

In a way, all government agencies are forced to do this restructuring, which is similar to what the DTI has done using the matrix approach. The number of people that the agencies can hire is fixed by the budget and is not demand-driven. The DBM has to authorize any increase in plantilla items, and it is virtually impossible to get additional plantilla items in this age of cost- and personnel-reduction and fiscal problems. Correlation between issues, work load, and hiring is lacking and increase or decrease in personnel is not dependent on work.<sup>27</sup>

So how does the DFA cope with this absorption of new tasks? There are the geographical offices like the Office of Asian Pacific Affairs, and thematic offices, like the UNIO. The workload is shifted from one office to the next depending on need. For example, even if there is an APEC office, it does not have full staffing. The APEC desk in the DFA serves as the coordinating secretariat of all APEC matters, but it is actually composed of people working in the different geographic and thematic offices.<sup>28</sup>

This requires employees to be very flexible and capable of multitasking. Moreover, these DFA offices also coordinate with offices from the DTI and NEDA. To mitigate the impact of the increase in tasks and responsibilities, DFA has convened ad hoc interoffice/units teams, reorganized offices and units, and widened and refocused the scope of its personnel's tasking pattern.

Special qualifications required for officers who deal with APEC and WTO matters cannot be singled out. One would suppose that a background in international economics, trade negotiations, and international economic law would be required of foreign officers under APEC offices. Yet in the present OUIER, the background of most personnel is in economics. As one key informant states, having

<sup>27</sup> Laluno, Melchor. Acting Director (FSO III), Personnel Management Division, Office of Personnel and Administrative Services (OPAS), Department of Foreign Affairs, interview with author, 2004.

<sup>28</sup> Ibid.

a degree in international economics is considered a bonus, not a must. Neither the CSC nor the DFA has any special requirements or qualifications pertaining to the economic-oriented desks, and given the “borrowing” of officers from other bureaus, it seems to be of less importance.

However, there is a recognized need among officials for more specialized training. Since APEC and WTO are economic cooperation endeavors, there is a need for people with competency in economics. Traditionally, the economics background of DFA personnel is limited to a few subjects that include basic microeconomics, macroeconomics, and international trade.

Unlike previous decades when Foreign Service Officers took the lead even in economic matters, DFA personnel today increasingly provide support to those from the DA and DTI when dealing with the economic aspects of international relations, given that these two agencies have the necessary technical capacity to carry out their respective mandates. The officers from the latter agencies know more about trade liberalization, tariff schedules, or the Philippine capacity for agricultural openness. But when discussions are (or become) political in nature, DFA officers take the lead. Most of the DFA officials “learn along the way” when it comes to international economic relations and law.<sup>29</sup>

But a few officers have taken the initiative to retrain and retool their skill sets on their own. Some OUIER staff have even taken courses, including master’s degrees in economics and development management in local universities.<sup>30</sup>

*Human resource development.* Increasingly, the DFA has been addressing this lack in economic and technical expertise. First, they instituted a systemic upgrading of training inside the department through the Foreign Service Institute. There is a basic course on international political economy in the Foreign Service Officer cadetship program. The DFA also utilizes research institutions such as the Philippine Institute for Development Studies and the Philippine APEC Study Center Network.

<sup>29</sup> Mellejor, Mersole. Assistant Director Division 1, United Nations and other International Organizations Office, Department of Foreign Affairs, interview with author, 2003.

<sup>30</sup> According to Macaranas during an interview with the author in 2003.

There are also short-term courses outside the DFA. To cope with the demands of these trade organizations, DFA officials regularly attend seminars and training workshops to increase their competencies in the relevant fields. Most of these seminars are organized by institutions such as the UNDP, WTO, and the ministries of trade of other countries. Examples of these are the Japan International Cooperation Agency-sponsored seminar on UNCTAD, and the Economic Policy Management Training Program organized by the Center for Study and Research for International Development, co-sponsored by the French Ministry of Foreign Affairs and the WB. There are also locally sponsored workshops, such as those by the DTI or NEDA. For example, in December 2003 the DTI Trade Policy Course, which includes a backgrounder on the WTO and the state-of-play therein, was held.

In general, DFA officials agree that the present arrangements in coping with increasing demands for their services are working. There is a clear division of work among different offices as each has its established range of issues that makes intra-agency coordination effective. Officers may “cross over” from one bureau to the next to provide support or expertise, on an as-needed basis. The department is also allowed to hire contractual staff when the load is particularly heavy, although this usually happens only with respect to passport issuances, not to APEC or WTO issues.

Some change in the DFA structure and human resource requirements needs to be effected in the medium and long term, according to many officers interviewed. There is the acknowledged lack of manpower to deal with APEC and WTO-related issues. For example, there are only four people from the DFA tasked with handling WTO issues. Two are from OUIER and two others are from UNIO. Although they are the national secretariat for APEC, OUIER’s personnel are also loaded with other tasks outside APEC matters like Iraq Reconstruction issues.

The explosion of issues brought about by APEC and WTO extending far beyond simple trade in goods has put additional pressures on the nature and role of DFA personnel. Now they also



have to deal with issues such as trade in services, intellectual property rights, environment, security, and others that go beyond the traditional issues of security and migration.

The problem of getting more personnel lies in the general financial position of the government. The DFA filed a request with the DBM for new plantilla or permanent items and this request was prompted by deepening commercial ties and the need to represent government in activities of wider regional and international economic, financial, and sectoral significance. They requested 105 new positions for the next six years, but the decision to hire was deferred due to the lack of funds.

The increasing technicality of discussions in these international fora is now posing a question vis-à-vis DFA personnel skills and competencies. The normal assignment cycle for Foreign Service officers usually consists of local posting for three years, followed by six years of posting abroad. Hence it is hard for them to hone their expertise in a particular field, say, international trade, when in the next year, they might be posted abroad to do consular work.

Although DFA officials say that the major problem with such an arrangement lies only in the transition, this arrangement does not encourage specialization. This has been part of the debate on the pros and cons of being generalists or specialists. But then again, Foreign Service officers have to do a multiplicity of tasks in their normal line of work.

Of course, while the demands from the different aspects of globalization are growing, so too is the coordination load between DFA and other agencies that have the innate expertise for specific areas — for instance, DTI for trade, and DA for agriculture. This has led to an expansion in the inter-agency commitments for DFA.

### Interagency commitments

Dealing with APEC and WTO issues is collectively shared by the DFA, DA, DTI and the NEDA. In the case of APEC, there is a clear division of tasks among the agencies concerned. As earlier pointed out, the DFA, through the OUIER, acts as the national secretariat.

Its undersecretary is also the senior official. But the more technical aspects of APEC are delegated to the experts within the DA and DTI.

### APEC concerns

Consultations with the different government agencies happen in all levels in the Philippine APEC decision-making process. Interagency meetings take place at the working group level, after which they move onto the undersecretaries' level, and then finally at to the ministerial level, before policies are submitted to the President as the chief architect of Philippine foreign policy (see Figure 23).

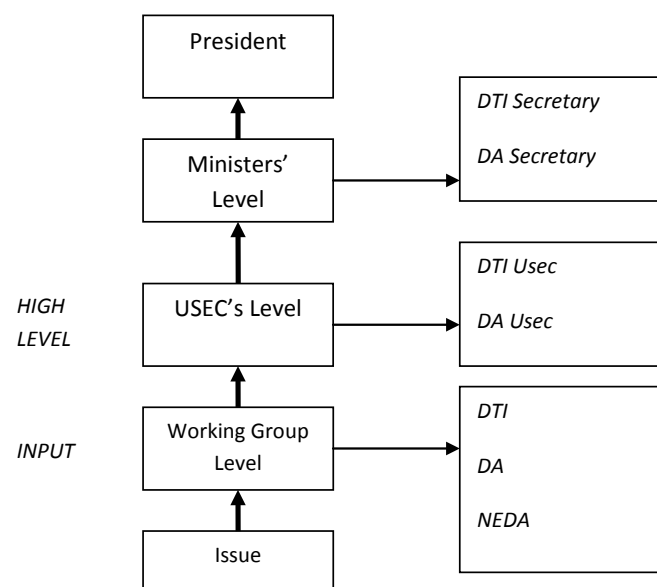
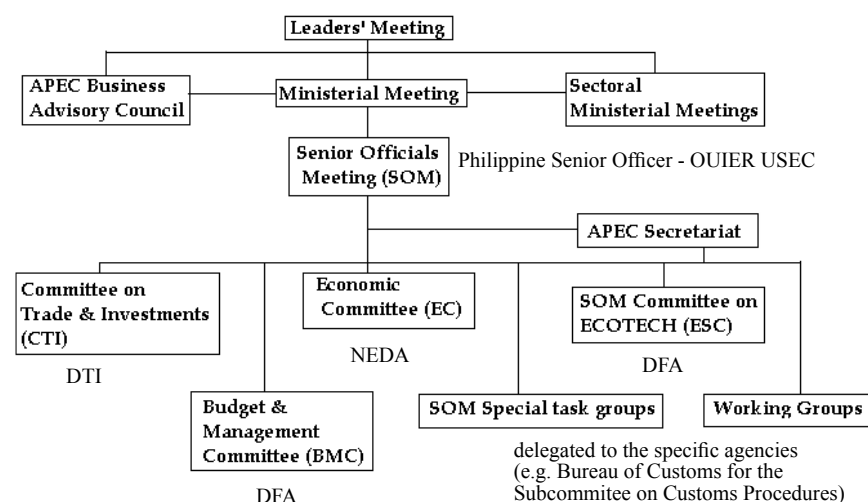
The DFA's crowning achievement in 1996 was the highly successful Philippine hosting of the APEC meetings in the country, which culminated in the APEC Economic Leader's Summit in November 1996. The DFA as chair of the APEC Ministerial Meeting steered critical discussions, leading toward the successful adoption of the "Manila Action Plan for APEC." This was the detailed blueprint for the economies to follow to complete the anticipated trade and investment liberalization and facilitation, as well as technical cooperation by years 2010 and 2020.

For present-day APEC concerns, Figure 24 illustrates the scope and functions of the different agencies in addressing these issues:

### WTO concerns

With regard to WTO issues, the DFA's role is more complicated yet less visible. Unlike in APEC where OUIER acts as the national secretariat, the DFA's participation is more limited to the coordination of various agencies involved. Before the creation of a Permanent Mission to the WTO, the head of the Philippine mission in Geneva represented the Philippines in WTO meetings. The head, who was an ambassador, was a DFA official, and hence submitted all reports to the foreign ministry. The DFA disseminated the information to all relevant agencies, including the DTI and DA.

In preparation for Philippine participation in the WTO's Uruguay Round on August 2, 1994, EO 193 was enacted, creating the

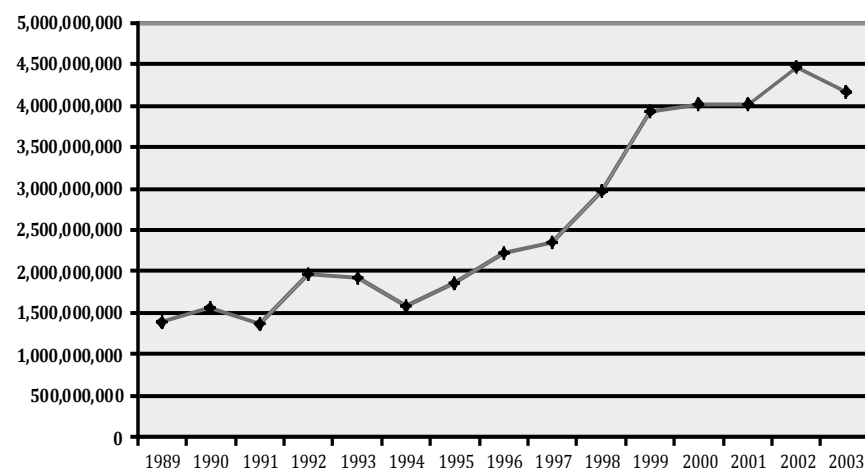
**Figure 23. APEC national secretariat****Figure 24. Government agencies in the APEC structure**

WTO and ASEAN Free Trade Advisory Commissions. This was in recognition of the need to create a WTO Advisory Commission due to the far-reaching effects of the Uruguay Round Agreement and the existence of the AFTA, as well as to maximize the efficiency of both multisectoral commissions.

After the creation of the Philippine permanent mission to the WTO, a different head of mission (permanent representative) was appointed to represent the country in WTO meetings. The mission receives instructions, technical assistance and support from its home department, the DFA, specifically OUIER and the UNIO. The mission also receives assistance and support from the DTI, in particular the BITR, for tariffs and related matters, and the DA for agricultural policy. A notable trait of the mission is that it also relies on the logistics, technical or research assistance and support from the private sector community, the academe, trade associations and civil society groups to the extent permitted by the law (by virtue of EO 271, 2004). This again demonstrates how tripartite governance functions even at this level.

In terms of the local decisionmaking process, the Philippines has two different structures — the TRM and the TCWM. These are both chaired by the DTI Secretary, with other agencies, including the DFA, as members. The subcommittees then are chaired by the agencies in charge (e.g., subcommittee on agriculture to DA) while the DFA sits as member of all groups.

The role of the DFA in WTO matters is to serve as the link between the WTO and the different participating government agencies. The DFA has two offices tackling this role — the OUIER, under the Office of Special Concerns, and the UNIO office. The OUIER functions more as a supervisory agency while the UNIO is the action agency, which deals with the day-to-day operations. OUIER provides policy guidance and directs how DFA should be involved in the committees. UNIO, on the other hand, is more concerned with the actions of and communication from the Geneva mission.

**Figure 25. Total appropriations of DFA**

### Budgetary concerns

Given all of these mandates and commitments, the budget of DFA has increased steadily from 1990 to 2003 by 168 percent. The average increase is 10 percent per year (Figure 25).

Disaggregated by such budgetary items as personal service, MOOE, and capital outlays, the DFA budget has had no significant movements during the period 1990-2003. From 1999 onwards, however, no provision was made for trade and promotion activities for DFA given the increased involvement of DTI in this particular role. The DFA's budgetary framework then, like any other department, is limited by legislative fiat.

### Changing priorities

*Overseas Filipinos.* The functions and emphasis of the DFA have been transformed due to massive migration. To date, it is estimated that around eight million Filipinos are abroad. The increased number of overseas Filipino workers (OFWs) has added a major dimension to the scope of foreign service in the country. The Philippine foreign service establishments now extend services to OFWs, which range from conciliation, mediation, and negotiations with employers on

complaints of workers to the provision of temporary shelters or homes for runaways, stranded, or abandoned OFWs at the airport. Even visits to jails in host countries where Filipino nationals are languishing, and providing them with the needed assistance, now form part of their duties (DFA Report 1992).

During the 1980s and 1990s, Philippine embassies were understaffed and unable to address many of the problems of migrant workers needing assistance. For example, there were only four labor and welfare attachés assigned to the 288,000 migrant workers in Saudi Arabia in 1995. Moreover, officers had little formal training in the handling of the problems of overseas workers. The topic of "Assistance to Nationals" used to be discussed just briefly in the training courses for officers. It was only in 1993 that the FSI expanded its program to include courses focused on providing services to migrant workers (Cabilao 1995).

Yet another problem encountered in the provision of services to OFWs is the shortage of funds. A 1995 FSI study on labor migration expounds on this problem:

"In 1993, the DFA was given a mere P1.5 million for the repatriation and evacuation of distressed Filipino nationals to the Philippines. The 1993 budget law also authorized the DFA to retain P50 million of its income from consular services as a "special Account in the general Fund" for repatriation expenses. The amount appropriated was to be used for undocumented Filipino workers who were not covered by OWWA [Overseas Workers Welfare Assistance]'s repatriation fund. Given the magnitude of the problem, this repatriation fund would not be enough to cover evacuation expenses of distressed Filipinos" (Cabilao 1995).

The Flor Contemplacion crisis (1991-1995) pushed the government to take action on the widely perceived poor quality of its services to OFWs. This event stirred widespread anger in the Philippines due to the alleged inefficiency and insensitivity of the government to the plight of the migrant workers. It also led to the resignation of the labor and foreign affairs secretaries as well as the recall of the Philippine ambassador to Singapore.

With the passage of the Migrant Workers and Overseas Filipinos Act of 1995 (RA No. 8042), the government increased its funding for the protection and welfare of overseas Filipinos. The initial funding of PHP 25 million in 1996 was increased to PHP 90 million in 2003.

In November 1991, the Commission on Filipinos Overseas was transferred to the DFA. The agency also created the Office of Legal Assistant for Migrant Worker's Affairs. This was in acknowledgement of the contributions of migrant workers to the Philippine economy and the need to give them priority under the ambit of foreign service. However, the Commission is slated for abolition due to the existence of the Philippine Overseas Employment Agency (POEA) and Philippine Overseas Workers Welfare Administration (OWWA). There is also a growing number of active civil society organizations that represent the various communities of overseas Filipinos.

*Passport services.* Due to the great number of Filipinos leaving the country in search of jobs or in pursuit of their desire to migrate to developed countries, there was pressure to improve the passport services of DFA. In 2001, the DFA engaged the services of Pilipinas Teleserve, Inc. to introduce a new service, called "E-Trace," that would allow people to track the status of their passport renewal applications using their mobile phones or the internet. (This is similar to the service being provided by the National Statistics Office.) This is in line with the government's thrust to use information technology to improve the delivery of its services to the public.

To serve their customers better, the DFA also embarked on a modernization project: the shift to a machine-readable passport/visa (MRPV) program. This type of passport is chip-embedded and has biographical data entered on the page according to international specifications. This was part of the DFA's modernization efforts in the issuance of passports. DFA records say that there are around 3,000 passport applicants daily. In 2003 alone, DFA processed 1.5 million passports. The MRPV program is expected to reduce the number of processing days and enable the DFA to accommodate

more applications. The MRPV will also introduce security features and ensure compliance with international standards on travel documents. The program conforms to the standards set by the International Civil Aviation Organization.

Such a program will also create a database where all applicant information will be stored for easy access. It also will feature an interface that will allow the DFA to streamline verification procedures with other government agencies. This project is being implemented under RA 7718 or the BOT Law and through the Philippine Passport Corporation, which was set up by winning bidder BCA International Cooperation. Although signed in 2001, the MRPV has been facing considerable delays. But it is set to be implemented by 2005/2006 in all DFA service posts.

This is an example of how government, in the face of growing demands, has focused on leveraging the required services from the private sector, instead of providing the services itself. The benefits of information and telecommunications technology have also been manifested in this particular issue.

## Conclusion and recommendations

The responses of the national bureaucracy, as well the three agencies under study — the DTI, the DA, and the DFA — are expectedly as varied as the different mandates that guide them. The following are some significant findings, key issues, and concerns that have been identified:

1. The initiatives of bureaucratic reform, which started during Aquino's administration and continued by succeeding administrations, have mirrored to a large extent the prescriptions of NPM — that is, a minimal government coupled with economic liberalization policies. Coincidentally, the Philippine government's actions were happening exactly within the time frame that some authors have identified as the peak of NPM, with NPM serving as the "zeitgeist," or Spirit of the Times, in the 1980s and 1990s.
2. Thus, we have observed the advocacy and actual implementation of managerialism and new institutional

economics-type of reforms in the Philippine government. These have led to the consequent moves to put on the so-called “Golden Straitjacket”: to reduce the numbers of the civil service; to advocate a “catalytic” government that focuses on steering rather than rowing; to privatize government-owned and controlled corporations; to decentralize the national government; to deregulate the economy; to empower the citizens and other sectors such as civil society; and to have a customer-oriented approach toward citizens.

3. Whether this was by coincidence or a conscious adherence to NPM is not clear. Some research has identified the coercive nature of the structural adjustment programs, while others have attributed the changes to more benign domestic and international pressures such that the changes could be considered more normative in nature.
4. Following the discussion on the impetus for bureaucratic reform, the rationale behind these and other relevant efforts is not easily reducible to one or two variables, nor does it allow drawing a causal relationship among the different underlying factors. However, in some cases, government has made explicit reference to globalization and redemocratization as the guiding principles behind these moves.
5. Major policies and laws adopted by the government are attributable to the country’s commitments to global institutional pressures of the WTO and APEC. An example of these are GATT-Related Adjustment Measures Fund and the passage of the Agricultural and Fisheries Modernization Act.
6. Multiple interagency networks now exist due to the need to adequately respond to the demands imposed by globalization. As a manifestation of tripartite governance, government has acknowledged the important role that the private sector and civil society can play even at the level of policymaking. There is an institutionalized participation of these two sectors in the inter-agency councils.
7. The government has also created new institutional mechanisms by which to cope with the commitments of the country to WTO and APEC — the WAAC and the Permanent Mission to WTO.

8. Other policies, like downsizing, decentralization, organizational restructuring, and the quest for organizational effectiveness in the bureaucracy, have been constant concerns of the Philippine government and are not directly linked to current pressures created by globalization or redemocratization.
9. Like many government programs, the lack of financial and human resources, as well as the misuse of government funds, has resulted in a suboptimal response to the new demands posed by redemocratization and globalization. The Agricultural and Fisheries Modernization Fund is a prime example.

### *Department of Trade and Industry:*

1. Due to the added mandates brought about by the Philippine participation in global economic fora, the DTI has been adapting its organizational structure. Foremost among its initiatives is the creation of business development teams using a matrix approach, a common private sector practice. This approach is said to be more efficient in terms of addressing customer needs.
2. DTI is now involved more heavily in interagency councils, and heads several of these bodies owing to the nature of the WTO and APEC commitments. Additional mandates (sometimes without the requisite resources) have been facilitated by the enactment of different laws and issuance of executive fiats.
3. Despite the new work load, there has been no complementary increase in resources, whether financial or personnel. DTI has resorted to retraining its employees and involving them in more multitasking. To use a key informant term, bureaus and councils “borrow” personnel from other offices.
4. DTI has also involved the private sector and civil society in its various programs and activities. A prime example is the use of the Honorary Investment and Trade Representatives, who play an important role in generating interest in the Philippine economy abroad.
5. Unlike other countries, the DTI does not have separate officers to serve as trade attachés and as investment attachés.

### *Department of Agriculture:*

1. The DA, aside from having the task of modernizing the agricultural sector has also been significantly affected by the decentralization process. Several functions (and the personnel who fulfill them) have been devolved to the local government units. This accounts for the drop in the personnel complement of the agency.
2. Government has tried a stop-gap measure to address concerns on global economic competition by instituting a four-year GATT-related adjustment measures fund, the bulk of which went to the DA and agriculture-related GOCCs. But as key informants in the agency said, only half of the said amount was released, of which only a fraction was used for actual capital outlays — or investments intended to underpin long-term development.
3. The commitments to WTO (and APEC) have led to the creation of several offices to address these concerns such as the Trade Remedies Office, the MAV secretariat and the Agricultural Competitiveness Enhancement Fund Office.
4. However, these organizational and policy changes remain interim efforts as the political events that resulted in a change in administration stopped the implementation of the executive order signed by the previous administration. This is, of course, a manifestation of how national politics can impinge on the workings of the civil service.
5. The attendant issues of unfunded mandates due to decentralization as well as the capacity of local governments to absorb new functions (such as those devolved from the DA) remain obstacles to the full implementation of the agriculture modernization program of the country.

### *Department of Foreign Affairs:*

1. Like DTI and DA, the redemocratization and globalization processes have shaped how the DFA has functioned and evolved. The primacy of economic discussions has made the DFA a supporting, rather than a leading, actor in WTO and APEC discussions on trade and agricultural issues. This is manifested in the different interagency

- councils addressing international concerns where the DTI or DA, rather than the DFA, chair the councils.
2. There were attempts to create separate line offices for WTO and APEC in DFA, but due to national budgetary constraints, these were not successful.
3. The DFA has also resorted to “multitasking” for its officers, as they “borrow” people from different bureaus to address new concerns much like the DTI.
4. There is no explicit change in the competency requirements for new Foreign Service Officers. However, some officers have, on their own initiative, improved their competency on international economic relations. DFA, like DTI, addresses these relatively new technical demands with short-term training courses and seminars.
5. As international trade concerns are being spearheaded by the likes of DTI and DA, Foreign Affairs is now increasingly focusing on addressing the needs and demands of a growing migrant workers’ sector. This is manifested in increased budgetary allocations, roll-out of initiatives to handle huge volumes of passport requirements, and better services to migrant workers.

### *Policy Recommendations:*

1. *On the national bureaucracy:* there is a problem with the institutional memory with the Philippine bureaucracy. Most notable is the absence of consistent and accurate data on the current state of the civil service. This is highlighted by the fact that there is no readily available data on the size of the bureaucracy after 1999. This is crucial for planning and implementation of public policy, especially organizational reform. Recently, plans to downsize and reengineer the bureaucracy have been advanced. Without the right data (and consequently, proper planning), these plans might be destined for failure. There is a need therefore to strengthen the institutional memory of the civil service by undertaking a survey of government personnel (which was last undertaken in 1999) to determine the true size and capabilities of the bureaucracy.

2. *On decentralization*: there is a need to revisit the effectiveness of decentralization as regards the functions devolved to the local government units (such as agricultural extension and research). While there might be successful cases of decentralization, a more important and useful piece of information would be the general performance of the local governments vis-à-vis the various administrative functions that were deconcentrated.
3. *On privatization*: negative issues involving some GOCCs should not detract from the fact that the privatization efforts of government have been successful. However, due to distortions brought about by the SSL, there is a need to rationalize the pay scales of both public sector employees and the GOCCs. While the salaries of the rank-and-file are comparable with the private sector, studies indicate that the salaries of the top echelons of the civil service are uncompetitive, which may cause low morale. This is crucial in ensuring a globally competitive bureaucracy. For the GOCCs, a pay-for-performance scheme can be adopted to ensure quality service in return for significant salary increases.
4. *On the use of ICT*. The success that DTI and DFA have had in terms of ensuring better customer service via the use of technology is encouraging. While it is becoming a cliché, the benefits redounding from the use of ICT to improve government services cannot be underestimated.
5. *On the DTI*: there is a felt need to create an office that will serve as an independent or autonomous agency that prepares country priorities as regards the country's international commitments. This is to ensure that powerful lobby groups are not the only voices heard in the drafting of the country position in trade and industry. There is also a felt need to create a separate portfolio for a trade attaché for investments (similar to what many countries have) to make the country's investment pitch more competitive.
6. *On the DFA*: new competencies (i.e., economics degrees) for incoming foreign service officers may be required, especially if

- they are to be assigned to WTO/APEC-related concerns, if not to OUIER. This is to strengthen the capacity of foreign service officers to take on such assignments, and enable them to be on equal footing with their technical counterparts in other agencies. Meanwhile, existing officers must be trained in international economics and international political economy given the increasing importance of these fields in international relations. Due to the importance of these multilateral trade arrangements, the proposal to create separate line offices for WTO/APEC/AFTA concerns should be revived and studied carefully.
7. *On the DA*: the existing interim agencies that are the Trade Remedies Office, the Minimum Access Volume Secretariat, and the Agricultural Competitiveness Fund Office must be institutionalized to strengthen the country's position in responding to global challenges in the agricultural arena. A review of the existing commodity-based organizational structure must be made to avoid fragmentation and duplication of tasks. As the country's identified blueprint for responding to global competition, the Agricultural and Fisheries Modernization Program must be fully implemented.

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## Appendix 1. Table of interagency councils

Interagency Body	Composition		Functions
	Government	Non-Government / Private Sector	
WTO/AFTA Advisory Council  EO193 / Aug 2, 1994   amended by EO322 / Apr 10, 1996 to include APEC concerns	<ul style="list-style-type: none"> <li>• DTI Secretary as Chair</li> <li>• DFA Secretary as member</li> <li>• DOF Secretary as member</li> <li>• DA Secretary as member</li> <li>• DOTC Secretary as member</li> <li>• DENR Secretary as member</li> <li>• DOLE Secretary as member</li> <li>• DA R Secretary as member</li> <li>• NEDA Director-General as member</li> <li>• Press Secretary as member</li> <li>• BSP Governor as member</li> <li>• PLLO Head as member</li> </ul>	<ul style="list-style-type: none"> <li>• A private sector representative to be appointed by the President, as <i>Co-Chair</i></li> <li>• Eleven (11) representatives from the private sector (representing industry, agriculture, labor, banking, export, academe, research, and consumers) as members</li> </ul>	<ul style="list-style-type: none"> <li>- Prepare and implement a plan of action to be adopted by government and the private sector to comply with the Philippine commitments to the Uruguay Round and the ASEAN Free Trade Agreements</li> <li>- Conduct an education and information campaign on the effects and implications of the Uruguay Round and AF TA</li> <li>- Coordinate and enlist the assistance of any branch, department, bureau, office, agency, and instrumentality of the government including government owned and controlled corporations as well as representatives from the private sector</li> <li>- Enhance collaboration and build consensus among the various sectors that may be affected</li> <li>- Create such sub-committees, task forces, and technical working groups as may be necessary to accomplish its functions</li> <li>- Adopt rules and guidelines to govern the internal affairs of the Commission</li> <li>- Perform such other powers and functions as may be necessary</li> </ul>
Philippine Permanent Mission to the WTO  EO271 / Jan 19, 2004	<ul style="list-style-type: none"> <li>• Headed by a Permanent Representative (Ambassador Extraordinary and Plenipotentiary Chief of Mission I)</li> <li>• Supported by: <ul style="list-style-type: none"> <li>• Office of the Undersecretary for International Economic Relations (OUIER) and Office of the United Nations &amp; International Organizations (UNIO) - DFA</li> <li>• Bureau of International Trade Relations (BITR) and Foreign Trade Services Corps (FTSC) - DTI</li> <li>• Trade, Industry, and Utilities Staff (TIUS) - NEDA</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- to the extent permitted by law and regulations, appropriate and necessary logistics, technical or research assistance, and support from the private sector community, the academe, trade associations, and NGOs can be relied upon and received by the Mission to better serve the national interest</li> </ul>	<ul style="list-style-type: none"> <li>- A distinct mission and post of the Republic of the Philippines responsible for leading trade negotiations, handling trade disputes, and representing the country before the WTO</li> <li>- Coordinate closely with Philippine Mission to the UN and Other in Geneva insofar as trade policy discussions before the UN Commission on International Trade Law and the UN Conference on Trade and Development</li> </ul>

	<ul style="list-style-type: none"> <li>• Department of Agriculture</li> <li>• Any branch, department, bureau, office, agency, and instrumentality of government including government owned and controlled corporations</li> </ul>		
Export and Investment Development Council  EO499 / Dec 23, 1991   amended by EO520 / May 29, 1992  amended by EO24 / Oct 5, 1992  amended by EO98 / Jun 10, 1993 renaming it as Export Development Council   amended by EO110 / Jul 13, 1993  amended by EO180 / Jun 8, 1994	<ul style="list-style-type: none"> <li>• DTI Secretary as Chair</li> <li>• DOF Secretary as Vice-Chair</li> <li>• NEDA Director -General as member</li> <li>• BSP Governor as member</li> <li>• Secretariat is based in DTI</li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DFA Secretary as member</li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• Presidential Assistant for Visayas as member</li> <li>• Presidential Assistant for Mindanao as member</li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DA Secretary as member</li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DOST Secretary as member</li> </ul>	<ul style="list-style-type: none"> <li>• Four (4) representatives from the private sector as members</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• Three (3) representatives from the private sector as members (7 in total)</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• One (1) representative from the private sector as member (8 in total)</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• One (1) representative from the private sector as member (9 in total)</li> </ul> <p>Addition of:</p>	<ul style="list-style-type: none"> <li>- Provide advice on export and investment development efforts of the government</li> <li>- Periodically review and assess the country's export and investment performance</li> <li>- Identify the main bottlenecks, problem areas, and constraints in all areas, sectors, and activities influencing the development of export and investment, including but not limited to, such matters as policy framework, physical infrastructure, financing, specialized support services, production, promotion, and marketing</li> <li>- Provide advice on specific measures required to remove the bottlenecks/problems constraining the development of export and investment in any of the areas mentioned</li> <li>- Create sub-committees and task forces as may be necessary</li> </ul> <p>Added to existing Functions:</p> <ul style="list-style-type: none"> <li>- Recommend approval of the Philippine Export Development Plan; coordinate, monitor, and assess implementation thereof, and, when necessary, recommend appropriate adjustments thereon in the light of changing conditions in both the domestic and international environment</li> <li>- Recommend appropriate and necessary export development services and programs for adoption by government and private sector</li> <li>- Assume the powers, duties, and responsibilities of the Commission on</li> </ul>

<p>institutionalized by RA7844 / Dec 21, 1994</p>	<p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DOLE Secretary <i>as member</i></li> </ul> <p>Removed:</p> <ul style="list-style-type: none"> <li>• Presidential Assistant for Visayas <i>as member</i></li> <li>• Presidential Assistant for Mindanao <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>• One (1) representative from the private sector <i>as member</i> (10 in total)</li> </ul> <p>Total of:</p> <ul style="list-style-type: none"> <li>• One (1) representative from the private sector, to be appointed by the President, <i>as Vice-Chair</i></li> <li>• Eight (8) representatives from the private sector, the majority of whom shall be recommendees of the accredited organization, <i>as members</i></li> </ul>	<p>responsibilities of the Commission on Export Procedures including the review power on the efficiency of the One-Stop Export Documentation Centers as provided for in Executive Order No. 843 (1982)</p> <p>Revised Powers and Functions:</p> <ul style="list-style-type: none"> <li>- Recommend approval of the Philippine Export Development Plan; coordinate, monitor, and assess implementation thereof, and, when necessary, recommend appropriate adjustments thereon in the light of changing conditions in both the domestic and international environment</li> <li>- Periodically review and assess the country's export and investment performance</li> <li>- Identify the main bottlenecks, problem areas, and constraints in all areas, sectors, and activities influencing the development of export and investment, including but not limited to, such matters as policy framework, physical infrastructure, financing, specialized support services, production, promotion, and marketing</li> <li>- Report directly to the President on specific measures required to remove the bottlenecks/problems constraining the development of exports in any of the areas mentioned</li> </ul> <p>Institutionalized Powers and Functions:</p> <ul style="list-style-type: none"> <li>- Approve the PEDP; coordinate, monitor and assess the implementation thereof, and when necessary, institute appropriate adjustments thereon in the light of changing conditions in both the domestic and international environment</li> <li>- Periodically review and assess the country's export performance, problems and prospects</li> <li>- Identify the main bottlenecks, problem</li> </ul>
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	<p>areas and constraints in all areas/sectors/activities which influence the development of exports, including but not limited to, such matters as policy framework, physical infrastructure, finance, technology, production, promotions and marketing</p> <ul style="list-style-type: none"> <li>- Mandate specific departments and agencies to attend to the bottlenecks and problems constraining the development of exports in any of the areas mentioned, and require the concerned Secretaries to deliver progress report(s) on the actions/initiatives taken to resolve these areas of concern at the next meeting(s)</li> <li>- Ensure export quality control by overseeing the formulation and implementation of quality control guidelines by appropriate agencies to make Philippine exports at par with world-class products</li> <li>- Impose sanctions on any government agency or officer or employee thereof, or private sector entity that impedes efficient exportation of Philippine goods</li> <li>- Recommend to Congress any proposed legislation that would contribute to the development of exports</li> <li>- Submit quarterly reports to Congress</li> <li>- Formulate policies or recommend measures and draw up a study within ninety (90) days from the approval of this Act, relative to the rationalization of the government's export promotion and development functions/activities and programs for the eventual transfer of government export promotions and development activities to the sector within a period of two (2) years after the approval of this Act</li> <li>- Formulate the policies for the granting of incentives to exporters;</li> <li>- Adopt such policies, rules, procedures and administrative systems for the efficient and effective exercise of its powers and functions, including the creation or adoption of an executive</li> </ul>
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		<p>committee or secretariat</p> <ul style="list-style-type: none"> <li>- Grant and review the accreditation of the organization of exporters, according to the guidelines which it shall later promulgate for the said purpose: <i>Provided</i>, That the organization accredited shall be the dominant one among the other existing export organizations as determined under the guidelines promulgated by the Council hereof.</li> <li>- Issue standards and policies to be observed by Local Government Units (LGUs) in order to ensure that LGUs' plans and budgets are supportive of agri-industrial growth and export competitiveness thrusts of the national government, and ensure optimal allocation of expenditures</li> </ul>
<p><b>Industrial Development Council</b></p> <p>EO380 / Dec 2, 1996</p>	<ul style="list-style-type: none"> <li>• DTI Secretary <i>as Chair</i></li> <li>• DOF Secretary <i>as member</i></li> <li>• DA Secretary <i>as member</i></li> <li>• DFA Secretary <i>as member</i></li> <li>• DOST Secretary <i>as member</i></li> <li>• DOLE Secretary <i>as member</i></li> <li>• NEDA Director-General <i>as member</i></li> <li>• BSP Governor <i>as member</i></li> </ul> <p>Secretariat is based in DTI</p>	<ul style="list-style-type: none"> <li>• President of Philippine Chamber of Commerce and Industry, Inc. <i>as Vice-Chair</i></li> <li>• President of the Federation of Philippine Industries, Inc. <i>as Vice-Chair</i></li> <li>• Seven (7) representatives from the private sector <i>as members</i></li> </ul> <ul style="list-style-type: none"> <li>- Recommend approval of the Industrial Development Plan of the Philippines, which plan shall be congruous and compatible with the Philippine Export Development Plan and its integration into the Medium-Term Philippine Development Plan; coordinate, monitor, and assess the implementation thereof, and, when necessary, institute appropriate adjustment thereon in the light of changing conditions in both the domestic and international environment</li> <li>- Periodically review and assess the country's industries' performance, problems, and prospects</li> <li>- Reduce uncontrolled business costs by identifying the main bottlenecks, problem areas, and constraints in all areas, sectors, and activities that influence the development of industries, including, but not limited to, such matters as policy framework, physical infrastructure, financing, foreign exchange, technology, production, promotions, and marketing</li> <li>- Mandate specific departments and agencies to attend to the bottlenecks and problems constraining the development of industries in any of the areas mentioned</li> </ul>

<p>amended by</p> <p>EO480 / Apr 27, 1998</p>	<p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DENR Secretary <i>as member</i></li> </ul>	<p>industries in any of the areas mentioned, and require the concerned Secretaries to deliver progress reports on the actions or initiatives taken to resolve these areas of concern at the next meetings</p> <ul style="list-style-type: none"> <li>- Ensure product quality control by overseeing the formulation and implementation of quality control guidelines by appropriate agencies to make Philippine products and services at par with world-class products</li> <li>- Impose sanctions on any government agency or officer or employee thereof, or private sector entity that impedes efficient trade of Philippine goods</li> <li>- Recommend to Congress any proposed legislation that would contribute to the development of Philippine products</li> <li>- Formulate policies or recommend measures and draw up a study within ninety days from the approval of this Order, relative to the rationalization of the government's industries promotion and development functions/activities and programs fro the eventual transfer of government industries promotions and development activities to the private sector within a period of two years after the approval of the Act</li> <li>- Formulate policies or recommend measures to promote investments in identified sectors</li> <li>- Formulate the policies for the granting of incentives to industries</li> <li>- Adopt such policies, rules, and procedures, and administrative systems for the efficient and effective exercise of its powers and functions</li> <li>- Grant and review the accreditation of Philippine industry associations or organizations</li> </ul>
<p><b>Domestic Trade Development Council</b></p> <p>EO58 / Dec 27, 1998</p>	<ul style="list-style-type: none"> <li>• DTI Secretary <i>as Chair</i></li> <li>• Executive Secretary <i>as member</i></li> <li>• DA Secretary <i>as member</i></li> <li>• DOF Secretary <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>• A private sector representative, to be appointed by the President, <i>as Co-Chair</i></li> <li>• Two (2) representatives each from the three trading sectors (distribution,</li> </ul> <ul style="list-style-type: none"> <li>- Develop, promulgate, and implement programs, projects, and measures to promote all aspects of domestic trade geared towards increasing productivity and the efficient distribution of domestic</li> </ul>

	<ul style="list-style-type: none"> <li>DPWH Secretary <i>as member</i></li> <li>DOLE Secretary <i>as member</i></li> <li>DILG Secretary <i>as member</i></li> <li>DOTC Secretary <i>as member</i></li> <li>DENR Secretary <i>as member</i></li> <li>NEDA Director-General <i>as member</i></li> <li>NSO Administrator <i>as member</i></li> </ul> <p>Secretariat is based in DTI</p>	<p>wholesaling, retailing)</p> <ul style="list-style-type: none"> <li>A representative of the Philippine Chamber of Commerce and Industry</li> <li>One (1) representative each from the three allied sectors (manufacturing, agricultural producer's, and development banking)</li> </ul>	<p>and the efficient distribution of domestic goods and services in the domestic market; and to help bring down the final cost of goods at the consumption level; and attain global competitiveness in this respect</p> <ul style="list-style-type: none"> <li>Periodically review and assess the country's domestic trade performance</li> <li>Formulate plans and programs that will facilitate the establishment of an integrated market information system and efficient dissemination of relevant and accurate market information</li> <li>Identify the main bottlenecks, problem areas, and constraints in all areas, sectors, and activities influencing domestic trade, including, but not limited to, such matters as policy framework, physical infrastructure, financing, specialized support services, production, promotion, marketing and human resources</li> <li>Provide advice and direction on specific measures required to remove bottlenecks/problems constraining the development of domestic trade in any of the areas mentioned, as well as to recommend regulatory measures for the purpose of establishing efficiencies in domestic trade</li> <li>Create such sub-committees and task forces as may be necessary</li> </ul>
<p><b>Trade and Industry Development Council</b></p> <p>EO225 / Apr 3, 2000</p>	<ul style="list-style-type: none"> <li>DTI Secretary <i>as Chair</i></li> <li>DA Secretary <i>as member</i></li> <li>BSP Governor <i>as member</i></li> <li>DOF Secretary <i>as member</i></li> <li>DFA Secretary <i>as member</i></li> <li>DILG Secretary <i>as member</i></li> <li>DOLE Secretary <i>as member</i></li> <li>NEDA Director-General <i>as member</i></li> <li>DOST Secretary <i>as member</i></li> </ul> <p>Secretariat is based in DTI</p>	<ul style="list-style-type: none"> <li>A private sector representative, to be appointed by the President, <i>as Co-Chair</i></li> <li>Eight (8) representatives from the private sector <i>as members</i></li> </ul>	<ul style="list-style-type: none"> <li>Define the overall trade development strategy for the country which will be based on the development of a strong domestic industrial base and directed towards global competitiveness</li> <li>Approve a Philippine Trade Development Plan; coordinate, monitor, and assess implementation thereof, and when necessary, institute appropriate adjustments thereon in the light of changing conditions in both the domestic and international environment</li> <li>Periodically review and assess the country's performance in terms of</li> </ul>

	<p>exports, industrial growth and development, and domestic trade</p> <ul style="list-style-type: none"> <li>Identify the main bottlenecks, problem areas, and constraints in all areas, sectors, and activities that influence the growth and flow of trade, and development of industries, including, but not limited to, such matters as policy framework, physical infrastructure, financing, technology, production, promotions, and marketing</li> <li>Mandate specific departments and agencies to attend to the bottlenecks and problems constraining the development of exports in any of the areas mentioned, and require the concerned Secretaries to deliver progress reports on the actions or initiatives taken to resolve these areas of at the next meetings</li> <li>Ensure product and services quality by overseeing the formulation and implementation of quality control guidelines by appropriate agencies to make Philippine products and services at par with world-class products</li> <li>Impose sanctions on any government agency or officer or employee thereof, or private sector entity that impedes efficient trade of Philippine goods</li> <li>Recommend to Congress any proposed legislation that would contribute to the development of Philippine industries, products, and services</li> <li>Submit quarterly reports to Congress</li> <li>Formulate policies or recommend measures relative to the rationalization and streamlining of government's trade and industry development and promotion functions/activities and programs</li> <li>Formulate policies for the grant of incentives</li> <li>Adopt such policies, rules, and procedures, and administrative systems for the efficient and effective exercise of its powers and functions</li> <li>Grant and review the accreditation of the organization of exporters or other business</li> </ul>
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		<p>organizations, provided that the organizations shall be the dominant ones among existing organizations as determined under guidelines initially promulgated by the EDC and reviewed by the TIDC</p> <p>- Issue standards and policies to be observed by LGUs in order to ensure that LGU plans and budgets are supportive of the agri-industrial growth and global competitiveness thrusts of the national government, and ensure optimal allocation of expenditures</p>
<p><b>Economic Monitoring and Mobilization Task Force</b></p> <p>AO376 / Jan 23, 1998</p> <p>amended by AO3 / Jul 7, 1998 and by AO15 / Aug 27, 1998 renaming it as the <b>Economic Mobilization Group</b></p> <p>amended by AO81 / Jul 31, 1999</p>	<ul style="list-style-type: none"> <li>Executive Secretary <i>as Chair</i></li> <li>DTI Secretary <i>as Co-Chair</i></li> <li>DA Secretary <i>as member</i></li> <li>NEDA Director-General <i>as member</i></li> <li>DOF Secretary <i>as member</i></li> <li>DBM Secretary <i>as member</i></li> <li>DOLE Secretary <i>as member</i></li> <li>DE Secretary <i>as member</i></li> <li>BSP Governor <i>as member</i></li> <li>PMS Head <i>as member</i></li> <li>Press Secretary <i>as member</i></li> <li>Pres Adviser on Econ Affairs and Flagship Projects <i>as member</i></li> <li>DILG Usec <i>as member</i></li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>DENR Secretary <i>as member</i></li> <li>DFA Secretary <i>as member</i></li> <li>DOJ Secretary <i>as member</i></li> <li>DOT Secretary <i>as member</i></li> <li>DOTC Secretary <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>Nine (9) representatives from the private sector (<i>Philippine Chamber of Commerce and Industry, Makati Business Club, Philippine Exporters Confederation, Inc., Employers Confederation of the Philippines, Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., Bankers Association of the Philippines, Management Association of the Philippines, Philippine Retailers Association, and Federation of Philippine Industries</i>) <i>as members</i></li> <li>Two (2) representatives from the labor sector</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>One (1) representative from the agriculture and fisheries sector <i>as member</i></li> </ul> <p>- Enhance the coordination among key economic players and expedite the implementation of measures to stabilize the Philippine economy</p>
<p><b>Economic Coordinating Council</b></p> <p>EO193 / Jan 6, 2000</p>	<ul style="list-style-type: none"> <li>President <i>as Chair</i></li> <li>DOF Secretary <i>as Vice-Chair</i></li> <li>Executive Secretary <i>as member</i></li> <li>DTI Secretary <i>as member</i></li> <li>DBM Secretary <i>as member</i></li> <li>DA Secretary <i>as member</i></li> </ul>	<p>Ensure the consistency and complementation of all issuances, pronouncements, plans, programs, and projects, and proposed legislation with the country's economic reform direction to further promote deregulation, liberalization, free and fair market</p>

<p>amended by EO217 / Feb 24, 2000</p>	<ul style="list-style-type: none"> <li>NEDA Director-General <i>as member</i></li> <li>HUDCC Chairman <i>as member</i></li> <li>BSP Governor <i>as ex-officio member</i></li> </ul> <ul style="list-style-type: none"> <li>Created a full-time ECC Secretariat, headed by a Secretary-General, under the supervision of the ECC Vice-Chair</li> </ul>	<ul style="list-style-type: none"> <li>The ECC Secretary-General shall be a private sector representative, to be appointed by the President upon the recommendation of the ECC Vice-Chair. The Sec-Gen shall also be an ex-officio member of the ECC and serve as liaison between the ECC, the Economic Mobilization Group, the Council of Senior Economic Advisers, and the private sector.</li> </ul>	<p>liberalization, free and fair market competition and increased private sector participation</p> <p>- Direct any office, agency, or instrumentality of the government to expeditiously execute its functions to attain the objectives of this order</p> <p>- Exercise such other powers and perform such other duties as maybe required</p> <p>- Continuously improve Philippine competitiveness, fast track the implementation of priority programs, and focus on urgent and time-sensitive execution of economic development priorities, especially those related to the country's WTO, APEC, and ASEAN commitments</p>
<p><b>Inter-Agency Committee on Intellectual Property Rights</b></p> <p>EO60 / Feb 26, 1993</p>	<ul style="list-style-type: none"> <li>DTI Secretary <i>as Chair</i></li> <li>DOJ Secretary <i>as Vice-Chair</i></li> <li>DOF <i>as Vice-Chair</i></li> <li>Chief Presidential Legal Counsel <i>as member</i></li> <li>NBI Director <i>as member</i></li> <li>PNP Chief <i>as member</i></li> <li>Bureau of Customs Commissioner <i>as member</i></li> <li>VRB Chair <i>as member</i></li> <li>NTC Commissioner <i>as member</i></li> <li>Copyright Office Chief <i>as member</i></li> <li>BPTTT Director <i>as member</i></li> <li>BTRCP Director <i>as member</i></li> </ul> <p>Secretariat is based in DTI</p>	<ul style="list-style-type: none"> <li>One (1) representative each from two major non-government organizations involved in the protection and promotion of intellectual property rights (to be determined by the Committee) <i>as members</i></li> </ul>	<p>- Recommend policies and coordinate policy-making process in the Executive branch of the government vis-à-vis protection and enforcement of intellectual property rights</p> <p>- Coordinate with the different agencies of the Executive, Legislative, and Judicial branches of the government in order to effectively address the problem areas arising from infringement and counterfeiting of intellectual property rights</p> <p>- Enlist the assistance of any branch, department, bureau, office, agency, or instrumentality of the government, including government-owned and controlled corporations, in the anti-piracy and counterfeiting drive, which may include the use of its personnel, facilities, and resources for a more resolute prevention, detection, and investigation of violations of laws identified below, and prosecution of criminal and administrative cases</p> <p>- Cause and direct the immediate</p>



amended by  
EO320 / Nov 21, 2000

Inclusion of:

- IPO Director-General (replacing BPTTT Director) *as member*
- SC Court Administrator *as member*
- Economic Intelligence and Investigation Bureau Commissioner *as member*
- Bureau of Food and Drugs Director *as member*
- Bureau of Animal Industry Director *as member*
- National Computer Center Director-General *as member*

investigation and speedy prosecution of cases involving violations of copyright, trademarks, patents and other intellectual property related laws or such intellectual property theft-related cases that is referred to the Committee

- Recommend the transfer of a case involving violations of the laws or statutes detailed above from any law enforcement agency or prosecution office, as the Committee may deem proper and necessary, in the interest of efficient and expeditious dispensation of criminal justice, and monitor for speedy resolution such cases under investigation or prosecution as the case may be, by the appropriate operating or implementing agency herein provided
- Refer, as the Committee may deem proper and for the reasons already stated, to the appropriate law enforcement agency or prosecution office, the investigation or prosecution, as the case may be, of any of the cases adverted to above
- Monitor the progress of on-going investigation and prosecution of cases taken cognizance of by the Committee
- Prepare and implement a fast-track anti-piracy and counterfeiting plan of action and adopt appropriate strategies and measures to ensure an effective and efficient anti-piracy and counterfeiting program, and public adherence to an compliance with all domestic and international laws for the protection of intellectual property rights
- Coordinate with the appropriate government agencies and no-governmental organizations an information dissemination campaign on intellectual property rights and measures that have to be adopted to address the issues
- Recommend appropriate intellectual property rights issuances and legislation to the President and Congress
- Consider the granting of monetary

#### National Information Technology Council

EO190 / Jul 19, 1994

- Executive Secretary *as Chair*
- NEDA Director-General *as Co-Chair*
- DOST Usec *as member*
- DTI Usec *as member*
- DOTC Usec *as member*
- DECS Usec *as member*
- DFA Usec *as member*
- DBM Usec *as member*
- National Computer Center Managing Director *as member*
- PMS Head *as member*

- Two (2) members from the IT industry, to be appointed by the Chair, *as members*
- One (1) representative from a non-governmental organization involved in social and/or economic development, to be appointed by the Chair, *as member*

rewards and incentives to informants who are willing to give vital information to build up cases for the prosecution of criminal offenders as provided under existing laws

- Perform such other functions necessary in the pursuance of its objectives

- Recommend to the President policies relative to the implementation of the National Information Technology Plan 2000 (NITP2000) in consultation with all agencies concerned
- Monitor and ensure the implementation, and undertake review and periodic upgrading, of the NITP2000
- Recommend to the President a legislative agenda that will promote the accelerated development and application of IT in the country
- Monitor the major IT projects, significant developments and activities that affect NITP2000, especially in the government, through an institutionalized system of networking
- Assess, review, and provide direction for continuing research on various relevant aspects of IT, including the assessment of the IT industry's progress and problems
- Advocate strategic alliances between government, business, academe, and non-government organizations in order to promote the team approach in IT efforts, especially in the area of technology transfer
- Catalyze industry growth by syndicating alliances with the international community for large national projects with massive private sector participation
- Facilitate the sourcing of funds to support implementation of programs and projects

amended by  
EO469 / Feb 23, 1998

Amends membership as follows:

- DOST Secretary *as Chair*
- NEDA Director-General *as Co-Chair*
- DTI Secretary *as member*
- DECS Secretary *as member*
- DBM Secretary *as member*
- CHED Chair *as member*
- DOTC Secretary *as member*
- TESDA Director-General *as member*
- National Computer Center Managing Director *as member*

Amends membership as follows:

- A private sector representative, to be appointed by the Council, *as Co-Chair*
- One (1) representative each from the federation of private industries directly related to information technology sector *as member*

Amended Functions to include:

- Advise the President, Congress, and other sectors of government and business

amended by EO125 / Jul 19, 1999	<ul style="list-style-type: none"> <li>Revitalized the NITC as the government's highest planning and policy advisory body on IT matters; provides for the technical and professional support by the National Computer Center</li> </ul>	on IT policy and its various aspects <ul style="list-style-type: none"> <li>Coordinate and oversee the implementation of IT21 and its successor plans</li> <li>Harmonize and coordinate all IT public initiatives, programs, and projects to ensure their consistency with the goals of IT21</li> <li>Source necessary funds both from the private and public sectors to support the implementation of the IT21</li> <li>Promote strategic partnership and alliances among local firms and institutions with leading international R&amp;D, educational and training institutions, technology providers, developers, and manufacturers to speed up industry growth</li> <li>Create and maintain a national database on IT as part of the national statistical system</li> <li>Perform such other functions as may be assigned by the President</li> </ul> <p>[Refer to EO125 for the functions of the NCC and its organizational and operational strengthening]</p>
<b>Electronic Commerce Promotion Council</b>  EO468 / Feb 23, 1998	<ul style="list-style-type: none"> <li>DTI Secretary <i>as Chair</i></li> <li>DOTC Secretary <i>as member</i></li> <li>DOST Secretary <i>as member</i></li> <li>NEDA Director-General <i>as member</i></li> </ul> Secretariat is based in DTI	<ul style="list-style-type: none"> <li>A private sector representative, designated by the Council Chair, <i>as Co-Chair</i></li> <li>Four (4) private sector representatives <i>as members</i></li> </ul> <ul style="list-style-type: none"> <li>Formulate, in coordination with the concerned agencies and private sector, a National Program and Strategy (NPS) for the promotion of electronic commerce in the country, to be made consistent with the NITP2000</li> <li>Coordinate and monitor the implementation of the NPS</li> <li>Recommend policies and programs which may further enhance the development of electronic commerce industry</li> <li>Provide for a and mechanisms in addressing issues and concerns affecting the electronic commerce industry</li> <li>Perform such other functions as may be assigned by the President</li> </ul>

<b>Information Technology and Electronic Commerce Promotion Council</b>  EO264 / Jul 12, 2000	<ul style="list-style-type: none"> <li>DTI Secretary <i>as Chair</i></li> <li>DOST Secretary <i>as Co-Chair</i></li> <li>NEDA Director-General <i>as member</i></li> <li>DOTC Secretary <i>as member</i></li> <li>DBM Secretary <i>as member</i></li> <li>DECS Secretary <i>as member</i></li> <li>DILG Secretary <i>as member</i></li> <li>National Computer Center Managing Director <i>as member</i></li> </ul> Secretariat is based in DTI	<ul style="list-style-type: none"> <li>A private sector representative, to be appointed by the Council, <i>as Co-Chair</i></li> <li>Six (6) private sector representatives (from the academe, federations of private industries, and consumer groups directly related to ICT/e-commerce) <i>as members</i></li> </ul>	<ul style="list-style-type: none"> <li>Oversee the implementation and conduct periodic reviews and updating of the National Information Technology Action Agenda for the 21<sup>st</sup> Century (IT21), the Government Information Systems Plan (GISP), and their successor plans</li> <li>Formulate a National Program and Strategy (NPS) for the promotion of E-Commerce in the country; the NPS for E-Commerce shall be consistent with IT21 and its successor plans</li> <li>Advise the President and Congress on policies and plans relative to the development, promotion, and application of ICT and E-Commerce consistent with IT21 and its successor plans</li> <li>Harmonize and coordinate all ICT and E-Commerce public initiatives, programs, and projects to ensure their consistency with the goals of IT21, GISP, NPS, and their successor plans</li> <li>Promote strategic partnership and alliances among and between local and international ICT firms and institutions; R&amp;D, educational and training institutions; and technology providers, developers, and manufacturers, to speed up industry growth</li> <li>Assess, review, and provide direction and support for continuing research on various relevant aspects of ICT and E-Commerce, including the assessment of the progress and problems thereof</li> <li>Source necessary funds both from the private and public sectors to support the implementation of IT21, GISP, NPS, and their successor plans</li> <li>Create and maintain a national database on IT as part of the national statistical system</li> <li>Perform such other functions as may be assigned by the President</li> </ul>
amended by EO18 / May 25, 2001	Membership is reorganized as follows: <ul style="list-style-type: none"> <li>President <i>as Chair</i></li> <li>DTI Secretary <i>as Co-Chair</i></li> <li>DOST Secretary <i>as Co-Chair</i></li> <li>NEDA Director-General <i>as member</i></li> <li>DOTC Secretary <i>as member</i></li> <li>DBM Secretary <i>as member</i></li> <li>DECS Secretary <i>as member</i></li> <li>DILG Secretary <i>as member</i></li> <li>National Computer Center Managing Director <i>as member</i></li> <li>CHED Chair <i>as member</i></li> </ul> Secretariat shall be based at the PMS	Addition of: <ul style="list-style-type: none"> <li>One (1) representative <i>as member</i> (7 members in total)</li> </ul>	
<b>Small and Medium Enterprise Development Council</b>	<ul style="list-style-type: none"> <li>DTI Secretary <i>as Chair</i></li> <li>NEDA Director-General <i>as member</i></li> <li>DA Secretary <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>Three (3) representatives from the private sector, all Filipino citizens, to represent Luzon, Visayas and Mindanao</li> </ul>	<ul style="list-style-type: none"> <li>Help establish the needed environment and opportunities conducive to the growth and development of the small and medium</li> </ul>

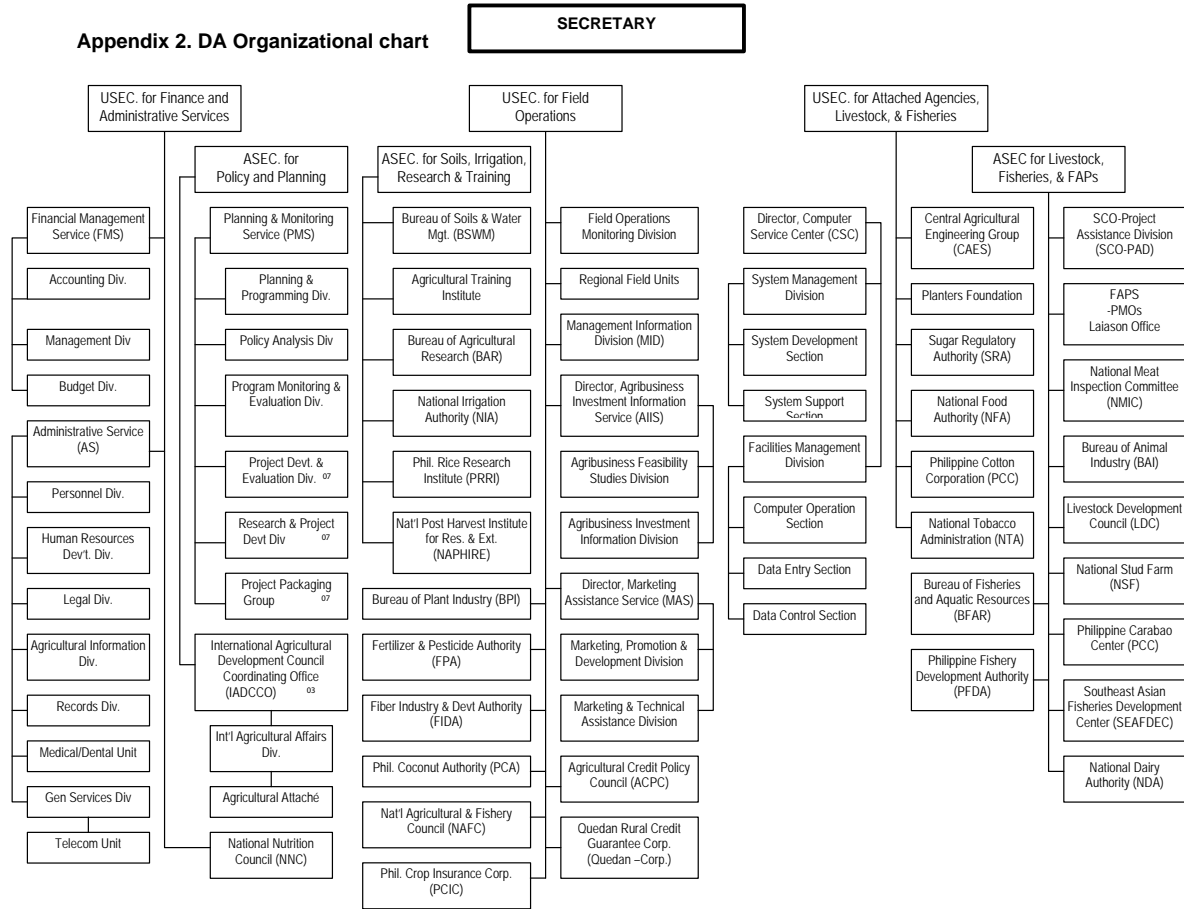
RA6977/ Jan 24, 1991	<ul style="list-style-type: none"> <li>• DOLE Secretary <i>as member</i></li> <li>• DENR Secretary <i>as member</i></li> <li>• DOST Secretary <i>as member</i></li> <li>• SBFGC Chair <i>as member</i></li> <li>• Small and Medium Enterprises Promotion body Chair <i>as member</i></li> </ul> Bureau of Small and Medium Business Development <i>as Secretariat</i>	to be appointed by the President, one of whom shall come from the banking industry <i>as members</i>	sector - Recommend to the President and the Congress all policy matters affecting small and medium sale enterprises - Formulate a comprehensive small and medium enterprise development plan to be integrated into the National Economic and Development Authority Development Plans - Coordinate and integrate various government and private sector activities relating to small and medium enterprise development - Review existing policies of government agencies that would affect the growth and development of small and medium enterprises and recommend changes to the President and/or to the Congress whenever deemed necessary. This shall include efforts to simplify rules and regulations as well as procedural and documentary requirements in the registration, financing, and other activities relevant to small and medium enterprises - Monitor and determine the progress of various agencies geared towards the development of the sector. This shall include overseeing, in coordination with local government units and the Department of Local Government as well as private sector groups/associations, the developments among small and medium enterprises, particularly the cottage and micro-sized firms - Promulgate implementing guidelines, programs, and operating principles as may be deemed proper and necessary in the light of government policies and objectives of this Act - Provide the appropriate policy and coordinative framework in assisting relevant government agencies, in coordination with the National Economic and Development Authority and the Coordinating Council for the Philippine Assistance Program, as may be necessary, in the tapping of local and foreign funds
amended by RA8289 / Sep 30, 1997	Inclusion of: <ul style="list-style-type: none"> <li>• DOT Secretary <i>as member</i></li> </ul> Monetary Board Chair <i>as member</i>	Addition of: <ul style="list-style-type: none"> <li>• A representative from the private banking sector, to serve alternately among the Chamber of Thrift Bank; the</li> </ul>	

		Rural Bankers' Association of the Philippines (RBAP); and the Bankers' Association of the Philippines (BAP) <i>as member</i>	for small and medium enterprise development - Promote the productivity and viability of small and medium enterprises by way of directing and/or assisting relevant government agencies and institutions at the national, regional and provincial levels - Submit to the President and the Congress a yearly report on the status of small and medium enterprises in the country, including the progress and impact of all relevant government policies, programs and legislation as well as private sectors activities - Assist in the establishment of modern industrial estates outside urban centers - Generally, to exercise all powers and functions necessary for the objectives and purposes of this Act.
<b>National Consumer Affairs Council</b>  RA7394 / Apr 13, 1992	<ul style="list-style-type: none"> <li>• DTI representative</li> <li>• DECS representative</li> <li>• DOH representative</li> <li>• DA representative</li> </ul> Secretariat is based in DTI	<ul style="list-style-type: none"> <li>• Four (4) representatives from consumer organization of nationwide base, to be chosen by the President from among the nominees submitted by the various consumer groups in the Philippines, <i>as members</i></li> <li>• Two (2) representatives from business/industry sector, to be chosen by the President from among the nominees submitted by the various business organizations, <i>as members</i></li> </ul>	- Rationalize and coordinate the functions of the agencies charged with consumer programs and enforcement of consumer related laws to the end that an effective, coordinated and integrated system of consumer protection, research and implementation and enforcement of such laws shall be achieve - Recommend new policies and legislation or amendments to existing ones - Monitor and evaluate implementation of consumer programs and projects and to take appropriate steps to ensure that concerned agencies take appropriate steps to comply with the establish priorities, standards and guidelines - Seek the assistance of government instrumentalities in the form of augmenting the need for personnel, facilities and other resources - Undertake a continuing education and information campaign to provide the consumer with, among others, facts about consumer products and services; consumer rights and the mechanism for redress available to him; information on new concepts and developments on

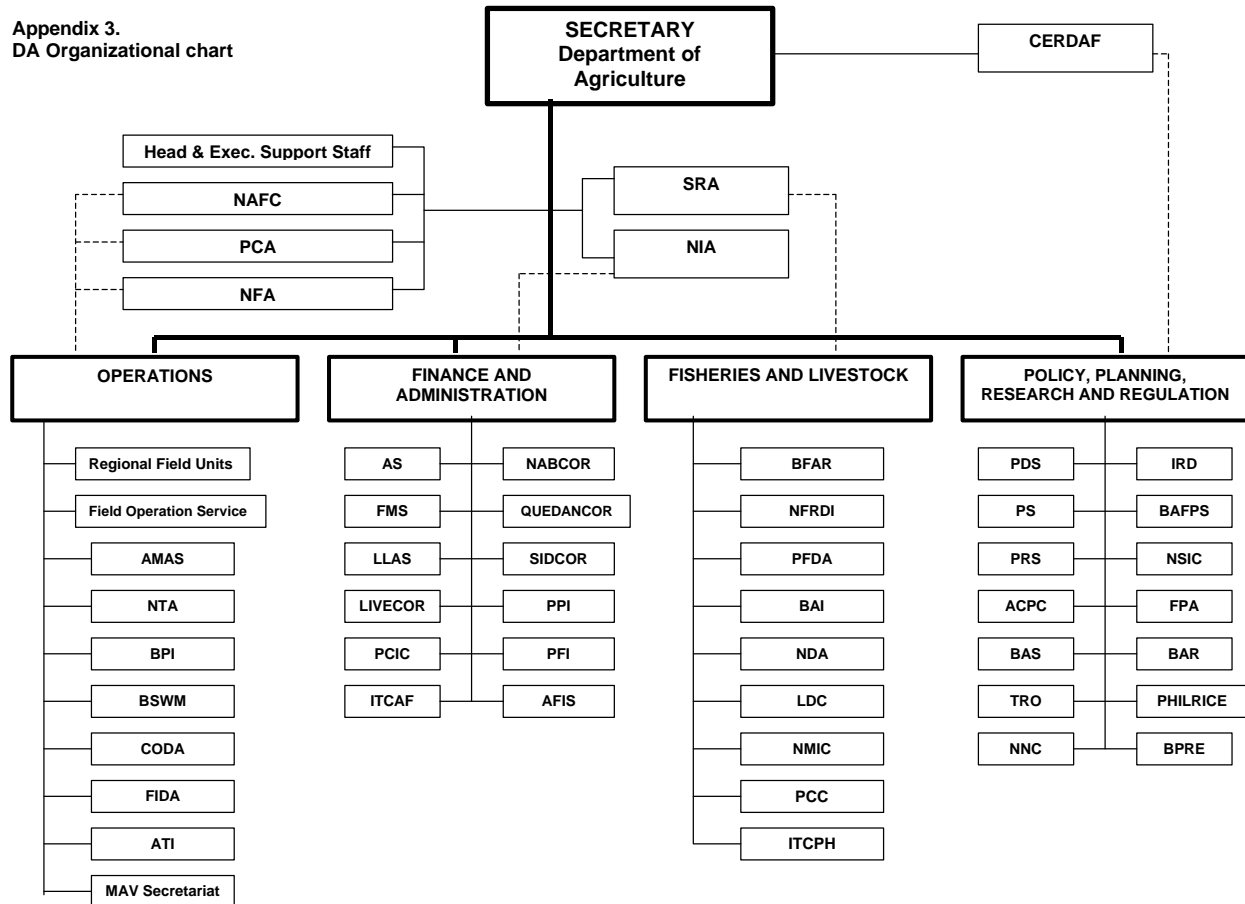
			consumer protection; general knowledge and awareness necessary for a critical and better judgment on consumption; and such other matters of importance to the consumer's general well-being
<b>Price Coordinating Council</b>  RA7581 / May 27, 1992	<ul style="list-style-type: none"> <li>• DTI Secretary <i>as Chair</i></li> <li>• DA Secretary <i>as member</i></li> <li>• DOH Secretary <i>as member</i></li> <li>• DENR Secretary <i>as member</i></li> <li>• DILG Secretary <i>as member</i></li> <li>• DOTC Secretary <i>as member</i></li> <li>• DOJ Secretary <i>as member</i></li> <li>• NEDA Director-General <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>• One (1) representative each from the consumers' sector, the agricultural producers' sector, the trading sector, and the manufacturers' sector, to be appointed by the President, <i>as members</i></li> </ul>	<ul style="list-style-type: none"> <li>- Coordinate the productivity, distribution and price stabilization programs, project and measures of the Government and develop comprehensive strategies to effect a general stabilization of prices of basic necessities and prime commodities at affordable levels</li> <li>- Report to the President and to the Congress of the Philippines the status and progress of the programs, projects, and measures undertaken by each implementing department, agency or office as well as the comprehensive strategies developed by the Council to stabilize the prices of basic necessities and prime commodities</li> <li>- Advise the President on general policy matters for promotion and improvement in productivity, distribution and stabilization of prices of basic necessities and prime commodities</li> <li>- Require from its members or any other government agency such information as it may deem necessary, and conduct public hearings for purposes of assessing the supply, distribution and price situation of any basic necessity or prime commodity</li> <li>- Publicize from time to time developments in productivity, supply, distribution and prices of basic necessities and prime commodities</li> </ul>

	<ul style="list-style-type: none"> <li>- Whenever automatic price control of basic necessities is imposed under Section 6 of this Act, it shall cause the immediate dissemination of their prevailing prices or the price ceilings imposed in lieu thereof, as the case may be, through publication in a newspaper of general circulation in the area affected, and through broadcast by radio and, whenever the same is deemed to materially make dissemination of the information more effective, by television. It may also disseminate the information through posting in public markets, supermarkets and other public places</li> </ul>
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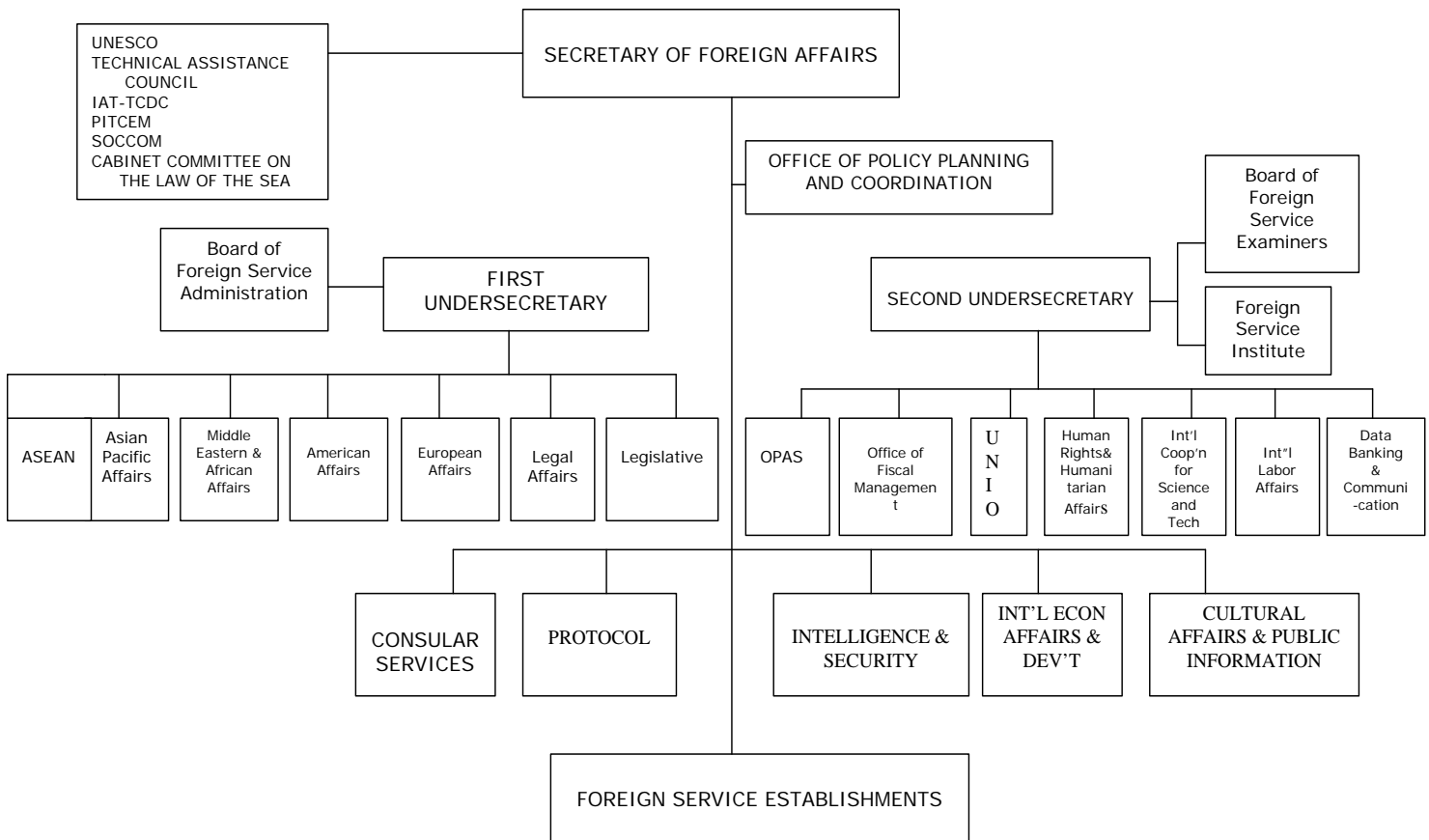
Appendix 2. DA Organizational chart



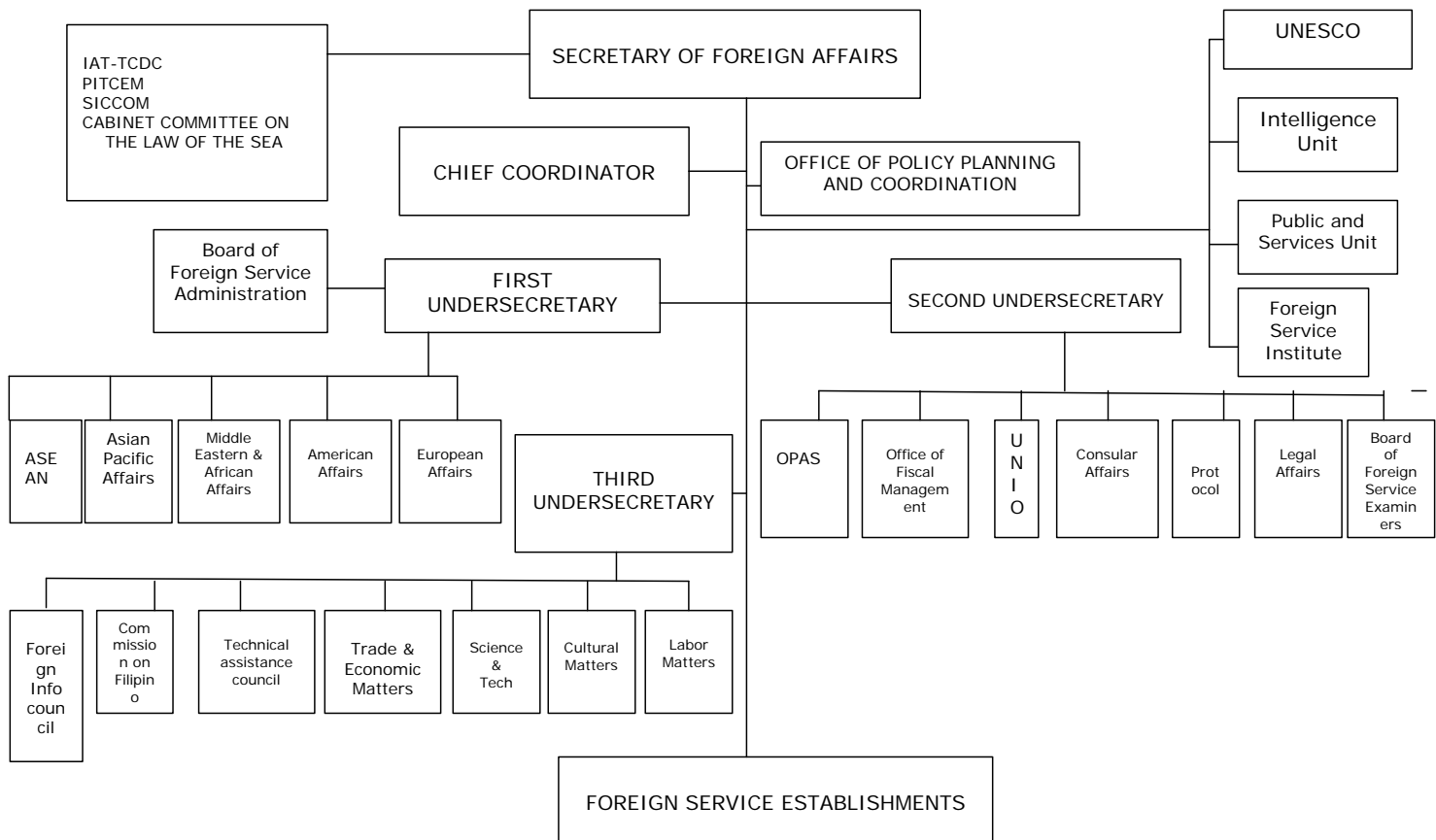
Appendix 3. DA Organizational chart



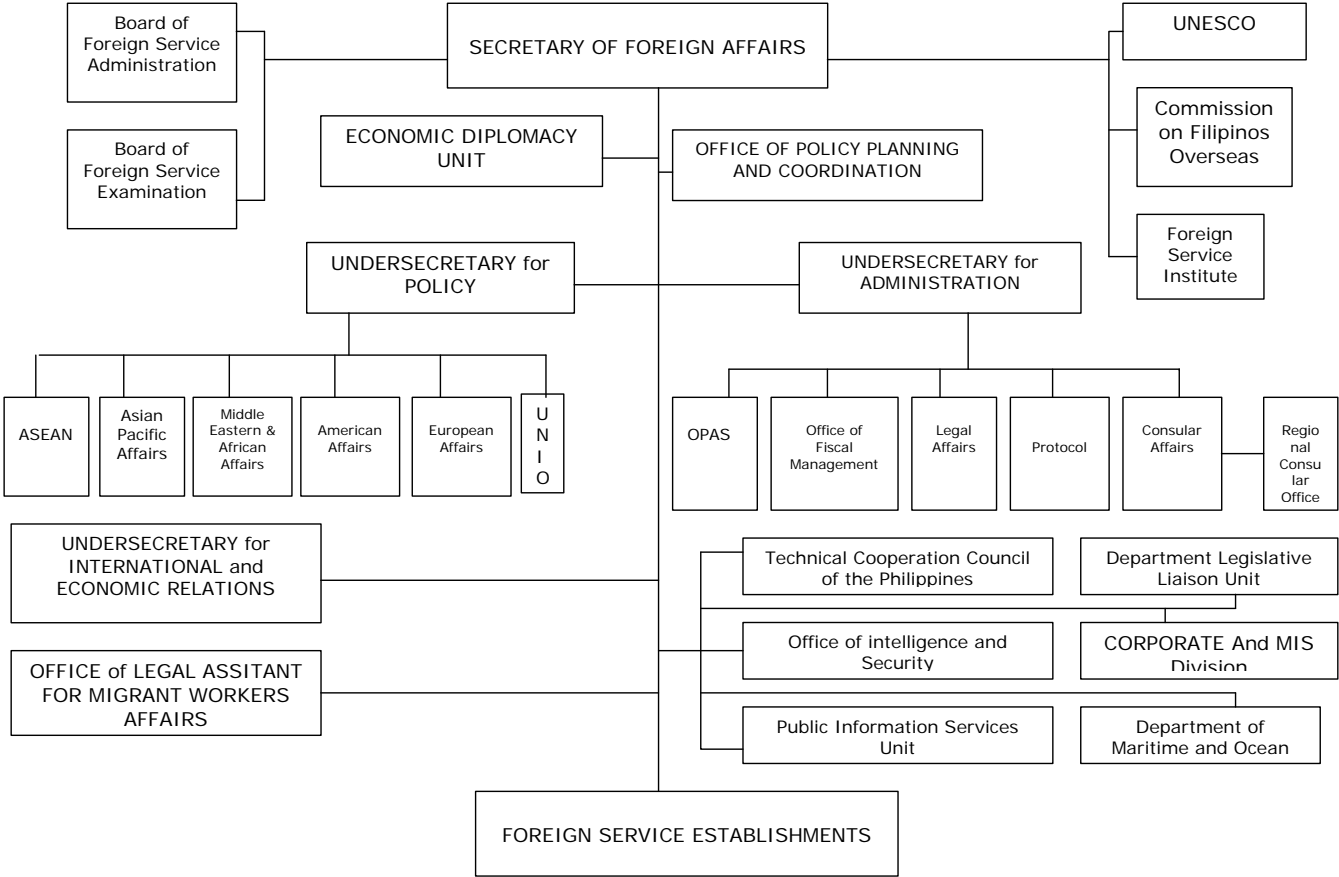
Appendix 4. 1986 DFA organizational structure



Appendix 5. 1991 DFA organizational structure



Appendix 6. Present DFA organizational structure



# Does the Philippines Need a Trade Representative Office?<sup>1</sup>

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GLORIA O. PASADILLA,<sup>2</sup>  
AND CHRISTINE MARIE M. LIAO



## Introduction

Like other Asian countries, the Philippines is involved in bilateral and regional trade negotiations because WTO trade talks have gone into a crawl. The Philippines is part of the ASEAN Free Trade Agreement (FTA) and APEC. It signed on the Early Harvest Program for the China-ASEAN FTA, and has concluded bilateral negotiations with Japan, the results of which are now under review. Even as it maintains commitment to multilateral discussions, it is also considering bilateral negotiations with the United States (US), Australia, Korea, and India and, perhaps, with more countries in the future. With the potential increase in the number of international negotiations, it is appropriate to ask whether the Philippines has adequate resources and capacity to enter into all these trade discussions, and more pointedly, whether we have adequate government structures that can effectively deal with presumably prepared and structurally organized foreign counterparts.

To the extent that successful negotiations rest on good preparation, the paper analyzes the current system's strengths and weaknesses and how policy formulation and preparation for negotiations are undertaken. It studies the systems and structures in selected countries, assesses their positive and negative aspects, and

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<sup>1</sup> This paper was originally published in 2006 as Chapter 7 of the Global Challenge in Services Trade, a joint publication of Philippine Institute for Development Studies (PIDS) and the German Technical Cooperation (GTZ). Reprinted here with Author's permission.

<sup>2</sup> Senior Research Fellow, PIDS, and Consultant, respectively. The views expressed in this paper are the authors' own and do not reflect the position of PIDS.



derives some policy recommendations for improving the current structure in the Philippines.

This paper argues that there is need for an agency—something akin to the US Trade Representative Office—that will have the decisive voice in coming up with final trade positions, handle international trade negotiations, and coordinate effectively with other branches of government. This would curb many of the difficulties in the existing system, such as turf mentality among government agencies, discussed in the following sections, and prevent final trade position formulation from being unnecessarily and lengthily stalled. It would hopefully improve the ordering of domestic and national priorities that should inform trade positions. It would be a source and depository of all information affecting international trade negotiations, disseminate information and analysis on trade impacts of new rules, provide the public with a better handle on more and more complicated agreements involving sanitary and phytosanitary and technical standards measures, intellectual property rights, environmental and labor laws, and other agreements that would be eventually multilaterally adopted. With the proliferation of bilateral and regional agreements, the central agency should be in a position to analyze and ensure their consistency with each other and with the country's WTO commitments. The paper also stresses the crucial role of trade research that can effectively support negotiations and suggests ways this can be strengthened in the Philippines.

Nevertheless, the paper underscores the fact that the improvement of the policy formulation and negotiation structure is no panacea. Because the setting of national priorities from which trade positions are derived remains the responsibility of elected politicians, much of the success in trade negotiations and its actual impact on the economy still rests on the overall quality of national polity and choices. To put it succinctly, better structure can help but good policy choices still depend on the vision of whoever is at the top.

The paper is organized as follows: the next section gives an overview of the institutions and processes involved in trade policy

formation and trade negotiations in the Philippines. It sheds light upon the organizational set-up, consultation mechanisms, and dispute resolution mechanisms that are currently in place. The third section explores areas in which there is room for positive change, comparing the Philippine situation with those in other nations, specifically those that have significant influence in the world trade system. It takes the example of the US, the EU, Canada, and Japan and delves into specific aspects of their trade policy formation and trade negotiation processes that could have benefited them and helped them in successfully concluding beneficial trade agreements. Malaysia rounds out the group as a nation that is in a situation similar to the Philippines and yet has more successfully navigated the waters of international trade negotiations. (For detailed information on the trade policy formation processes of these countries, see Appendix.). The fourth section concludes with an agenda for reform.

### **Trade policy formation in the Philippines**

The Philippines, unlike other countries, does not have a single agency that deals with the formation of trade negotiations for goods and services. While the DTI is the de-facto lead agency in most international trade negotiations, it has no veto power over positions taken by other agencies. Rather, trade policymaking is done by consensus under the TRM Committee apparatus, and individual departments and agencies bring their own initiatives, research, and trade positions to the Committee. This section discusses in detail the trade policy formation process in the Philippines.

### ***Tariff and Related Matters (TRM) Committee***

The TRM Committee was organized by virtue of Executive Order No. 230 (Reorganizing the National Economic and Development Authority [NEDA]) in 1987<sup>3</sup> with the following functions and responsibilities:

<sup>3</sup> The Executive Order amended Letter of Instructions No. 601 dated 20 September 1977 that established the National Economic Development Authority (NEDA) Board Committee on Trade, Tariff and Related Matters.

To advise the President and the NEDA Board<sup>4</sup> on TRF and on the effects on the country of various international developments;

- To coordinate agency positions and recommend national positions for international economic negotiations, and
- To recommend to the President a continuous rationalization program for the country's tariff structure.

It was decided upon by the NEDA and the DTI that "related matters" under the purview of the TRM would include trade and investment agreements and shipping matters.<sup>5</sup>

There are three levels to the TRM: 1) the Committee Proper, which is at the Cabinet level and is theoretically composed of the different Department Secretaries; 2) the Technical Committee, traditionally populated by Undersecretaries and Directors; and 3) the four Sub-Committees on a) Trade and Investment Agreements, b) Economic and Technical Cooperation Agreements, c) Shipping, and d) Tariff and Non-tariff Measures, also known as the Technical Working Group on Tariff Review (Figure 1).

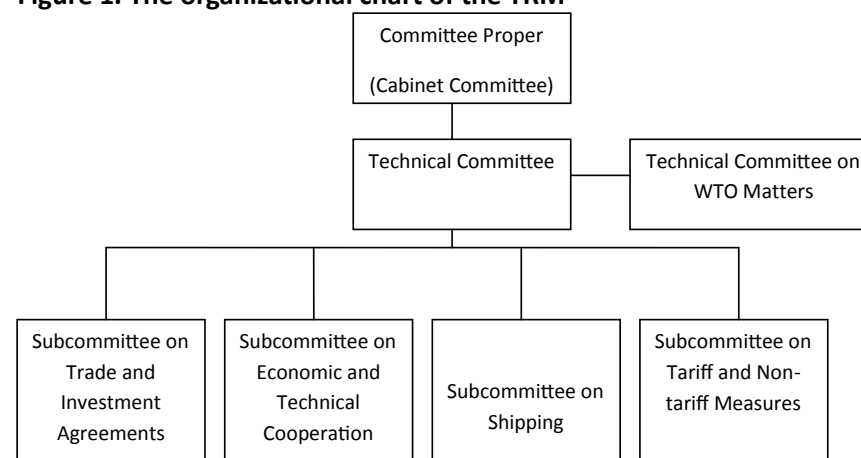
The TRM Committee is chaired by the DTI and co-chaired by NEDA. The agencies that have seats in the Cabinet Level of the TRM are:

- Department of Foreign Affairs;
- Department of Agriculture;
- Department of Finance;
- Department of Environment and Natural Resources;
- Department of Budget and Management;
- Department of Agrarian Reform;
- Department of Labor and Employment;
- Tariff Commission; and
- Central Bank.

<sup>4</sup> The NEDA Board, which the TRM falls under and to which it is responsible, is composed of the President of the Philippines as Chairman, the Secretary of Socio-Economic Planning and NEDA Director-General as Vice-Chairman, and the following as members: the Executive Secretary and the Secretaries of Finance, Trade and Industry, Agriculture, Environment and Natural Resources, Public Works and Highways, Budget and Management, Labor and Employment, and Interior and Local Government. In the years since the board was created, presidents have used their authority to add the Secretaries of Health, Foreign Affairs, Agrarian Reform, Science and Technology, Transportation and Communications and of Energy. The Deputy Governor of the Bangko Sentral ng Pilipinas was the last member added.

<sup>5</sup> From the NEDA briefing paper on the Committee on Trade and Related Matters (CTRM)

**Figure 1. The organizational chart of the TRM**



The Executive Secretary also sits in as a representative of the Office of the President.

In the Technical Committee, senior officials from the Department of Transportation and Communications (DOTC), the BOI, and the BOC are added to the list. Representatives from the Department of Energy (DOE), the National Telecommunications Commission (NTC), the Securities and Exchange Commission (SEC) and the Department of Science and Technology (DOST) are also invited to the meetings as necessary. A representative usually from the legal office of the Office of the President sits in to provide advice on legal issues as well as facilitate communication and liaison between the President and the TRM. There is a special TCWM whose main function is "to discuss and recommend Philippine positions/strategies on issues with direct relevance to the country's implementation of its WTO commitments and the continuing participation in the multilateral trading system." Unlike the main Technical Committee, which receives support from the NEDA-based Secretariat, this group is provided with technical and administrative support by the WTO Desk of the BITR under the DTI. The TCWM also has its own interagency subcommittees and is divided into one for agriculture, headed by the DA, one for

services, headed by the NEDA, one for industrial goods, headed by the DTI-Board of Investments and one for other rules, headed by the DTI (Figure 2).

The different committees of the TRM meet regularly. The traditional schedule of meetings of the Committee Proper and the Technical Committee, both of which are supported by a Secretariat composed of members of the Trade, Industry and Utilities Staff of the NEDA, is once every 45 days, although special meetings are called when necessary.

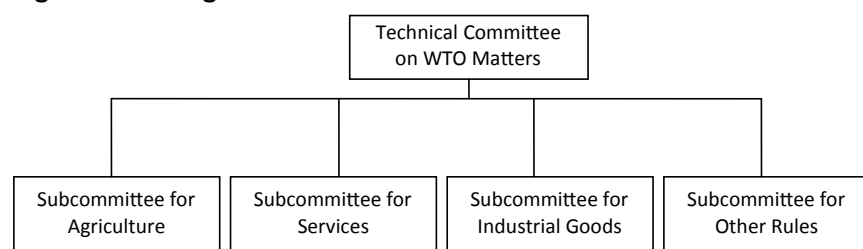
### *Process for multilateral negotiations*

These line agencies involved in the TRM, in theory, carry out consultations with the respective producers and service providers or their constituencies regarding trade-related issues. Acting as sponsors and defenders of their industries, they submit policy proposals to the TRM Committee.

When these officials meet, the proposals are reviewed and discussed until a consensus opinion is reached. The TRM's decisions are not arrived at via voting. The proposals that pass muster in the Committee Proper are forwarded to the Tariff Commission, which is given the charge of holding public hearings on the matter. The Tariff Commission makes its recommendations based on the hearings, and the TRM studies these recommendations. The TRM then compiles a set of policy guidelines, which are given to the negotiators themselves and act as the latter's mandate.

After negotiations are concluded, the NEDA Board confirms the agreements before these are elevated to the President and/or the Senate.

**Figure 2. The organizational chart of the TCWM**



### *Other international negotiations*

There are several other agencies that handle trade policy depending upon the international body or trading partner with which the Philippines is negotiating. When it comes to ASEAN and APEC matters, for example, a separate committee called the Philippine Council on ASEAN and APEC Cooperation that also has a Cabinet committee level and also falls under the NEDA, takes charge. For the Japan-Philippines Economic Partnership Agreement (JPEPA), meanwhile, the Philippine Coordinating Committee,<sup>6</sup> created in May 2003 by an executive order, is the lead working group. The Philippine Coordinating Committee Secretariat falls under the BITR of the DTI.

Unlike interactions in the area of trade in goods, which have a common venue and a dedicated agency (such as the Tariff Commission), the consultation process when it comes to trade in services is even more decentralized. Be that as it may, the NEDA, as the head of the TCWM's Subcommittee on Services, acts as the main coordinator, while the line agencies themselves, such as the Departments of Environment and Natural Resources, Transportation and Communication, Trade and Industry, Tourism, Labor and Employment, and Energy, as well as the Central Bank, the Professional Regulatory Commission, and the Commission on Higher Education, all handle trade issues affecting their particular industries (Figure 3).

### *Policy administration and dispute resolution*

For dispute resolution, the DTI, as the Chair of the TRM, officially elevates the issues to the WTO. However, the respective line agencies

<sup>6</sup> The organizations involved in the Philippine Coordinating Committee are Department of Trade and Industry as Chair, Department of Foreign Affairs as Vice Chair, Board of Investments, Tariff Commission, Bureau of Customs, Bureau of Export Trade Promotion, Center for International Trade Expositions and Missions, National Economic and Development Authority, Department of Energy, Department of Environment and Natural Resources, Department of Agriculture, Department of Finance, Tariff Commission, Philippine Economic Zone Authority, Garments and Textile Export Board, Construction Industry Authority of the Philippines, Bangko Sentral ng Pilipinas, Department of Tourism, National Telecommunications Commission, Air Transportation Office, Civil Aeronautics Board, Securities and Exchange Commission, Commission on Higher Education, Department of Labor and Employment, Maritime Industry and Authority, Technical Education and Skills Development Authority, Department of Health, Professional Regulations Commission, Bureau of Immigration, Philippine Overseas Employment Administration, Department of Budget and Management, Department of Public Works and Highways, Department of Justice, Philippine International Trading Corporation, Bureau of Domestic Trade, Bureau of Trade Regulation and Consumer Protection, Intellectual Property Office, Bureau of Food and Drugs, Department of Science and Technology, Bureau of Agriculture and Fisheries Product Standards, Development of People's Foundation, Inc, Philippine Council for Agriculture, Forestry and Natural Resources Research and Development, Small Business Guarantee and Finance Corporation and Bureau of Small and Medium Enterprise Development.

**Figure 3. The development of negotiating positions**

are allowed to take the lead in the process. They coordinate with the Ambassador to the WTO who usually comes from the Department of Foreign Affairs (DFA).

When complaints from other nations are directed to the Philippines, a committee of three DTI undersecretaries, specifically those for Consumer Welfare and Domestic Trade Regulation, International Trade, and Industry, conducts meetings and discusses the culpability of the country. The BITR acts as the resource institution, which clarifies WTO rules.

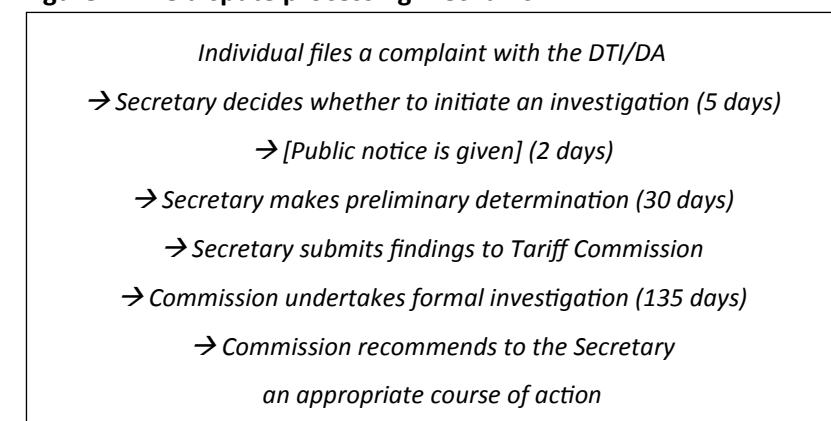
Again, the line agencies depend strongly upon the private sector for technical input in disputed cases. They request industry associations as well as specific firms to provide support and information.

Among the pieces of legislation that exist to protect Philippine trade interests are the Anti-Dumping Act of 1999 (Republic Act No. 8752), the Countervailing Duty Act of 1999 (Republic Act No. 8751), and the Safeguard Measures Act (Republic Act No. 8800). By law, any natural person may file a complaint if he feels that a domestic industry is being materially harmed by increased imports. The President, the appropriate Senate Committee, or the appropriate House Committee may submit a request for the same. The petitioner is directed to file the

necessary documents with the Secretary of Trade and Industry for all nonagricultural products and with the Secretary for Agriculture if the product is agricultural in nature. Upon confirmation of the receipt of the complete set of documents, the department has five days within which to come to a decision on whether or not an investigation should be opened. If the department decides that an investigation must be conducted, it carries this out within 30 days, requesting that interested parties submit evidence to legitimize the complaint. After this allotted period, the findings are submitted to the Tariff Commission, which also asks interested parties to submit evidence and positions over the course of 15 days. A formal investigation, including marathon public hearings, is then undertaken for 120 days. After this, a recommendation for appropriate action is made (Figure 4).

### Institutional inefficiencies in the current structure

On paper, it would appear that the institutional structure in place for the handling of trade policy development and trade negotiations is not entirely dissimilar to those of other nations. However, the system is somewhat inefficient in practice, and certain institutional failures occur, brought about by both the less-than-ideal set-up and the unique political climate in the country.

**Figure 4. The dispute processing mechanism**

Interviews with officials from different agencies of the government indicate several weaknesses in the current system.

### *Turf mentality*

The first among these is that the representatives of the different line agencies that sit in the TRM Committee tend to be caught up in a turf mentality that prevents the creation of a whole, cohesive cross-industry trade strategy. There is a spirit of competition instead of cooperation that prevails.

While the TRM is perhaps meant to be a unifying mechanism, it does not always effectively function as one. Instead of aspiring to teamwork and working toward the formulation of a sound overall strategy for the country, the different line agencies ascribe more to an “every industry for itself” attitude, in which representatives seem to be of the mindset that the industry they are fronting for must be protected at all costs, no matter how harmful the consequences of refusal to cooperate may be on other industries and on the economy as a whole. This is ultimately counterproductive, especially in light of single undertaking framework of the WTO.

During the formulation of negotiating positions for the country, the representatives of the different line agencies always insist upon the protection of their own sectors. This conflict leads to a less-than-optimal final proposal. A good and balanced national position is not achieved, having been sacrificed in the name of furthering sectoral agenda. Priority sectors cannot be clearly identified because everyone wants his or her industry to be it. Focus, a very important part of effective negotiations, is lost.

It must be noted that even the chair of the TRM may find it difficult to have as his sole concern a unified view of trade because part of his responsibility is to pursue the good of domestic industry. It has been commented upon, not only in the Philippine context but also for other countries, that an agency that splits its focus between international trade and the domestic economy has a tendency to sacrifice sound trade strategy for the protection of local interests.

Contrast this divided attention and the endless jockeying among line agencies with the experience of far more successful negotiators from the US and Canada, each of which boasts of having an efficient single agency tasked with handling trade policy, and trade policy only.

### **United States**

In 1962, the United States Congress mandated, via the Trade Expansion Act, that the President needed to establish an interagency trade policy mechanism for developing and coordinating US government positions on international trade and trade-related investment issues. The Act also required the President to appoint a Special Representative for Trade Negotiations. The Congress recognized at the time that there was a need to find a way to balance domestic and international interests when it came to the formation and negotiation of trade policy. In 1963, executive orders issued by President John Kennedy established the Office of the Special Trade Representative, who was to represent the country in all negotiations under the 1962 Act as well as others that were authorized by the President.

Over the next decade, the Congress continued to expand the responsibilities of the agency, giving the STR jurisdiction over an ever-greater number of trade agreement programs. A legislative charter was set up as part of the 1974 Trade Act, and soon after, the office was elevated to Cabinet level. By 1979, the renamed United States Trade Representative (USTR) had the overall responsibility of coordinating trade policy. The US had officially centralized US government policy-making and negotiating functions for international trade. This was not the end of the growth of the USTR, as even presidential trade responsibilities were shifted to the agency in succeeding years. The Congress deemed that “the USTR should be the senior representative on any body the President establishes to advise him on overall economic policies in which international trade matters predominate and that the USTR should be included in all economic summits and other international meetings in which international trade is a major topic” (USTR official website) This was an unmistakable acknowledgement from the government of the significance of the body and the importance of centralization.

## Canada

Canada has had a similar experience in the apprehension of the importance of having a single trade agency. While special attention was given to trade issues even back when there was only the Department of Foreign Affairs and International Trade (DFAIT), the Canadian government finally acknowledged that the best course of action would be to officially create separate bodies that focused solely on each of the matters at hand. Given that one in every four jobs in Canada is linked to trade and that roughly 38 percent of its gross domestic product is sent abroad, it is no surprise that the country promulgated the Department of International Trade Act, which created International Trade Canada (ITCan) in order “to recognize the central importance of trade and investment to the long-term growth of the economy and the prosperity of Canadians” (ITCan 2004). The entity, which was born in December 2003 and was spun off from the DFAIT, was given the charge of conducting and managing international negotiations, and coordinating Canada’s relations regarding international trade, commerce and investment.

## Malaysia

Malaysia provides another alternative. While its Ministry of International Trade and Industry (MITI) does not have the USTR and ITCan’s special nature of being focused solely on trade, MITI nevertheless remains clearly and authoritatively the point agency when it comes to the country’s international trade affairs. In Malaysia, even more than in Canada or Japan, it can be seen that the trade ministry truly has jurisdiction over the myriad aspects of trade. From the initial choice of the sectors in which liberalization ought to be pursued, to the implementation of trade agreements and the monitoring of compliance, to the handling of disputes, the MITI is able to exercise its power and deliver cohesion to the process. A virtuous cycle occurs, for as the Ministry is able to gain more experience and knowledge from all the trade-related activities it pursues, it is better able to deal with the ever-changing conditions in the trade arena.

## Japan

The one other nation covered in this study that has some similarities to the Philippines’ more decentralized style is Japan, which has four key players in the trade policy development field—the Ministry of Foreign Affairs (MoFA), the Ministry of Economy, Trade and Industry (METI), the Ministry of Agriculture, Fishery and Forestry (MAFF) and Ministry of Finance (MoF). (For details on this, see Appendix) While Japan has had more success in arriving at beneficial agreements, one can reasonably argue that its accomplishments have been achieved not *because of*, but *despite*, this flawed institutional structure. It has been observed, for example, that the jurisdictional delineation between the MAFF and the METI has left the nation handicapped in negotiating industry-wide agreements, particularly in the WTO. Since Geneva conventions lump fishery and forestry with the manufacturing sector, METI has the responsibility of negotiating for them. However, MAFF retains jurisdiction over the two sectors, one that the collegial nature of the Japanese system prevents METI from counteracting. The result is a forced protectionist bent for METI, as MAFF places strict limits upon the liberalization of those industries. Having its hands tied in the manner reduces METI’s ability to come up with the most ideal creative solutions in the barter system that exists.

Interviews with academics and those who have served in the Japanese ministries, as well as books and essays on the policy formation process in the country, have hammered home the reality that the Japanese structure is problematic. For example, the insistence of the MOFA upon lording it over the line agencies who have more expertise on the particular trade areas and its practice of striking the nuances that the latter introduce into trade documents may not produce the most effective proposals.

It has also been acknowledged that the split focus of a ministry like METI intermittently leads to the prioritization of the domestic industrial side over the trade aspect. Even within the ministry itself, certain divisions make requests to protect less competitive domestic industries. The move toward liberalization is thus curtailed.

Having said that, it must be noted that a trait of Japanese bureaucrats that has yet to be strongly ingrained in many of their Filipino counterparts is an ultimate willingness to rise above the interagency conflicts of interest and aim for the common good.

### *Unclearly delineated and highly fragmented authority*

Two of the practices of Japanese negotiators that allow them to overcome the natural shortcomings of the decentralized system are that authority, while divided, is clearly delineated, and that a rigorous consultation mechanism ensures a unified front. The jurisdiction of each ministry is set forth very clearly in Japan; no other ministry aside from the MoFA, for example, can draft final proposals to third countries. Negotiators are also under strict instructions to consult back when talks lead to significant changes in the Japanese proposal. The members of Philippine contingent to the JPEPA negotiations were quick to note that their counterparts frequently conferred with one another, as well as with ministry officials in their home country, before agreeing to proposed alterations.

This is a far cry from the Philippine system, wherein the absence of a clear-cut hierarchy, mandate, and delineation of authority has led to some confusion and a waste of resources, as discussed below.

Even in the policy building stage, before the nation offers to enter into an agreement with a third country, the insufficiently rules-based TRM encounters difficulties. The status quo is that any two line agencies with conflicting opinions on an issue in which both are directly involved tend to dominate the discussions. The chair is left in the unenviable position of wondering how the issue is to be resolved, as the amount of authority he has is nebulous. There is difficulty in terms of overcoming the committee's collegial nature in order to come to a decision on a hotly-contested matter.

Another demonstration of the insufficiency of the rules is that in the late 1990s, the BITR used to have a lead role within the TRM. While all agencies were allowed to voice their recommendations, the Bureau was there to set and clarify the nation's general policy orientation. The BITR had the strongest voice, and, at the end of the day, if agreements

could not be reached, there was a sense that the Committee could turn to the BITR for final judgment. However, this is no longer the case. Because that authority of the BITR rested on tradition rather than legal mandate, it slowly dwindled over the years. Now, the bureau is simply another member of the committee.

The disorganization extends to the negotiating table as well. Due to limited resources, people from different line agencies sometimes end up being tasked to represent the country in bilateral talks. There are times when these assigned representatives in specific sectoral negotiations are simply not well-versed enough in the language and traditions of trade talks, and, without being trained to consult, they end up agreeing to terms and conditions that put the Philippines at a distinct disadvantage without their realizing the cost. This discord was highlighted most recently in the JPEPA talks, in which less experienced negotiators were found agreeing to non-trade-related, governance-impinging demands by the Japanese that those more knowledgeable of its implications staunchly vetoed.

This disjointed behavior can negatively impact the nation in two ways. One is that more savvy trading partners can take advantage of the ignorance of negotiators (especially on "newer" trade related issues) and make demands that go beyond what is commonly acceptable. Another is that potential trading partners may become wary of dealing with the country because the mixed signals make the negotiations unreliable.

Another problematic aspect of the current delineation of authority is the fact that it is very fragmented. Wholly different interagency consultation mechanisms are in place for handling different trade organizations (e.g., TRM for WTO and other matters, Philippine Council for APEC), and even with the existence of these bodies, the government still has to create ad hoc committees such as the Philippine Coordinating Committee when it enters into bilateral talks. Aside from leading to the unfortunate loss of institutional memory that naturally results from not having a centralized agency to handle all negotiations, this ad hoc creation of committees is a strong indication that there is no proper fit between the system and the nation's trade activities.

In contrast to the troubling stalemates in the TRM and the parceling out of responsibility over trade negotiations in the Philippines, an important feature of the USTR's mandate as the trade department of the US is its supremacy over other agencies with regard to determining final trade positions in all negotiations. While the US system places strong emphasis on interdepartmental consultations, and certainly, lengthy debates also take place in the meetings between the different departments, the fact remains that if particular issues are not resolved and a consensus is not reached, the USTR may overrule objections by specific line agencies with regard to different international, regional and bilateral talks. It is, by law, the lead agency on the development of trade policy, and functions as such. After considering all the tradeoffs, it has the power to table market access offers even without the unanimous agreement of the different agencies.<sup>7</sup> Additionally, all their negotiators belong to the USTR and not other government agencies, which makes strategy coordination easier. In the fast-changing environment of trade negotiations, this adaptability is key to creative solution-finding. Additionally, because it is issued by one strong and decisive voice, the negotiating position of the US is more consistent and more likely to inspire confidence and trust from other countries looking to form trade partnerships with the nation.

For its part, the EU would not be successful if it were not for committed national political decisions to obey the rules set forth and agreed upon by the European Council and ably interpreted and protected by the European Court of Justice. Given the complicated political set-up of the community, to which belong 15 (now, 25) distinct, sovereign nations with greatly varying economic statuses and interests, it was recognized very early on that a clear set of rights and responsibilities needed to be laid out. Jurisdiction and hierarchy are specified in the treaties and the Constitution of the Union, allowing the institutions to function confidently as they go about their task of balancing these divergent stands and finding a position that the myriad governments will find acceptable.

<sup>7</sup> Taking into consideration, of course, the high likelihood of approval by US Congress of the trade package they want to table in negotiations. The USTR, in considering the trade package, have the vote count in Congress in mind, pitting the number of liberal members with those that come from districts that are going to be adversely affected and are, thereby, going to be more protectionists.

### *Insufficient resources for trade research*

As has been alluded to earlier, it is not simply the lack of coordination that threatens to undermine all efforts toward effective negotiation. Simply put, the Philippines is gravely weak in resources. The different line agencies do not have the monetary or technical capability to form the requisite in-house research teams to carry out the all-important task of preparing feasibility studies and analyses of planned adjustments to trade policy. Not only do the agencies not have enough manpower to conduct research into the actual implications of negotiating positions, they also rarely have time, proper skill, and understanding of the dynamics of international trade and negotiations.

A few outsourced studies from academia and think tanks are available, usually thanks to foreign funding, and these can be useful. Yet they are also often steeped in macroeconomic analysis with little bearing on, and direct usefulness for, negotiations. Because many economic researchers do not have a clear grasp of trade laws and negotiation, their reports often need further processing and 'translation' by overburdened in-house staff for these to be serviceable in negotiations. Due to this lack of resources, line agencies sometimes find themselves dependent upon analyses and studies initiated by private sector lobbyists, which may not always emanate from the most accurate and objective point of view. Even with this kind of help, there is still inadequate coverage of the myriad trade issues that need to be explored. As a result, there is insufficient understanding of the ramifications of the various agreements the country is entering or has entered into.

A government official notes that the TRM mechanism itself has shortcomings, being partly comprised of departments not usually involved in international trade and having representatives who do not fully grasp the 'give and take' dynamics of negotiations. Because of this low level of trade policy understanding in certain segments of the committee, the consensus papers that it comes up with are sometimes irrelevant to the actual issues in trade.

Contrast this to a nation like India, which allocates about 10 million US dollars per year to research efforts in support of



negotiations and spins this large budget out to agencies that specialize in the development of trade policy, or to Korea, whose Korean Institute for International Economic Policy is mandated to do all research for negotiations. Consultants from the Korean research and policy institute are given an active role and allowed to sit in during negotiations, accompanying the nation's official negotiators throughout the process. This practice carries the double-sided benefit of helping inform the institute's research and giving negotiators adequate technical backup. This form of participation is very helpful in negotiations, in which issues that the nation did not prepare for beforehand may crop up. With the presence of adept consultants, the negotiators can immediately process the costs and benefits of new proposals and are able to send clear, well-informed feedback to those in positions of authority back home, who can adjust the mandate as they see fit. The process is therefore greatly facilitated.

Canada, for its part, prides itself upon not only using the specialized in-house research teams of the ITCan, particularly the Trade and Economic Analysis Division, which assesses the benefits and costs of certain trade commitments, but also taking full advantage of the resources of outside institutions and other federal departments, provincial and territorial governments, other intergovernmental organizations, think tanks, and other institutions.

In the US, meanwhile, there is a federal agency whose main mandate is to provide trade input and information to the different departments of the government, with a special emphasis on assisting the USTR. The latter is heavily dependent on the International Trade Commission for technical input, and the USITC is always ready with reports regarding the United States' prospects and analyses of its competitiveness.

Malaysia also strongly recognizes the value of technical input. Aside from MITI's very strong in-house planning group on which the ministry greatly relies, semi-independent research institutes such as the Malaysian Institute of Economic Research, various universities and the Institute of Strategic and International Studies Malaysia, are also invited to contribute to the preparation of policy initiatives.

Clearly, the lack of resources is not a big concern for the EU. Aside from the 250 people employed by the Directorate-General Trade of the European Commission who are directly involved in the fashioning of trade policy and trade negotiations, each member state has its own able trade administration to provide technical support and manpower. Of course, the availability of resources does not automatically guarantee the wise use of them. In the case of the EU, however, there are indications of cooperation between the administrations of the member states of the Union's institutions. The Commission also takes advantage of nongovernment resources by hiring independent researchers and analysts to conduct studies pertaining to trade issues.

### *Strong political influence on trade policy*

Yet another area of concern is the fact that there is a very strong top-down influence in policy formation in the Philippines. Lobbyists are able to take advantage of the existence of multiple power centers in different segments of the government. Instead of systematic participation in the policy planning process, it is the 'clientelistic' process that has become the practice of big industrialists, who exert pressure on Congress and other key officials in the executive branch of the government. The unfortunate result of the current political climate in the Philippines is that the shield that is supposed to protect policy from inordinate public influence does not hold.

This is precisely the issue that the US sought to address with the creation of the USTR. The presumption is that government sectoral agencies have the tendency toward 'sectoral policy capture,' such that an independent, nonaligned agency capable of doing a more objective processing of economic tradeoffs is needed.

Weaknesses in the political structure and the lack of discipline in the policy formation process, whereby decisions that have been processed and lengthily debated in interagency committees may be overturned by the stroke of a pen of a high-ranking politician successfully lobbied by private interests, can contribute to the lethargy

of the TRM mechanism itself. When patronage rules the day and can eliminate decisions that were painstakingly arrived at by the committee, there is a sense of futility that may slow down the committee's activities and increase its tendency to persist in deadlocks which the members feel are simply best resolved elsewhere.

### *Low level of awareness*

It could be proposed that the deleterious impact of political lobbying could be reduced if more numerous formal consultations were conducted across a wider range of stakeholders before, during, and after trade negotiations. Before this can be done however, there is another concern that must be addressed: the fact that there is an alarmingly low level of awareness in practically all sectors regarding the depth of the Philippines' involvement in trade agreements. In other countries, producers, who are naturally expected to have a vested interest in the issue of trade policy, are often eager to have their voices heard and protect their private interests by interacting with the government as much as possible. In the Philippines, however, industry players oftentimes do not have a clear idea of the concessions they would like to obtain from the nation's trading partners.<sup>8</sup> When consulted, they are unable to present the government agencies with well-outlined, reasonable goals and specific sets of expectations in terms of improved market access abroad. Given this experience, it is not unthinkable that the different departments would be less than enthusiastic about pursuing frequent consultations. The opportunity for the private sector to contribute constructively to trade policy formation is not taken advantage of.

In addition to this, the unfortunate reality is that government officials also often find themselves grappling with condescension from the private sector. In Philippine society, it is not unheard of to come across big industrialists who feel a strong sense of entitlement. The resource-weak and inadequately compensated government officials

<sup>8</sup>This is slowly changing, however. The big industry associations are more aware of the possible adverse implications of trade commitments. But their orientation remains defensive, i.e., how to protect their domestic interests, rather than providing inputs on how the government should open up foreign markets for them.

have a difficult time standing up to them and effectively pushing for the public good. Though undeserving of it, some highly qualified government officials involved in trade negotiations suffer from the public's generally poor opinion of government service and bureaucracy. This is contrasted to other nations, in which trade officials are respected in their own right. In Japan, public servants are professionals and career people, and their work is considered a legitimate and no less illustrious alternative to working for the private sector. In the Japanese system, those who would like the privilege of working for a ministry such as the MoFA or the METI are required to take examinations to prove their qualification for the task, and this state examination bestows a certain legitimacy and prestige upon them. In Canada, a vast majority of ITCan employees have masteral or law degrees, with a good number of PhDs as well. The same goes for US and EU.

### *Summary*

Given these issues plaguing the institutional set-up, the inadequacy of noteworthy research, and the lack of a holistic vision of domestic priorities in the Philippines, officials sometimes go to trade negotiations without a clear strategy or specific objectives. Instead, a more passive mandate that is, "negotiate in order to achieve the policy space that our economy needs," becomes the working rule. This partly explains why, unlike India, the Philippines seldom has "lead" trade positions which other countries could support; rather, the country satisfies itself with following and aligning with other countries' proposals. While it is not uncommon for smaller economies to band together in multilateral talks to get a good deal, it must also be remembered that good trade policy is one that is well integrated with the development strategy of a nation. When a third country knows that trade interests and objectives are not clearly defined, it is easy for it to take advantage and push for greater concessions.

In bilateral negotiations, the existence of a comprehensively studied, cohesive trade policy that ties into development strategy is even more important. In the JPEPA negotiations, for example, the Philippine negotiators brought no specific texts to the table. Instead, they were only armed with a very general idea of what the country wanted out

of the agreement. As it was, all documents for the negotiation were written by Japan, that is, using templates of their previous agreement with Singapore, outlining, of course, *their* objectives. The Philippines was expected to merely react to these proposals. The first-mover advantage had been lost.

Without having a clear idea of what concessions Philippine industries truly want from the nation's trading partners and what concessions the country can and can absolutely not afford to offer, negotiators are already on shaky ground. Factor in inherently Filipino traits such as a desire to please others, and the nation may end up with a raw deal, giving the third country substantially more benefits than it itself is able to obtain.

Additionally, the absence of a specific mandate leads the negotiators to go for a "minimalist" approach to liberalization. Since there is no strong vision and backing from the top, no set of guidelines upon which to rely, the representatives tend to aim for the least amount of liberalization possible because it is the most 'politically safe' and would guarantee their not being fired from their job. Sticking closely to the status quo reduces the likelihood of protests at home, and this is appealing to a negotiator who is concerned about his job security and future retirement. Realizing that further liberalization, while possibly a good step for the economy, also has the ability to spark a huge backlash from the public, he could easily grow concerned and become inordinately cautious. Here, as in other principal-agent relationships, the personal objectives of the negotiator—naturally inclusive of a stable career path—may not be congruent with the attainment of an economically efficient outcome for the State. By giving out broad parameters, not backed by clear assessment of overall costs and benefits to the economy, the government increases the likelihood that the negotiator will fall back upon the personal objective-maximizing default position of minimum change. The full benefits of liberalization end up unrealized.

### **An agenda for reform**

The major weaknesses in the Philippine system can be distilled into two important needs that must be filled.

First is the need for a government body that has the prime authority to determine the final negotiating positions of the nation on trade agreements and to authoritatively represent it in front of other nations. A department that nominally has the mandate to negotiate but which finds itself subordinated to other ministries and agencies in a variety of areas shall not be optimally effective in its task. The unanimity that is virtually required from the interagency groups, albeit chaired by the lead department, invariably leads to delays in finalizing possible offers and requests because of foot-dragging by departments that are hesitant to open up their sectors. Moreover, in the actual international trade negotiations, which are broken up by sectors, the overall lead negotiator loses full control over the negotiation by his inability to keep all the 'cards close to his chest'. Anecdotal evidence has it that sectoral agency negotiators tend to give some (conditional) commitments during the sectoral negotiations even without knowing the result of the negotiations in other sectors. This lack of coordination hampers the capacity of developing countries to exploit within- and across-sector tradeoffs.

Second is the need for a strong technical support system, a research body that is able to provide up-to-date, accurate reports before, during and after negotiations. Studies must be conducted in order to determine the appropriateness of pursuing agreements for a particular sector, as well as to better predict the short and long-term effects of recently concluded negotiations. Within the context of the negotiations themselves, a team that is well-versed on the issues on the table can provide much-needed insight to on-the-spot negotiators. Given the dynamic nature of negotiations, representatives sent to meetings often find themselves having to react to ever-changing proposals. There is a clear requirement for a research body, either in-house or independent-but-government-owned, that specializes in trade research that will specifically and ably back these negotiators and provide the background and support that they need in order to make informed decisions within their mandate.

Even in the aspect of in-country public relations, it is valuable to have a technical group that undertakes detailed studies into particular trade areas. There is often what is termed as an "analytical deficit"

in the eyes of the public that imbues the interaction between private interests or lobbyists and the government. The public is growing more and more uncertain about, and fearful of, the impact of liberalization, and the proper reaction of governments is to provide clear facts and analysis. It is only when it is apparent to the people that the matters have been thoroughly examined by those in charge and shown to be, on the whole, beneficial will a fair majority agreement on liberalization be reached.

Only when authority and proper support come together will an agency tasked with the formation and negotiation of trade policy be able to take advantage of all that the increasingly open global market has to offer.

To address the need for a strong lead agency, there are few avenues of action that we propose.

### *Independent trade representative office*

The first option is to carve out the trade groups from the DTI, DA, NEDA, and DFA to fuse them into a single agency, akin to the USTR or ITCan, which is devoted solely to trade negotiations, be they bilateral, regional, or multilateral. It will be headed by a Cabinet Secretary and will be directly under the President. All negotiators would come from this single agency, and no longer from different line agencies of the government. Its employees would ideally be well versed not only in the economics of international trade, but also in trade law.

It is envisioned that this new Philippine trade agency would have strong tie-ups with line agencies and intensely consult with them, but also have its own sectoral experts. For instance, it would have an expert with the agriculture portfolio who understands the agricultural sector and deals with the DA, another expert in telecommunications, and so on and so forth. These experts would be in charge of coordinating with the line agencies in the run up to trade negotiations, and will carry out the negotiations with the trading partners. This agency is expected to be fully staffed to carry

out good analysis and information dissemination before, during, and after the negotiations.

The interaction between this new international trade department or trade representative office and the specific line agencies is envisaged to allow for the education of those belonging to the line agencies, so that these will better understand the international trading environment. Frequent exchanges or sabbaticals from line departments to work in the International Trade Department or the Trade Representative Office have worked very well in the case of Canada, making line agencies more aware of the environment that those on the frontline of trade negotiations face. This allows them to be more supportive of trade negotiations, be it through carrying out adequate public-private sector dialogues or through providing the TR Office with adequate data, information, and feedback. Since line agencies would continue to interact with their respective industries and narrow constituencies, and would perhaps receive the most regular feedback from industrialists and other economic sectors, it is important for them to have a good understanding of how the needs of the domestic producers fit into the context of trade negotiations. It is in this way that they can be effective and responsive channels.

The new agency will lead all interagency subcommittees down to the director level and will coordinate the line agencies' positions, allowing for cross-sectoral trade-offs. Trade-off is always an important element in negotiations and particularly so in the quid pro quo system in international trade negotiations. This system means that no matter how much the country may wish to, it cannot possibly protect all its sectors if it wants to take advantage of greater access to markets abroad for the sake of other competitive sectors. For example, the country may want to negotiate better access for Philippine mangoes in exchange for lower domestic tariff for other products, say, automobiles. Necessarily, any member country that engages in negotiations has to give up 'something for something else,' which demands that the national polity truly understands its strategic priorities, where its competitive advantage lies, and where it wants to take the economy.

There are, of course, advantages and disadvantages to this kind of set-up. On the positive side, the new agency would have a clear mandate to make final decisions while coordinating with line agencies. Its existence would facilitate the development of institutional memory, as it carries out multipronged trade negotiations, and it would have the incentive to undertake or be supported by transparent trade analysis and disseminate them. In many disputes on various positions, these analyses would be Trade Representative Office's best defense. On the negative side, the first problem is that creating this fully-functioning department would be costly, necessitating the filling of a complete staff, together with its own department Secretary and Undersecretaries. Additionally, there is the political economy issue. Will individual line agencies be willing to relinquish some of their authority and allow themselves to be overruled by this independent agency? Will they agree to have their trade-related bureaus carved out and transferred to the new department?<sup>9</sup>

### *Reforming the TRM*

Considering the budgetary and fiscal constraints of the government and other political distractions, it might not be very feasible to expect the creation of a wholly separate Cabinet-level agency dedicated solely to international trade negotiations. A second option, then, that could be successful if correctly implemented, is the strengthening of the current TRM system, particularly the role of BITR within it.

The BITR must head all subcommittees (whether they relate to agriculture, industry, or services) down to the director level for the TRM's Technical Committee and the TCWM, and not be merely one more member. It has to proactively consolidate the positions of various relevant government agencies and provide them with deadlines to submit their proposals, in the absence of which the TRM would be mandated to accept the BITR's default trade strategy position.

<sup>9</sup> There exists a bill in the House of Representative, numbered 4798, which proposes the creation of the Philippine Trade Representative Office (TRO). Many aspects of the bill mirror our own proposed agency and the TRO described in the bill seems at least partly fashioned after the USTR. The bill, however, is unclear about the TRO's relationship with Congress and forgets that Services is an important component of trade negotiations. Perhaps one thing that must be clarified further is the role of and extent of involvement of the recommended Advisory Committee for Trade Policy and Negotiations. Where is this committee expected to fall in the hierarchy? Is it taking the place of the TRM? What kind of authority does it have? The power of the Committee to dictate the attendance of particular representatives at any trade negotiation may be a cause for concern, and might promote the kind of undue outside influence that the creation of the independent agency was meant to combat in the first place.

To effectively carry out this strengthened mandate and provide better secretariat and trade policy analysis support to the TRM system, the BITR staff, which has dwindled to below 20 from a high of 52 when it started, must, once again, be expanded. Considering the high knowledge and skill requirements, e.g., proficiency in both economics of international trade as well as trade laws, for major positions in the BITR, an exemption from the salary standardization requirement would be appropriate to attract highly qualified candidates. Finally, given the difficulty of hiring highly skilled individuals for these positions, the BITR should also be exempted from the Attrition Law.

Additionally, the TRM structure itself must be improved and the roles within it must be clearly delineated. Aside from solidifying the central position and the decisionmaking ability of the DTI-BITR, the potential of the DFA, especially in gathering trade-related information in export markets, e.g., regulations and trade barriers, should be better exploited. Formulating an optimal position for negotiations would not be possible without sufficient information on the country's trading partners, and the DFA is in the best position to make this contribution. The DFA's mission should be geared more and more toward contributing to trade policy, for a small developing country's main foreign policy interest is, necessarily trade.

There is a certainly a need for greater teamwork among the different government agencies involved in the Committee. Senior and middle officials must actively combat the tendency toward turf myopia and instead approach meetings with a view toward determining what would be good for the country overall, rather than what would be good for their sector alone. Discussions within the Committee and disagreements between agencies are inevitable, and, in fact, can be healthy as long as they are substantial, and backed up with hard facts. At the end of the day, however, the Committee members must devote time and effort to clarifying the national development agenda and clearly outlining the Philippines' trade priorities. They must come to an agreement in terms of defining the country's vital interests. The presence of core cabinet personalities with a keen understanding of the workings of trade policy brought about by close study will do

much to inform the dialogues within the Committee and hopefully lead it to making optimal decisions.

Besides strengthening the decisionmaking structure within the TRM, its process and decisions should be respected. For instance, its recommendations, painstakingly arrived at through numerous meetings and discussions, should be made more difficult to overturn by parties that have the ears of the President or other influential politicians. The authority of the chair and his capacity to resolve deadlocks in the context of the collegial nature of the TRM must also be clarified.

This option, too, has its pros and cons. On the positive side, by remaining in the DTI, the BITR can exploit the research, linkages with industry associations, and experience built up by the latter over the years. This option is also cheaper and much more realistic, especially in the short run. On the negative side, however, unless the capacity of BITR is bolstered, the TRM reform might become cosmetic.

### *Strengthening trade research capacity*

Whether the BITR is merely strengthened or the government decides to create an independent trade office, the importance of allocating a sufficient budget for research cannot be stressed enough. The development of institutional capacity for analysis must be given strong emphasis. Given the knowledge-intensive nature of trade negotiations, technical analysis is the backbone of successful negotiation and can therefore not afford to be left in the hands of the unskilled. The lead agencies need to have a strong internal capacity for research, as well as links with private and foreign providers of research and information.

Much capacity building should be directed to bolstering in-house research capacity because these teams are the ones always available to address, in a timely and useful manner, new issues that emerge. This can imply an increased budget allocation for an expanded research group within the lead agency to support the negotiations.

The external research community should not, however, be left out of the effort to increase the country's research capacity. There is a need to engage their services, considering the limited human capital

resources that the lead agency in negotiations can afford to hire. Here, India provides an example of a deliberate use of external research organizations. The Ministry of Commerce of India, under whose jurisdiction trade policy falls, parcels out different research projects to specialized research groups and draws advice from them in crafting trade positions. For instance, for issues related to investment, the Agreement on Trade-Related Aspects of Intellectual Property Rights, nonagricultural market access, sanitary and phytosanitary standards (SPS), and trade facilitation, it counts on the Research and Information System for Non-Aligned and Other Developing Countries. For issues on the Agreement on Agriculture and SPS, it relies on the WTO Centre as well as the National Council on Applied Economic Research. The Indian Council for Research and International Economic Relations pursues matters relating to services. For other issues, the Ministry of Commerce also draws from research of academe and institutions and civil society other than these four major institutions.

The example that should be adopted from India is the seriousness with which they carry out negotiations, and thus their need for solid research to back up their policy positions. Can the Philippine negotiators rely on the research community in the country? Sadly, the number of researchers in the Philippines who can straddle both the economics and law of trade is small and this group can spread very thinly when addressing the many facets of trade implications. The majority needs greater exposure to international trade issues and greater understanding of trade laws to make their contribution more directly useful for negotiations. There is a need, therefore, to provide more scholarships and to increase exposure to trade seminars dealing with trade laws and analytical techniques, in order to build research capacity for trade.

Another noteworthy lesson can be gleaned from Korea. Since it is important for negotiators to be able to stay in constant contact with a technical support group, Korea, and to a limited extent, India, make their research consultants part of the negotiating team. They may not be the spokespeople during the negotiations, but they are seated

close by, ready to provide advice when new issues and demands from the opposite camp crop up. The experience of these countries has shown that the academics they brought with them helped government negotiators elevate the discussions to a higher level.

### *Clear vision of economic priorities from the top*

The strengthened TRM or, eventually, the new Trade Representative Office will definitely enhance the decisionmaking process and make it more efficient. In the final analysis, however, the quality of the trade positions they carry with them rests on the quality of vision of whoever is at the top. The point is that success in international trade rests a great deal on a strong, visionary leadership. It is only this kind of leader who will be able to fight against narrow, vested interests and bring all the key players onto the same wavelength and subscribe them to a single game plan. The President alone, not an independent Trade Representative Office or a strengthened TRM structure, has the capacity to “bang the heads of major Cabinet departments” to come to an agreement. Thus, a leader with a clear grasp of national development priorities is crucial if there is to be hope of having a truly cohesive trade policy formulation and negotiation structure.

## **Appendices**

### *Institutional studies of different countries*

#### **Appendix A. United States of America**

##### *Organizational set-up*

The Office of the USTR is the principal trade policy development body of the US. It is “responsible for developing and coordinating US international trade, commodity, and direct investment policy, and overseeing negotiations with other countries” (USTR official website). The Office is headed by the US Trade Representative, a Cabinet member whose different roles include being the principal trade advisor to and chief spokesperson for the president on trade, the primary negotiator on trade issues, and advisor on the impact of international trade on other US Government policies. “USTR is part

of the Executive Office of the President. Through an interagency structure, USTR coordinates trade policy, resolves disagreements, and frames issues for presidential decision. USTR also serves as vice chairman of the Overseas Private Investment Corporation OPIC, is a non-voting member of the Export-Import Bank, and a member of the National Advisory Council on International Monetary and Financial Policies” (USTR official website).

The major areas of responsibility of the USTR include:

- Bilateral, regional, and multilateral trade and investment issues;
- Expansion of market access for American goods and services;
- International commodity agreements;
- Negotiations affecting US import policies;
- Oversight of the Generalized System of Preferences (GSP) and Section 301 complaints against foreign unfair trade practices, as well as Section 1377, Section 337 and import relief cases under Section 201;
- Trade, commodity, and direct investment matters managed by international institutions such as the OECD and the UNCTAD;
- Trade-related intellectual property protection issues; and
- WTO issues.

##### *Policy Formation and trade negotiations*

Consultations between the USTR and the other agencies of the government take place via the Trade Policy Staff Committee (TPSC) and the Trade Policy Review Group (TPRG). Together, these groups are composed of 19 federal agencies and offices and form the “subcabinet level mechanism for developing and coordinating US Government positions on international trade and trade-related investment issues” (USTR official website). More specifically, the agencies involved in these committees are the following:

- Council of Economic Advisors;
- Council on Environmental Quality;
- Department of Agriculture;
- Department of Commerce;
- Department of Defense;
- Department of Energy;

- Department of Health and Human Services;
- Department of Interior;
- Department of Justice;
- Department of Labor;
- Department of State;
- Department of Transportation;
- Department of Treasury;
- Environmental Protection Agency;
- Agency for International Development;
- National Economic Council;
- National Security Council;
- Office of Management and Budget;
- Office of the United States Trade Representative – Chairman; and
- U.S. International Trade Commission (nonvoting member).

The TPSC is the primary operating group, with representation at the senior civil service level. Supporting the TPSC are more than 90 subcommittees responsible for specialized regions, countries, sectors and functions, and several task forces that work on particular issues. If agreement is not reached in the TPSC, or if significant policy questions are being considered, the issues are taken up by the TPRG, which functions at the Deputy USTR or undersecretary level.

The final tier of the interagency trade policy mechanism is the National Economic Council, chaired by the President. The National Economic Council Deputies' committee considers memoranda from the TPRG, as well as important or controversial trade-related issues (USTR official website).

The USITC is an independent federal agency that provides trade expertise to both the legislative and executive branches of the US government. One of its stated missions is "to provide the ... USTR ... with independent, quality analysis, information, and support on matters of tariffs and international trade and competitiveness." The latter is therefore heavily dependent on the ITC for technical input.

There are also 33 private sector advisory committees, composed of approximately 1,000 advisors from industry, organized labor, nongovernment organizations (NGOs), and other associations. Much like their public sector counterpart, these are arranged into three

tiers. There is the President's Advisory Committee for Trade Policy and Negotiations. There are also six policy advisory committees usually appointed by the USTR, some in conjunction with related departments. Finally, there are 26 functional, technical, and sectoral groups organized into the areas of industry and agriculture. These groups provide information and advice on US negotiating objectives and bargaining positions.

The general public's opinions on a wide variety of topics are also solicited via publication in the Federal Register several times a month. Written remarks from interested parties are given consideration both in Congress and interagency meetings.

#### *Policy administration and dispute settlement*

The USTR's responsibility to "assert and protect the right of the United States under all bilateral and multilateral international trade and commodity agreements" is administered with the help of the Department of Commerce, whose International Trade Administration is in charge of monitoring compliance with international trade agreements.

In decades past, the Department of State had the full responsibility of negotiating trade agreements. Since the creation of the USTR, however, there has been a division of jurisdiction between the two. The Department of State is the chief representative of the US to the OECD Committee on Investment and Multilateral Enterprises and its subgroups. Meanwhile, the USTR has lead responsibility for all negotiations under the WTO, trade and commodity issues in the OECD, and trade, commodity and direct investment issues in the UNCTAD.

As part of the checks-and-balance system in the US, there is a firm Congressional-Executive Partnership in the conduct of US trade policy. The Constitution vests the Congress with the ultimate authority to regulate trade with foreign nations. Five representatives from each House are officially designated as the Congressional advisors on trade policy, and the USTR provides regular and detailed briefings to the Congressional Oversight Group. Apart from these, there are, annually, hundreds of congressional conversations between the USTR and the Houses spanning the range of trade issues from tariffs to textiles.

Section 301 of the Trade Act is the principal law of the US that addresses unfair trade practices. A complaint under this section



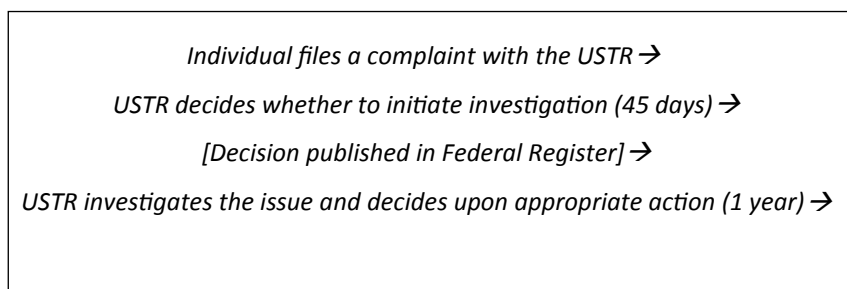
may either be filed by any interested individual or be initiated by the office of the USTR itself. Once a complaint is filed, the USTR is given 45 days to decide whether it desires to initiate further investigation into the matter. Its decision on the matter is then published in the Federal Register. If the office pursues the issue, it is given one year to complete the investigation and to decide on what action to take against the offending party (Appendix Figure 1). In this period, the USTR provides opportunities for the public to comment on the issues and holds public hearings upon the request of either the petitioner or any interested party. An important facet of the investigation process includes consultations with the foreign government that is the target of the complaint. While Section 301 asserts that the US does not need to gain approval from any other body in order to take action, the country is committed to pursuing dispute resolution mechanisms under the auspices of the WTO and the NAFTA insofar as this is possible.

## Appendix B. European Union

### *Organizational set-up*

Based on Article 133 of the European Community Treaty, the EU has a common trade policy that is based on uniform principles. The member states have all agreed to pool their sovereignty and follow a universal policy on international trade. This Common Commercial Policy aligns the states in terms of changes in tariff rates, the conclusion of tariff and trade agreements with nonmember countries, the enactment of trade liberalization measures, export policy, and trade protection. The main aspects of trade in both goods and services thus fall into

### Appendix Figure 1. Flow of trade dispute settlement in the US



the exclusive competence of the EU, such that the responsibilities are exercised entirely by the community and are not shared with the individual states. All GATT 1994 and WTO matters are clearly delineated as falling within this exclusive competence.

Article 133 also spells out areas of mixed competencies, where responsibilities are shared by the Community as a whole and by the member states. Under this category fall matters pertaining to the General Agreement on Trade in Services (GATS) and to the Agreement on Trade-Related Aspects of Intellectual Property Rights. These include trade in cultural and audiovisual services, educational services, and social and human health services. Agreements on mixed competency areas must be jointly concluded by the Community and the member states.

There is a balanced decisionmaking system in place when it comes to the implementation of the EU common trade policy. The EU Commissioner for External Trade, supported by the external trade administration known as the Directorate-General Trade of the European Commission (or DG Trade), has the directorate of negotiating on behalf of the Member States. The primary task of the directorate, as outlined in the Treaty of the European Community, is “to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade, and the lowering of customs barriers.” Its specific responsibilities are:

- to define (and reappraise) the trade interests of the European Community in both defensive and offensive terms;
- wherever the Union’s commercial policy objectives so require, to negotiate bilateral, regional or multilateral agreements on the basis of negotiating directives proposed by the Commission and adopted by the Council;
- to monitor and ensure the implementation of international agreements by using the WTO dispute settlement system and the instruments for trade promotion or defense adopted by the Community (the antidumping and antisubsidy rules and the trade barriers regulation);

- to take part in devising and monitoring internal or external policies that have a bearing on the Union's trade and external investments (single market, consumers, health, environment, technology, intellectual property, competitiveness, competition, energy, transport, agriculture, sectoral measures);
- to ensure consistency within the Relex group between the commercial policy and the Union's general external relations policy on the one hand and the contribution of the EU to global economic governance on the other; and
- to provide the public, both sides of industry, civil society and professional circles with clear, comprehensive and up-to-date information while seeking their opinions in compliance with the rules set down in the Commission's codes of conduct.

While the Commission is officially the administrative arm of the EU and its version of a central executive body, it is the Council of the European Union, usually composed of the foreign ministers of all the member states and operating on a qualified majority vote with a one country, one vote practice, which has the final decisionmaking authority and is in charge of establishing the main objectives of the EU. The Commission, as per Article 133 of the treaty, can only conduct negotiations "within the framework of such directives as the council may issue to it."

#### *Policy formation and trade negotiations*

It is for the aforementioned reason that the DG Trade, in which roughly 250 people are involved with negotiating trade policy, works closely with the Article 133 Committee, a special permanent consultative body composed of representatives of the trade administrations from the 25 member states and the European Commission. The main function of the Committee is to coordinate trade policy. Via weekly meetings, its members are able to discuss the full range of trade policy issues affecting the Community. Specialist meetings are also conducted by the Committee in order to discuss complex issues like trade in services and textiles in greater depth. The Committee listens to the Commission's reports on trade policy issues and examines its proposed negotiating mandate (Appendix Figure 2). It then makes recommendations and

gives endorsements in behalf of the member states. The Committee's viewpoint is reflective of the stand of the Council, so the amendments it proposes are normally accepted by the Commission and integrated into the "directives for negotiation," which are then forwarded to the Committee of Permanent Representatives (COREPER). The COREPER has the task of elevating the proposal to the General Affairs Council. Once the directives are adopted by the Council, they act as the Commission's mandate and guide the latter in its work. The major formal decisions, such as the agreement to launch or conclude negotiations, are confirmed by the Council of Ministers. Even in areas where the decisionmaking power was formally delegated by the Council to the Commission, the rules generally provide for the possibility of further review by the Council, which has the power to confirm, modify or reject the Commission's decision.

Other directorates within the European Commission that have considerable input on trade policy matters are the Directorate for the Internal Market and Industrial Affairs, the Directorate for Competition and the Directorate for Agriculture.

The DG Trade has a planning unit that conducts research on any policy issue of interest to the Commissioner. In addition to this, independent external consultants are often hired to conduct Sustainability Impact Assessments (SIAs). These studies allow the Commission to examine the potential effects on sustainable development, particularly the economic, environmental, and social

**Appendix Figure 2. Flow of trade negotiation in the European Union**



impacts, of its own proposals for WTO trade negotiations. The results of these SIAs are posted on the Commission's website as soon as they are available.

In order to draft policy that takes into account the concerns of all affected parties, the DG Trade conducts a Civil Society Dialogue process with a wide variety of groups, ranging from NGOs to organized labor and employers' associations to the European Economic and Social Committee, in addition to the institutional contacts that regularly take place. Within this framework occur many plenary and *ad hoc* meetings. General ones are chaired by the Trade Commissioner himself, while smaller ones focusing on specific issues occur in between. Issue groups that include representatives of civil society, business and trade unions are also intermittently formed. The current Trade Commissioner also holds regular internet chats to directly correspond with the public with regard to their views on trade policy.

Member states maintain their own trade administrations for three major reasons:

- For their participation in the formulation of EU common trade policy;
- For the implementation of issues related to shared competence; and
- For the management of issues of national competence, e.g. export promotion.

Unless there is a need to impose a new budget measure or set up a new institution, the European Parliament currently plays no formal role in the formation of trade policy in the EU and simply issues comments on Commission policies and proposals when it is briefed on such issues for transparency's sake. However, the draft Treaty establishing a Constitution for Europe, which was adopted on the 25 June 2004, gives the Parliament a stronger position. Once the Constitution is ratified and comes into effect, the Parliament will have a role similar to that of the US Congress under the fast track procedure. It will become colegislator for autonomous trade policy and will have to approve all international trade agreements. A duty will be passed onto the Commission to regularly inform the Parliament of the state

of play of negotiations, similar to the treatment that the Article 133 Committee receives.

The European Court of Justice, as the interpreter of the provisions of the European treaties, has also played an important role in implementing the EU's common commercial policy. It was the ECJ that defined the competencies of the policy areas and, in the past, it denied the Commission's requests for the expansion of its jurisdiction over trade in services in 1994.

#### *Policy administration and dispute settlement*

Complaints and consultations are divided according to the Article 133 competencies as well. Shared competency issues may be brought up with the individual trade administrations of the member states, while the Commission has departments to deal with broader concerns. Individual industries with a stake in policy may decide to operate either through their own national associations or via their head associations on the union level.

If a particular industry feels that it is being materially harmed by dumped or subsidized imports, it can address a complaint to the Commission's Antidumping Services group. Meanwhile, the Trade Barrier Regulation functions similarly to US Section 301, in that industries may lodge a complaint with the Commission if they feel that trade barriers restrict their access to third country markets (Appendix Figure 3). The DG Trade is responsible for ensuring compliance by third countries with international trade accords. If, upon consultation with the member states via an advisory committee, the Commission decides that a complaint merits a detailed investigation, it is bound to a strict timetable for dealing with the matter. Conclusions for or against remedial action must be made within 13 months for antisubsidy

#### **Appendix Figure 3. Flow of trade dispute settlement in the European Union**

Industry submits complaint to the Commission →  
Commission consults member states via an advisory committee →  
Formal investigation is undertaken (13-15 months)

cases and within 15 months for antidumping issues. All parties to the complaint are given full opportunity to state their case and appeals are allowed by the Commission. After all disclosures and verifications have run their course, the Commission proposes definitive measures to the Council. These measures traditionally apply for five years.

In general, when it comes to third countries lodging complaints against a member state, the Commission has an assisting and advising function. However, it has a direct role in antisubsidy cases in which EU subsidies are involved, and in all cases where imports from the EU as a whole are concerned.

## Appendix C. Canada

### *Organizational set-up*

Trade policy formation in Canada is characterized by strong interdepartmental consultation. International Trade Canada (ITCan) takes the lead on issues relating to international trade, commerce and investment. Other departments such as Agriculture and Agri-Food Canada, Finance, and Industry Canada also play significant roles in the process. Any differences between departments and agencies are ironed out at the working level and elevated to deputy ministers, or ministers as appropriate. It is understood that the department with the lead responsibility over a given issue has a major say. Decisions are not reached by voting. Interdepartmental and inter-agency conflicts are minimized by instituting a transparent consultative process that involves relevant departments and agencies early in the process of trade policy formulation.

### *Policy formation and trade negotiations*

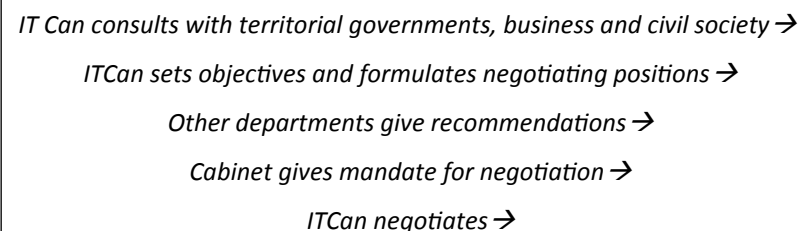
In the specific area of services negotiations, interdepartmental meetings involving around 15 departments and agencies are convened regularly to discuss issues relating to services negotiations, including the development of instructions for international meetings, and the preparation or revision of services requests and offers as in the case in the WTO. With some services sectors falling within provincial and territorial government jurisdictions, these governments are also consulted on a regular basis.

The services community is regularly consulted by ITCan via informal emails as well as formal interdepartmental meetings. The Services Trade Policy Division (EBS) takes the lead in discussions and negotiations on services. The Director of the Division is Canada's negotiator. It is the EBS that drafts documentation, while other departments provide input, confirmation, and approval. Transport Canada, for example, is given a say in transport services issues, the Department of Finance in financial services issues, and Health Canada in health services issues.

It is the provincial and territorial governments that normally have jurisdiction over the specific service sectors, so they are consulted in the process of domestically determining which sectors are to be liberalized. Municipalities, Canadian businesses, and civil society are also given the opportunity to air their thoughts, since they are also directly affected by any changes in the manner in which trade in services are conducted. Interdepartmental and interagency consultations provide supplementary material. With the information gathered from all these consultations, ITCan sets objectives and orders its priorities, formulates its negotiating positions, selects the trade interests it would like to promote or protect, and decides whether concessions may be made in particular areas in order to meet specific objectives in other areas.

The Trade and Economic Analysis Division of ITCan is the in-house research group that tries to assess the benefits and costs of certain trade commitments. ITCan also takes advantage of information provided by the WTO, the OECD, other federal departments, provincial and territorial governments, other intergovernmental organizations, think tanks, and other institutions. The agency also takes it upon itself to recommend or support proposals for specific work in other organizations such as the OECD in order to enhance the general understanding of particular issues and shore up support for trade liberalization (Appendix Figure 4).

The mandate for negotiation is given to the Division by the Cabinet.

**Appendix Figure 4. Flow of trade negotiations in Canada**

Other departments are given the opportunity to provide advice and submit recommendations based on extensive interdepartmental consultations and domestic consultations with provincial, territorial and municipal governments, business and academics, civil society, and other stakeholders. The outcome of parliamentary hearings may also be considered as reference points.

Foreign Affairs Canada (FAC), the other half of the former Department of Foreign Affairs and International Trade, still plays some role in trade policy formation. Its geographical divisions gather information and intelligence, which the department passes onto ITCan. FAC also stays in close contact with Canada's various embassies and missions and permanent delegates to intergovernmental organizations like the WTO and OECD; these are able to provide valuable insight that help form particular positions on different issues in service negotiations.

The private sector may voice its opinions via lobbyists and national business associations or directly through mail (including electronic mail), in consultations undertaken by the government of Canada (including online surveys), or by phone. ITCan regularly prepares discussion papers delving into the different issues being considered by the agency. Considered the main "basis for its consultations both inside and outside the government apparatus" (Stairs 2000), these papers contain general background and identify the possible issues likely to come up in negotiations as well as give indications of what the resulting negotiations might be like. The papers are often provided to

any interested parties via download from the official website. Feedback on these papers is highly encouraged. On occasion, notices in the Canada Gazette have been published by the department, "requesting input from any and all Canadians on the scope, content and processes pertinent to the negotiations" (Stairs 2000). To supplement this kind of request, direct mailings to businesses and NGOs are sent and the notice is also posted on the website. Other information available online for perusal traditionally includes detailed information on pending WTO ministerial meetings and how NGOs can register for attendance, the list of official Canadian delegates and the text of Canadian proposals tabled in Geneva.

Aside from general public consultations, around the time of the negotiation of the Canada-U.S. Free Trade Agreement, 13 specific Sectoral Advisory Groups on International Trade (SAGITs) came into being, joining the preexisting Team Canada Inc. Advisory Board in representing private sector interests. In the lead-up to major negotiations, the department conducts series of roundtable with independent advisers, largely consisting of well-established experts in the competition and trade policy fields. As a representation of the involvement of the private sector, it is worthwhile to note that out the 84 delegates to the WTO conference in Seattle, 14 were designated as "Private Sector Advisers." Additionally, 65 private Canadian organizations registered at the conference by directly getting in touch with the WTO. All Canadian delegates, independent or not, were kept as well informed as possible by the government throughout the proceedings.

The public is welcome to send any services trade-related inquiries or requests to the EBS. There are officers in the division responsible for the different sectors, and whoever is in charge of the sector in question has the charge of initiating contact with the individual as well as performing interdepartmental consultation.

ITCan supports its negotiators by providing them with information and intelligence, as well as with human and financial resource necessary in their pursuit of the objectives and positions set forth by the agency. Regular meetings are organized between lead

negotiators in order to ensure that developments and challenges are dealt with and appropriately responded to, and to continually clarify and explore the nation's official position on particular issues. Most of the groundwork is laid out at the working level, but the higher officers from the Directors-General to the Ministers also get involved when it is necessary to reach interdepartmental consensus or to provide political guidance.

#### *Policy administration and dispute settlement*

It is the Services Council of the WTO that monitors the implementation of the GATS, and adherence to or violation of the rules are brought up at official meetings. The WTO Secretariat also conducts regular trade policy reviews on all member countries and scrutinizes their policies and practices closely on occasion.

The member countries of the GATS have the responsibility of ascertaining whether their trade partners are upholding their commitments. In Canada, there is no particular department or division that monitors such affairs. Those who engage in trade, that is, the Canadian service providers themselves, are in a position to determine whether markets are being opened up to them or kept closed, if barriers to trade are being maintained or built instead of broken down. If the firms or industries feel that trade is being hampered by a third country, they can be brought to the attention of the government. EBS can then assist the complainants in terms of ascertaining the schedule of commitments by other countries and determining whether the latter's actions constitute a breach of any agreement. In light of the information gathered, EBS can consult with the governments of other countries through bilateral discussions or demarches.

The Special Import Measures Act (SIMA) is Canada's antidumping and countervailing law, and it provides protection to Canadian industry. The administration of this act is jointly handled by the Canada Border Services Agency and the Canadian International Trade Tribunal (CITT).

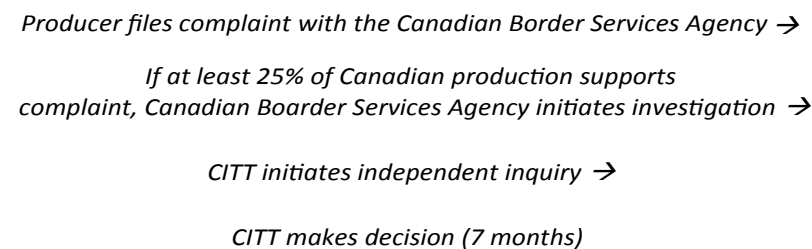
The CITT is the quasijudicial institution in charge of complaints. The CITT operates within the Canadian trade remedy system and

reports to Parliament through the Minister of Finance. It has the authority to:

- conduct inquiries into whether dumped or subsidized imports have caused, or are threatening to cause, material injury to a domestic industry;
- hear appeals of decisions of the Canada Customs and Revenue Agency made under the Customs Act, the Excise Tax Act and the Special Import Measures Act;
- conduct inquiries and provide advice on such economic, trade and tariff issues as are referred to the Tribunal by the Governor in Council or the Minister of Finance;
- conduct inquiries into complaints by potential suppliers concerning procurement by the federal government that is covered by the North American Free Trade Agreement, the Agreement on Internal Trade and the World Trade Organization Agreement on Government Procurement;
- conduct safeguard inquiries into complaints by domestic producers that increased imports are causing, or threatening to cause, serious injury to domestic producers; and
- conduct investigations into requests from Canadian producers for tariff relief on imported textile inputs that they use in their production operations.

Simply put, the process of investigation is as follows (Appendix Figure 5):

#### **Appendix Figure 5. Flow of trade dispute settlement in Canada**



## Appendix D. Japan

### *Organizational set-up*

Unlike the three previous examples, there is no single ministry that has the primary charge for determining trade policy. Instead, there is what is known as the main group of four: (1) the METI, which, until 2001, was known as the Ministry of International Trade and Industry; (2) the MoFA, the diplomacy-oriented ministry whose institutional mandate includes being in-charge of all international treaties and intergovernmental agreements that Japan concludes, the organizing and enabling of meetings between the negotiating parties, and formulation of letters of agreement or treaties; (3) the MoF, in charge of customs affairs; and (4) the MAFF, which has a leading voice in the realm of the importation of sensitive agricultural goods. These four ministries often conduct coordination meetings at various levels. Aside from these, other ministries also have a say when it comes to their specific jurisdictions. The Ministry of Health, Labour and Welfare (MHLW), for example, works on the mutual recognition of nurse qualification, while the Ministry of Internal Affairs and Communications plays an important role in talks concerning telecommunication liberalization.

Within the METI, it is the Trade Policy Bureau, known to be one of the prime advocates of free trade in the nation, that takes primary charge of trade policies. The Bureau has seven divisions, and one department that deals with multilateral trade issues. The seven divisions include a policy coordination division, a research division, region-specific divisions (Americas, Europe and Middle East, Northeast Asia, Southeast Asia and Australasia) and a “regional cooperation” division dealing with bilateral FTAs or RTAs. Much like their ministerial counterparts, industry-specific bureaus under the METI do get involved when products under their jurisdiction is at issue. The Trade Policy Bureau coordinates the METI’s external trade policy and negotiates with the MoFA. This Bureau is also actively pursuing an integrated domestic and external economic policy with the twin objectives of maintaining the global free trade system while shaping the international business environment in such a way as to boost Japan’s industrial competitiveness.

Within the MoFA, it is the Economic Affairs Bureau that takes charge of trade issues. A Free Trade Agreement/Economic Partnership Agreement Division was established under this bureau recently, and the FTA/EPA Headquarters was created. This Headquarters conducts consultations regarding the formulation of Japan’s comprehensive strategy for FTAs and EPAs, with the intention of “ensuring a unified and coordinated response and supporting negotiations with specific countries on a ministry-wide basis” (MoFA press release).

### *Policy formation and trade negotiations*

Final decisions regarding policy are made at Cabinet meetings chaired by the Prime Minister. Decisions are made by consensus, though there is no established formal system of coordinating, integrating and synthesizing the diverse opinions and requirements of the various government institutions. In the run-ups to negotiations, informal interministry meetings to discuss issues relating to policy are frequently held, especially between the ministries with a strong stake in the policy outcomes. These meetings take place at various levels, from Division Director to Bureau Deputy Director-General. Before the formal negotiations open, however, the Cabinet Secretariat, which is formally superior to all ministries, summons representatives from all related ministries and agencies.

In principle, no ministry or agency is superior to others, and “different sectors of Japan’s bureaucracy seem to exercise veto power against each other” (Funbashi 1995). During votation, however, the one with the loudest voice often prevails, as is the case with agriculture. In rare instances, the office of the Prime Minister intervenes in a limited capacity.

Proposals are finalized in the form of official cables issued by the MoFA. No standardized process for this exists. Sometimes, the MoFA drafts the original text. On other occasions, depending on the area of expertise, the METI or the MoF does it. Proposals relating to agriculture, forestry, and fisheries are exclusively drafted by the MAFF. “In the process of coordination, other ministries often try to change the text, but the irony is much of the inter-ministerial negotiations is conducted in Japanese. When the MoFA translates the text into English, the subtle nuance of the original Japanese is often lost and

it is often the MoFA's stand that is most strongly represented" (Araki, interview, January 21, 2005).

When the METI comes up with proposals dealing with trade remedies (e.g., antidumping policies), it is given much latitude by the government. The bureaucrats are free to consult with the private sector, but can also begin the initiative for new negotiations themselves. The MAFF does not have such a privilege in agricultural issues. Instead, their mandates come from politicians and agricultural cooperatives. These are formally given out in Cabinet meetings. In major ministerial conferences, agricultural politicians and representatives of cooperatives are always present to monitor that MAFF officials (or officials of other ministries) are acting within their mandates.

Ministries that oversee domestic industries are often protectionist and passive in trade negotiations. The continuing liberalization of the economy is then often a result of external pressures from trading partners. Private initiative is traditionally the more common root of Japan's trade policy changes, although it is acknowledged in the inner circles that the government is often behind these so-called private sector moves anyway. To this end, study groups are organized, and these groups make joint recommendations that endorse particular courses of action. In response to these, the METI initiates the selection of sectors to liberalize. The MoFA has virtually no power to propose any domestic sector's liberalization.

The Research Institute of Economy, Trade and Industry, an incorporated administrative agency affiliated with METI, has in its employ economists who can use the Global Trade Analysis Project general equilibrium model to assess the benefits and costs of certain trade commitments. Industry associations are often consulted by the government, as private funding for research is often helpful in the undertaking of more detailed studies that are often necessitated by serious moves to liberalize.

The general mandate for negotiation is in the Law Establishing METI. METI has an uncontested jurisdiction over all manufacturing sectors, except for ships and pharmaceuticals. However, when it tries to assert its negotiating mandate over the service sector (be it finance or telecommunications), it is strongly objected by the relevant ministries.

Some sectors, such as the agricultural sector, are more influential with the politicians and with the bureaucracy than others. In general, sectors lobby relevant ministries and agencies, the ruling Liberal Democratic Party and the so-called *zoku-gin* lawmakers, who lobby in behalf of and are in turn benefited by specific sectors. Some representatives are able to talk to government officials and politicians, while others protest in the streets.

Public consultations are seen in Japan as more of a tool for information gathering. Advisory councils or informal discussion groups are put together by the ministries interested in getting outside expert opinions. Consultative bodies are often composed of representatives from related industries, academia, journalism, and NGOs. The results of these discussions are kept shielded from the general public, however, retaining the air of mystery that surrounds policymaking. The limited information released by the ministries can be accessed at their official internet homepages, where members of civil society can post comments and questions regarding negotiations. Informal consultations with civil society are rare in Japan. Business organizations receive questionnaires on WTO negotiations in order for the Ministry to ascertain the needs of business stakeholders. Sectoral organizations such as the Central Union of Agricultural Co-operatives of Japan (JA Zenchu) who often lobby the government have more success in influencing trade policies to some extent. Interindustrial business organizations such as the Japan Business Federation (Nippon Keidanren) often issue appeals on trade policies but do not necessarily influence or drive the government's trade policy formation a lot. Appeals are occasionally issued by NGOs, too, but influence policies even less than by business organizations. Generally speaking, NGOs interested in trade issues, which are antifree trade in many cases, are not active in Japan as in Western and Southeast Asian countries. The Industrial Structure Council, the general advisory organ on any METI policy, is composed of academics, consumer groups, and labor representatives. It is perhaps the one group with a truly notable voice. Its recommendations are given directly to the METI minister, to whom the Industrial Structure Council reports (Appendix Figure 6).



*Policy administration and dispute settlement*

There are two methods by which an agreement can be implemented. One is through the passing of a piece of legislation, which goes through the Diet. The parliamentary democracy that operates in Japan allows for a close relationship between the Diet and the bureaucracy to begin with, and many of the ministers are also Diet members. This results in a situation in which the policies pursued by the Cabinet are ones to which the Diet has already given tacit approval.

The other method by which a trade policy is implemented is by Cabinet order, again founded upon a consensus at a Cabinet meeting. The Cabinet Legislation Bureau ensures the consistency of the implementation of laws with the WTO and regional trade agreement rules. The liberalization in the trade of goods is monitored by the METI, under whose jurisdiction falls trade in general, and the MoF, which has the charge over customs affairs. Liberalization of trade in services is monitored by the relevant ministries and agencies. For example, financial liberalization is overseen by the MoF and telecommunications liberalization by the Ministry of Internal Affairs and Communications.

**Appendix Figure 6. Flow of trade negotiation in Japan**

There is no equivalent of US Sec. 301 or EU's Trade Barriers Regulation that deal with complaints against third countries in Japan. All the complaints are handled on an ad hoc basis. If the charge is dumping or illegal subsidy, the complainants can have recourse to the antidumping/countervailing duty process administered by MoF. The Office of the Trade and Investment Ombudsman in the Cabinet also accepts such complaints. There are specific subdivisions of the manufacturing industry bureau, which is under the Trade Policy Bureau of the METI, that deal with specific industries. Firms and industry associations are free to informally approach these subdivisions in the case of complaints.

If there are complaints against a country's exports, METI has the jurisdiction. Its Trade and Economic Cooperation Bureau, which is separate from the Trade Policy Bureau, is in charge. Violators are criminally punished through fines and imprisonment.

**Appendix E. Malaysia***Organizational set-up*

While the Federal Parliament of Malaysia has the constitutional authority over external trade policy, the task of administration has been delegated to the executive branch of the government. International trade policy in Malaysia is handled primarily by the Ministry of International Trade and Industry (MITI). The institutional objectives of this ministry are:

- 1) to promote and safeguard Malaysian interest in the international trade arena;
- 2) to spur the development of industrial activities; and
- 3) to further enhance Malaysian economic growth towards realizing Vision 2020.

Since MITI also has under its purview industry development as a separate objective from international trade, there are agencies under the ministry that deal with its different purposes. More specifically, the Malaysian External Trade Corporation (MATRADE) takes care of the export promotion of goods and services. Its mission is to develop and promote Malaysia's export to the world. The specific functions of

MATRADE are:

- 1) to promote, assist and develop Malaysia's external trade with particular emphasis on the export of manufactured and semi-manufactured products and services;
- 2) to formulate and implement export marketing strategies and trade promotion activities to promote Malaysia's export;
- 3) to undertake commercial intelligence and market research and create a comprehensive database of information for the improvement and development of Malaysia's trade;
- 4) to organize training programs to improve the international marketing skills of Malaysian exporters;
- 5) to enhance and protect Malaysia's international trade investment abroad; and
- 6) to promote, facilitate, and assist in the services areas related to trade.

#### *Policy formation and trade negotiations*

While MITI is the point agency when it comes to the formation of trade policy, all policy decisions in Malaysia are ultimately made by the Cabinet. The Ministry presents its opinions and suggestions to the cabinet and each ministry may provide feedback and air its objections to any issue or policy. If any ministry has a strong objection to a proposal, the policy cannot be passed. The Ministries of Agriculture and Health both play significant roles, especially with regard to import procedures, while the Ministry of Finance is the final arbiter as regards taxes, including tariffs.

MITI has regular consultations with sectoral ministries and industry. The MITI Minister conducts a formal dialogue with all trade and industry associations in Malaysia annually. Before any policy decision is made, industry is given an opportunity to present its view.

Those involved in international trade negotiations, be they made under the WTO or more narrow regional trade agreements, get their mandate, parameters, and limits via formal consultations with the sectoral ministries or agencies and with industry. Regular updates as regards negotiation developments and plans are provided to Cabinet. The Ministry of Foreign Affairs is always involved in the consultation process.

Aside from handling negotiations, MITI also has the responsibility of monitoring the interactions in liberalized sectors to ensure that all parties are honoring the agreements. As part of this task, the ministry conducts regular consultations with industry and closely observes trade and investment flows.

The ministry has an in-house research department that undertakes feasibility studies in consultation with the sectoral ministries or agencies and with industry. Semi-independent research institutes such as the Malaysian Institute of Economic Research, various universities and the Institute of Strategic and International Studies Malaysia, are also invited to contribute to the preparation of policy initiatives. The results of these studies are presented to Cabinet for consideration before decisions as to which sectors to liberalize are made. Cabinet weighs in with its decision and is ultimately the body that bestows the mandate for negotiation on the ministry.

The negotiating officers of the Ministry are given the autonomy to consult. The necessary resources are made available upon the request of negotiators (Appendix Figure 7).

#### *Policy administration and dispute settlement*

Individuals or firms may lobby or air their concerns by writing letters to the Minister, the Secretary-General of MITI or directly to the officers involved with the issue. They may also approach MITI via industry associations. MITI endeavors to present a very transparent

#### **Appendix Figure 7. Flow of trade negotiation in Malaysia**



and business-friendly environment that allows those concerned to give their opinions on its policies and decisions. Once received, the ministry considers these requests in light of national interests.

When it comes to dispute resolution, subdivisions of the MITI take charge. The Trade Practices Division handles complaints against foreign imports. Representatives from the Customs Department and the Attorney-General's Chambers assist in the investigation of the cases. Meanwhile, the Trade Services Division collaborates with the Industries Division when it comes to complaints against the country's exports. These two work in conjunction to find resolutions to such problems. If it is proven that an exporter has violated an agreement, the exporter will be blacklisted by MITI.

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# Managing Trade in Services: A Network Approach to Services Policymaking

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## Introduction

Since the failure of the attempt to launch a new round of multilateral trade negotiations at the ministerial meeting of the WTO in Seattle in 1999, trade policymaking has become more politicized. The collapse of 2003 ministerial meeting in Cancun and the massive demonstrations that seem to accompany every WTO gathering highlight the differing and conflicting interests that impinge on the trade agenda. Recent developments have witnessed the multiplication of issues and actors involved in trade policy.

Indeed, the post-Seattle policy environment is becoming increasingly complex. Issues are now rarely single-dimensional problems and there is a need to appreciate trade policy in terms of its political and institutional characteristics aside from its economic aspect. As the trade agenda moves beyond border issues, trade negotiations are also becoming more controversial and difficult, as it now encroaches on domestic concerns. Moving past tariff matters, trade is now intruding on the domestic policy space. Negotiations now center on a range of domestic regulatory policies raising potentially more sensitive concerns. Calls for “fair” trade are also greater than ever, threatening to derail liberalization efforts to improve market access through freer trade. There is more awareness about the need for balanced outcomes, particularly favoring

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the needs of developing countries. As the country's trade commitments increase in number, questions about the distribution of cost and benefits, the availability of adjustment measures, and participation in the decision making process are also bound to rise.

Trade issues are no longer the exclusive domain of technocratic elite, trade bureaucrats, exporters, and specialists in international economics. Nonstate actors are likewise playing a larger role in decisionmaking even in areas previously thought to be exclusive domains of the government. A variety of other actors, including civil society organizations, labor unions, and environmental groups, are demanding greater participation in the formulation of trade policy. Moreover, trade policy is no longer the sole jurisdiction of trade ministries or departments. An expanding WTO agenda now requires the involvement of other government offices and regulatory authorities from environment, transport, to labor agencies. These government agencies will have to move beyond their predominantly domestic orientation and take part in the formulation of positions in trade negotiations as well as anticipate the domestic consequences of the country's commitments and obligations made at the international level. As trade policy forms part of a country's overall development strategy, it becomes part of domestic policy debates about how best to foster economic growth. There is now a greater degree of popular engagement and interest in trade policy discussions.

As Brian Hocking (1999) observed, political contestation has intensified in the contemporary trade environment. International issues are more intertwined with domestic politics compelling trade policy makers to contend with a variety of local constituencies. This underscores the multistakeholder character of trade policymaking. In this regard, the need to conduct public consultations and improve participation in the policy process has a greater imperative. Notions of legitimacy, transparency, and engagement in the process of decisionmaking will have more salience in this environment. Decision makers will need to respond to pressures from domestic constituencies and account for the trade commitments entered into by the government. This environment also stresses the need for improved coordination

between different government offices for them to develop negotiating positions. Institutional and consultative mechanisms will need to be strengthened to manage and minimize the probability of conflicts.

To understand this multistakeholder environment, this study uses the network approach to trade policy. This approach takes note of the interdependencies and interactions among the different actors involved in the policy process. Network governance focuses on the management of policy issues in which no single participant or actor is dominant. Formulation of trade policy is a function of the interactions between the government and the private sector and civil society. It also depends on the level and quality of intergovernmental relations and effective policy coordination. Network management offers a method of formulating trade policy relevant to the evolving agenda in the WTO as well as parallel trade discussions at the regional and bilateral levels.

Specifically, this study seeks to utilize this approach in the management of the policy process pertaining to services trade and negotiations under the GATS under the WTO. Composed of several distinct subsectors and traded under different modes of supply, services policy, as this paper conceives, is a product of a network of interdependent actors. The diversity of policy actors or stakeholders, however, creates problems of coordination and interest aggregation. The network approach focuses on how concerted action is made possible in issue areas that are governed by different stakeholders. The network management approach entails the coordination of strategies and resources among different actors. This study focuses on the relation patterns between actors, their interdependencies, and how these patterns influence the policy process.

How can one direct and manage policy decisionmaking involving different services sectors across different modes of supply? How does one manage services networks that will facilitate trade policy formulation? How can one operate collective action among different regulatory authorities, between government and private service providers, and between different private actors? In what way can network governance mechanisms help define policy that promotes the development of the services sector?

This paper examines these questions and assesses the relevance of network governance on services trade policy. The primary objective of this study is to determine how policy formulation concerning services trade can be improved. The first section of this paper reviews the concept of networks and strategies in network management. The following section focuses on the unique character of services and trade in services, surveying the emerging agenda in the multilateral and regional trade arena. The third section briefly describes the current institutional and policy framework on services trade in the Philippines. The next section examines the application of the network approach to policymaking in services trade. This paper concludes with a summary of the issues in network governance vis-à-vis the services sector.

### Understanding network governance

Brian Hocking (2004) argues that today's trade environment is better understood using the multistakeholder model as opposed to the club and adaptive club models (see Table 1). The former involves civil society associations, the business sector, and government agencies in the formulation of trade policy. The multistakeholder model highlights the need for greater participation of and consultations with the different policy actors, particularly in the context of growing apprehension and even opposition to trade liberalization and market openness.

The challenge here is how to aggregate the competing interests of various agents and build policy consensus. Consensus building is particularly difficult in the face of nongovernmental groups opposed to free trade. These actors may exercise veto power over trade policy positions taken by government. Hocking, however, is unclear how consensus should be built and enhanced. He admits that expediency and efficiency in trade policy making may have to give way to greater transparency and inclusiveness.

The network approach to policymaking may provide some guidance to problems ensuing from multistakeholder environments. This approach also addresses the problems relating to intergovernment coordination that arise from the club model and relations between government and the business sector in the adaptive model. Problems

**Table 1. Hocking's model of trade policy environments**

Model	Participants	Aim	Characteristics
<b>Club Model</b> – internal bureaucratic consultations	Foreign/Trade ministries and other line ministries	Policy coordination in the face of increasingly complex trade agenda	Closed bureaucratic system; marked by turf conflicts; has a tendency to assume free trade goals
<b>Adaptive Club Model</b> – business-focused consultation	Similar to Club model, plus business representation	To add private sector resources, particularly knowledge, in trade policy processes	Advice-focused; controlled openness operating within established rules, debates on relative gains from specific trade policies but not designed to question free trade goals
<b>Multistakeholder Model</b> - mixed mode consultations	Variable, but key feature is addition of civil society representatives to process	To enhance consensus in favor of free trade in the face of growing public opposition	Consensus-focused; linked to broader patterns of public diplomacy; designed to address questions on and legitimacy of goals of free trade; may produce a 'crisis of expectations' among governmental and nongovernmental participants, which could lead to withdrawal from consultative processes by some participants.

Source: Hocking (2004), derived from Weston (2005)

of coordination occur when members perform the same task, resulting in redundancy, or when no one performs a necessary task, which is equivalent to lacunae, and when policies concerning the same clients have different goals and requirements or incoherence (Peters 1998).

The inclusion of more policy actors in the trade agenda as described by Hocking is similar to the notion of networks. A network refers to a stable pattern of social relations between interdependent actors which take shape around a given policy issue or problem (Kickert et al. 1997). When government interacts with interest groups and civil society organizations, they collectively represent a network. Networks include private autonomous and self-governing associations with their own core set of principles and rules. These private networks serve as alternative sources of authority particularly in sectors that are less subject to government regulation. Networks also refer to the different regulatory bodies brought together to address a common policy issue. These include intergovernmental arrangements at different levels of operation.

Network pertains to environments that are more horizontally organized and relatively fragmented systems composed of self-regulating networks as opposed to hierarchically organized, unitary systems of government (Rhodes 1997; Kooiman 1993).

Rhodes (1997) classifies networks according to their interests, membership, interdependence, and resources. He differentiates policy communities, professional networks, intergovernmental arrangements, producer networks, and issue networks. Policy communities, professional networks, and intergovernmental networks tend to have highly restricted membership and are vertically interdependent. Producer and issue networks have less stable memberships and limited vertical interdependence. Networks are treated as political structures, which both constrain and facilitate policy actors and policy outcomes (Rhodes 1997). They are essentially structures of interest representation and articulation.

Services associations can take the form of tightly integrated networks with dense interactions between actors (see next section). Networks are formed among the members of the different industry

and professional associations that comprise this sector. The interagency groupings established to formulate positions in the multilateral, plurilateral, and bilateral services trade negotiations can also be regarded as networks. The stability, membership, and integration of these networks depend on the particular nature of the association or the issue problem that brought these individual entities together.

One key characteristic of networks is its structure of dependencies. Actors in a given network are dependent on each other, i.e. they cannot attain their goals by themselves or apart from the resources of others (Kickert et al. 1997). No actor has a monopoly over policy decisions, because he does not have enough resources or power to solely determine outcomes. Policy therefore is a result of negotiated interactions between different actors. In this sense, networks are a “complex of organizations connected to each other by resource dependencies and distinguished from each other by breaks in the structure of resource dependencies” (Benson 1982). The network approach centers on the idea that governance or policy outcome is a system of interdependencies between different government agencies or between the state and nonstate actors, who depend on one another to achieve their goals. This approach derives from premises advanced by interorganizational theory and the interactive perspective on public policy (Klijn and Koppenjan 2000).

Agents acting within networks mutually depend on each other, with no one actor having a monopoly over information or expertise. Under this conceptualization, no single actor, including the government, has all the knowledge, tools, or power to either dominate or to make policy work. Networks are structured in a manner that no single actor can fundamentally alter the overall direction of collective action. The state or government relies on the cooperation of other policy agents as it does not have sufficient capacity or resources to fulfill certain policy objectives on its own. This is not to deny the primary position and influence of the state relative to non-state actors, but only to stress that the policy environment has come to require the participation and legitimization of others. Moreover, the policy often results from the work of intrabureaucratic activity rather than direction of a single authority.



There are three different kinds of dependencies: (1) pooled interdependency, in which each agent makes its own contribution to the network; (2) sequential interdependency, where units are dependent for their inputs on outputs from other actors; and (3) mutual dependence, where a relationship exists between units, i.e. when each party's outputs constitute inputs for the other (Kickert et al. 1997). Coordination for the first mode is through standardization, 'by plan' for sequential interdependency, and by mutual adjustment for the third. These three modes suggest how members of a network should organize themselves subject to the kind of dependencies that exist.

While such interdependencies exist, it is assumed that each actor within a given network will still seek to direct the others toward its own preferences or interests. These various agents have their own strategies and policy objectives that are shaped by their particular interests and worldviews. Policy outcomes are made complicated by the complex interactions between these various policy agents. The consequences of multiple actors are: (1) information asymmetries, (2) multiple goals and strategies, and (3) distribution of resources. Crucial information about goals, means, and actors may be lacking. Commonality of purpose is not assumed. Rather members of a network continue to pursue their own self-interests in a rational fashion. The costs of coordination increase and negotiating problems arise when many actors are involved in a given policy issue.

Network dynamics will center on bargaining, exchanges and tradeoffs. Policy may fail because there is a lack of incentive to cooperate among members of a network, or there are obstacles to collective action (Olson 1982; Arrow 1951). The problem of joint action arises when individual rationality conflicts with collective rationality (Peters 1998). At the very least, policy outcomes may result from the lowest common denominator holding back crucial reform. Policymaking within networks is about cooperation or noncooperation between interdependent parties with different and often conflicting rationalities, interests, and strategies (Kickert et al. 1997).

Network governance challenges the traditional mode of public administration. From hierarchically organized, to monoauthority and

unitary systems of government, governance is taking the form of more horizontally organized and relatively fragmented systems composed of self-regulating networks (see Table 2). The relatively more fragmented and decentralized nature of a network reduces the bureaucracy's ability to control the formulation and implementation of policy. A network approach to policy formulation and management is more open and transparent, allowing greater participation in the decisionmaking process.

However, horizontal forms of governance also allow greater pooling and exchange of resources, facilitate consensus building, and manage conflicts more effectively. This structure compels government to coordinate or share power with these networks, who are seen as generally resistant to central direction. Efficiency and policy expediency may also be traded off with emphasis on consultations and participation. Government cannot command but must rely on tools and techniques to steer, guide, or mediate (Rhodes 2000). Transaction costs may also increase as the concept of networks means more bargaining rather than directing. In this regard, negotiation and mediation become more important.

**Table 2. Traditional vs. network approach to public management**

	<b>Traditional Approach</b>	<b>Network Approach</b>
Organizational setting	Single authority structure	Divided authority structure
Goal structure	Activities are guided by clear goals and well-defined problems	Various and changing definitions of problems and goals
Role of manager	Systems controller	Mediator, process manager, network builder
Management tasks	Planning and guiding Organizational processes	Guiding interactions and providing Opportunities
Management activities		Selecting actors and resources, influencing network conditions, and handling strategic complexity

Source: Kickert, Klijn and Koppenjan (1997)

Therefore, the key question is how to manage these networks or multistakeholder environments. Network management is “aimed at the coordinating strategies of actors with different goals and preferences with regard to a certain problem or policy measure within an existing network of interorganizational relations.” (Kickert et al. 1997). There is no central authority structure; rather successful outcomes depend on the prospect of collective action. The focus is on process management and institution-building.

Rosenau (1992) defines network governance as the exercise of governing functions that does not rely on direct coercive power, to assure compliance. Rhodes refers network governance to “self-organizing, interorganizational networks characterized by interdependence, resource exchange, rules of the game, and significant autonomy from the state” (Rhodes 1997). Kooiman sees governance as “directed at the creation of patterns of interaction in which political and traditional hierarchical governing and social self-organization are complementary, in which responsibility and accountability for intervention is spread over public and private actors” (Kooiman 1993). Network governance refers to the exercise of governing functions in multilevel and multistakeholder environments. This theory highlights the problem of policy coordination among different government agencies compelled to work together. Network governance highlights the different institutional or administrative responses in a multipolicy environment. “The task of government is to enable sociopolitical interactions” and to manage relationships of trust and cooperation within a network (Rhodes 1997; Fukuyama 1995).

In this regard, public policy is a result of negotiated agreements among network actors operating at different policy levels. Governance here is about managing networks where policy outcomes are not solely the product of the actions of the one actor such as the state but also of negotiations between interdependent actors who tend to invoke, validate, and bring into conflict their substantive, procedural, and normative rationalities (Rhodes 1997). In this case, policy outcomes are not exclusively determined by government (using a top-down approach) but through the interaction among a network’s participants (more of a bottom-up approach).

This approach highlights the role of a network manager. Under this new form of governance, public administrators become network managers, where the usual “command and control” hierarchical manner of policymaking is replaced with a network of managed third parties (Salamon 2002). Bureaucrats become mediators, process managers, or network builders.

The network manager focuses less on directing and more on mediating, motivating, and coordinating. He attempts to bridge obstacles to cooperation or address problems of coordination by acting as a go-between between opposing parties. To achieve policy objectives, he relies greatly on negotiation and conciliation to persuade network members to cooperate with each other. This framework stresses the importance of the network manager to achieve successful policy outcomes.

### *Strategies of network management*

How does one go about managing networks? Table 3 enumerates three possible approaches to network management. First, the instrumental approach is a top-down approach to network steering (Rhodes 2000). The central government takes the role of a “steering” actor who directs other members of the network toward a specific policy objective (Osborne and Gaebler 1992). The government seeks to influence the perceptions and values of network members to get them to move in one policy direction. The instruments used here are incentives and communication programs to persuade reluctant participants. Bargaining and selective activation or presentation of information are likewise utilized to generate support for a particular goal.

Second, the interaction approach focuses on the dependence of network actors, developing goals, and strategies by mutual learning (Rhodes 2000). Collective action depends less on steering and more on creating the conditions for cooperation. Importance is given more to process rather than goal achievement. Here, building and keeping trust among network members is more crucial. Policy outcomes hinge greatly on ensuring network members’ commitment to joint action. This may be accomplished through management by negotiation or diplomacy.

**Table 3. Approaches to network management**

	<b>Instrumental Approach</b>	<b>Interactive Approach</b>	<b>Institutional Approach</b>
Focus	Improving steering Conditions	Cooperation	Network arrangements and their impacts
Level of analysis	'Focal organization'	Interaction	Network
View of policy networks	Closed and pluriform object of steering	Horizontal interaction situation	Product and context of interaction and governance
Characterization of network management	Strategic use of steering strategies and treatment of dependency relation	Furtherance of cooperation and prevention and removal of blockages	Incremental adaptation of incentive structure and rules of structure and culture of policy networks
Criteria for evaluation and prescription	Effectiveness, problem solving	Satisfying policy, consensus, and openness	Openness, robustness, facilitating interaction
Strong points	Applicability, consistent with steering ambitions of government	Realization of cooperation in pluralistic situations	Interest in role of institutions and institutionalization, cautions against easy structural solutions
Weak points	Limits to steering in connection with goal-orientedness, dangers of instrumentalism	Too little attention to institutional aspects, danger of particularism	Limited manipulability of variables

Source: Kickert, Klijn, and Koppenjan (1997)

Policy failures are usually attributed to the lack of incentives to cooperate among actors and the existence of blockades to collective action.

The third approach, the institutional approach, emphasizes the role of formal institutions that will shape the strategies and interactions of network actors (Kickert et al. 1997). This involves the creation of rules and organizational frameworks to effectively manage collective action. This may include the development of a common language and the facilitation of learning processes across boundaries. The criteria for good network management here include the degree of clarity and openness in the structure of the network.

The first two approaches focus on process management while the institutional approach centers on the constitution of the network (Klijn and Koppenjan 2000). Process management strategies include actor selection and activation, convergence of perceptions, conflict management, and the creation of temporary arrangements to coordinate interactions. Network constitution strategies may involve altering the composition of actors, changing the rules governing the process, and reframing. Ultimately, the success or failure of a particular policy depends on "process variables and the factors connected to the structure of the network (Klijn and Koppenjan 2000) (see Table 4).

Each approach has its own advantages and disadvantages. The chief benefit of the instrumental approach to network management is greater central control of the direction of policy. However, the steering approach might encounter resistance from network members or may lack popular legitimacy when actors feel manipulated by the central government. Central direction may also not adequately respond to local problems or might produce unintended consequences (Rhodes 2000).

The interactive approach assures greater political legitimacy as it is premised on the active engagement of all members of a network. However, getting everyone involved and building consensus is viewed as too time-consuming and producing vague objectives that only seek to satisfy the least common denominator. Decisionmaking here is satisfying rather than maximizing (Rhodes 2000). It is also more difficult to achieve collective action when there are many actors in a network. The institutionalization of the network guarantees policy

**Table 4. Indicators of policy success or failure through network management**

Level	Variables
At interaction level	Degree to which actors are aware of their mutual dependencies Degree to which actors succeed in redefining diverging and conflicting interests into a common interest Degree to which interaction costs are balanced favorably or unfavorably with perceived outcomes of the interaction Degree to which risks of the interaction within the game as a consequence of strategies of other actors are limited Degree to which game management is foreseen (mutual perception development; arrangements; game and conflict management)
At network level	Degree to which actors possess veto power because their resources are indispensable Degree to which actors who possess veto power are actually involved in the process Degree to which actors in a game belong to the same network, so that they also interact with each other elsewhere and have developed mutual rules Degree to which defined problems and solutions, and the way these are handled, fit within the rules developed in the network

Source: Klijn and Koppenjan (2000)

sustainability. However, prevailing norms and values of networks are generally resistant to change primarily because of the closed nature of networks. This approach has to contend with the disparate organizational cultures that can exist within a network.

What are the main criteria of evaluation under this approach? According to Park (1996) measures of network performance depend on both objective (termination, duration, financial gains, etc.) and subjective (goal attainment, satisfaction, intensity of ties, etc.) factors. On the other hand, Klijn and Koppenjan (2000) argue that assessment of policy process outcomes is essentially based on the subjective judgments of the individual actors, that is, the extent to

which fragmented interests and differing perceptions and strategies are brought together in a way that satisfies all parties.

While the judgment of what constitutes an improvement may differ for each actor, a mutual level of satisfaction over how outcomes are achieved may be reached. In other words, how the process is used to achieve mutually agreeable outcomes among the network members is more significant here. As Klijn and Koppenjan contend, the “ex post judgment of actors about the process and the outcome, in combination with process criteria and concern for external effects, are used ... to determine the success or failure of (a) policy process.”

The network approach stresses the importance of knowledge management and information sharing. To address the problem of information asymmetry, network management facilitates greater exchange and sharing of information between the different members of the group. Each seeks to address their information deficiencies by making use of the knowledge and experience of other members. Such sharing makes possible the shifts or reframing of perceptions among the different actors. In this sense, networks are learning organizations (Witte et al. 2002). Policy outcomes result from the multisectoral sourcing of information and the building of consensual knowledge.

### *Experiences in network governance*

Since the late 1990s, network governance has gained some following among policy analysts and public administrators. Much of the literature on this approach is of European origin. With the formation of the EU, various forms of regulatory governance have been examined, including those that relate to network governance. Grace Skogstad (2003) examined EU-level institutional responses to issues of legitimacy and their impact on policy effectiveness. She observed that network governance has provided an integrative function that secured policy legitimation and effective policymaking. In her assessment of community decisionmaking concerning genetically modified organism (GMO) policy, regular, nonhierarchical interaction among state and societal actors helps bring about greater legitimacy over policy decisions. Horizontal

coordination across the public sector granted non-state actors greater access to the policy process. The participation of all stakeholders in the process made for better understanding of each actor's problems and expectations.

Skogstad concluded that network governance produced a GMO policy that respected expert opinion (who found no scientific correlation between health risks and GMO products) while including specific regulatory features (such as mandatory labeling, use of precautionary approach) that satisfied citizen preferences. EU policy on GMOs met the democratic criteria of transparency and political accountability by utilizing a more horizontal, inclusive approach to decisionmaking. Network governance, according to Skogstad's study, depends on resources, skills, and internal coherence of public officials in the European Commission and the political aggregate function of the European Parliament and Council.

Some local examples of network governance can be found in Denmark (Damgaard 2005). Danish employment policy stresses the involvement of social partners and the private sector. Insurance and employment welfare policy is formulated by municipal governments working closely with employers, labor groups, and other nonstate actors. By law, Danish municipalities are required to set up local coordination committees on labor market measures to act as an advisory body to the municipal council. These committees are made up of local representatives from social partners and industry to find solutions to the locality's labor market problems. Damgaard observes that these committees are good examples of network governance for helping address the participants' understandings and perceptions of domestic labor issues. He notes that resource interdependence is a factor in driving co-governing forward and that all network members have participated in the agenda setting and the formulation of objectives and strategies of local employment policy (Damgaard 2005).

Lawrence Tshuma (2000) examined network forms of regulation in international finance. He looked into issues of economic policy coordination and regulation that would include not only the public

sector but also business, labor, and nongovernmental organizations (NGOs). He observed that networks govern the different sectors of the financial system, including banking, international securities, and exchange markets. He noted that such networks permit consultation and build consensus around regulatory and supervisory norms governing the financial system (Tshuma 2000). He expressed concerns, however, that issues of democratic accountability, technical competency, and the "ad hoc-ish" nature of network structures might give rise to legitimacy questions over process and outcomes. Further, Tshuma noted, the flexible character of networks could pose coordination problems.

More recently, the theory has also gained some following in North America. Ann Weston (2005) utilized the approach in her study of public participation in trade policy formulation and implementation in Canada. She noted that the Canadian government had encouraged greater public participation in trade policy decisionmaking with the aim of improving transparency and public engagement at the WTO and negotiations on free trade agreements. Weston, however, observed that a coordinated approach to trade was difficult given the different interests of the policy actors.

Weston examined the various mechanisms set up by the federal government – within the federal government, between different levels of government, with parliament and outside government with a large number of interest groups, from business to farmers' associations to labor and women's groups – to consult widely on trade issues. For instance, the Department of Foreign Affairs and International Trade created the Trade Policy Consultations and Liaison Division in 1998. This body conducted regular multistakeholder meetings and maintained expert advisory boards composed of representatives from the business sector, academe, labor, consumers, and other groups. Canada's lead trade negotiators also provided briefings and sought feedback before, during, and after trade negotiations. The periodic meetings, Weston observed, helped build understanding about trade issues and their impact on Canada's domestic economy. The office also regularly disseminated information on trade issues and maintained a website to solicit feedback from the public.

These are just a few examples of the rich literature on networks and network governance. This approach depicts a policy environment that is increasingly shaped by the nature of exchange and cooperation between many policy agents within and outside of the state. It also focuses on policy outcomes that depend more on nonhierarchical process of exchange and horizontal decisionmaking.

### Networks in the Philippines

The emergence of network structures is also increasingly becoming the norm in Philippine policymaking. Many policy issues involve different government agencies coming together in an ad hoc or even more formal arrangements (Bautista 1996). Effective coordination between line agencies is a major policy issue in Philippine public administration. During the Ramos administration, the Cabinet cluster approach was commonly utilized as an avenue for intergovernmental collaboration. Occasionally, the government organizes task forces that include representatives from various agencies and bureaus that work jointly on a particular policy issue (Brady 1993). Moreover, policy issues are often subjected to public consultations before these are legislated or enacted into law.

In fact, the 1987 Constitution mandates the government to conduct consultations and engage the private sector and interest groups in crafting public policy. The robustness of civil society in the Philippines consistently manifests itself in policy formulation and implementation. Sometimes private and civil society representatives are appointed in public-private commissions or advisory bodies that oversee a specific policy area. For instance, formulating the MTPDP goes through extensive consultations with non-governmental stakeholders and is a product of inputs from various departments of the government. Other plans such as the Philippine Export Development Plan (PEDP) and the Investment Priorities Plan go through a similar process.

In 1994, the Ramos government set up the WAAC under the Office of the President to serve as a venue for consultations on

trade policy.<sup>2</sup> Half of the 24-member commission was composed of representatives from the academe, industry associations, consumer groups, labor federations, exporters, farmers, and other business associations. The Commission was broadly tasked with “the identification and recommendation of the appropriate strategies and measures for advancing, promoting, and/or defending the interests of the Philippines in the new rules-based international and regional trading arrangements.” As the name suggests, the WAAC was only advisory in nature and was not directly involved in the decisionmaking process on trade policy issues. Yet, it was specifically mandated to provide a forum for multisectoral, multistakeholder discussions, and build consensus among these various sectors on trade matters.<sup>3</sup>

Another relevant body is the EDC set up by RA 7844 with members from exporters and the business sector. In general, the EDC was established to strengthen and institutionalize the national export drive by formulating and supporting a policy framework that will help in the implementation of the PEDP. The principal rationale of the EDC is to periodically review and assess the export performance of the country. It can recommend to Congress legislation that would contribute to the promotion of Philippine exports, including the rationalization of tariff structures. Though primarily concerned with the export sector, the EDC can also influence tariff policy, particularly those relating to the importation of production inputs.

One case that illustrates how network management may become relevant in trade policymaking in particular is the experience of the DA's Task Force on WTO Agreement on Agriculture Renegotiations (TF-WAR). The task force is a good case study of multistakeholder governance (see Box 1).

In sum, networks are very evident in the Philippine policy environment. Still, it is unclear how these structures are being governed. Bautista (1996) highlighted a range of problems related to effective coordination, including representation, communication,

<sup>2</sup> By virtue of EO 193 issued in 1994, amending EO 38 issued in November 1992.

<sup>3</sup> The WAAC was consequently abolished in November 2002 by virtue of an executive order and its functions absorbed by the DTI after Malacañang Palace decided to reorganize the offices attached to the Office of the President.

**Box 1. Case study on the task force on WTO agriculture agreement*****Mission and structure***

On 28 September 1998, the then Secretary of DA, through Special Order No. 538, duly constituted the Task Force on WTO Agreement on Agriculture (Re)negotiations, a multisectoral task force composed of 28 representatives from farmer groups, industry associations, business federations, non-government organizations, people's organizations, and other relevant government institutions and agencies.

The main responsibility of the TF-WAR was to consider, develop, evaluate, and recommend Philippine negotiating positions and strategies for the new round of negotiations. Other functions of the TF-WAR included evaluating existing policies and programs in the agriculture sector and providing policy and program recommendations to address gaps that erode the benefits of WTO membership; reviewing GATT adjustment and competitive enhancement measures (safety nets) drawn prior to the Philippines accession in 1995; and identifying projects and sources of funds to enhance the competitiveness of Philippine agriculture.

The TF-WAR reported to the DA Secretary, and is chaired by the DA Assistant Secretary for Policy and Planning. The Task Force functioned as a formal group much like a standard interagency and multisectoral committee in the department, following the provisions of the Special Order. An ad hoc technical working group was later formed to support the work of the Task Force. The members included the chairperson of the task force, five representatives from the private sector, and staff from the DA Policy and Planning Office acting as technical secretariat.

In late 2001, the structure and organization of the TF-WAR underwent changes following reorganization and movement of personnel in the DA who were involved in the TF-WAR. A new Special Order was issued to reconstitute the TF-WAR, streamlining the group to involve only those government agencies which had key participation in trade policymaking. The secondary functions of the TF-WAR were removed, and its work soon focused on the sole responsibility of formulating national negotiating position in agriculture. A significant new feature was the formation of a core group in early 2002 to improve technical and policy work to support the TF-WAR, and to enable a quick response to developments in the negotiations.

***Lessons***

The Task Force helped institutionalize the participation of stakeholders in trade negotiations by ensuring the continued active involvement of these interested parties. This led to the strengthening of the legitimacy of the trade positions adopted by the Department. Sectors involved in the formulation were committed to the position adopted and lending support to the government in explaining and advocating it to the public. Maintaining consistency of and commitment to a position was built in to the process. Any change or adjustment in the TF-WAR adopted position that the government intended to advance in the WTO must be referred back to the stakeholders and subjected to the entire process of approval.

Membership also contributed to stakeholders' understanding of the international trading system. The TF-WAR increased awareness of developments in the international trading system, which helped industries to identify specific gains from trade negotiations. The multisectoral membership helped in the dissemination of information to a wider constituency.

The TF-WAR core group also played a crucial role in ensuring responsiveness and timeliness of feedback. The core group helped the DA to respond quickly to developments in the negotiations as new issues were immediately brought to its attention for evaluation and study. In addition, since the convenor of the core group was also the chair of the TF-WAR as well as the negotiator, there was a seamlessness in the flow of the work being undertaken in terms of depth of familiarity with the subject, and an established presence in the WTO headquarters in Geneva and other negotiating circles, thus facilitating immediate core group response and feedback to Geneva.

Overall, the quality of trade policymaking improved. The rigid exercise of providing input, obtaining consensus, clearance, and feedback that all negotiating position was subject to at all levels in the process of negotiation helped ensure the quality of policy formulation.

Excerpted from Baracol (2006)

resource deficiencies, accountability, and other structural issues. She also observed that many of these coordinating bodies created by government tended toward centralization and hierarchical direction. Several of these commissions and councils, Bautista noted, are attached to the Office of the President or are under a lead department or office. In his study of government-NGO relations in environmental management, Eleazar (1996) noted dependency problems between the government represented by the DENR and the third sector. Resource interdependencies, the process of exchanges, administrative autonomy, and accountability issues impinged on the notion of participatory development or collaborative partnership between network actors. It is therefore important to assess and understand how these networks are managed and determine what kind of approaches or strategies are more effective.

### **Distinguishing services trade**

This section provides a general overview of the nature of the services sector and the emerging trade policy agenda, which is key to understanding the relevance of network governance in services trade policy. Services generally refer to intangible, invisible, and perishable products that are simultaneously supplied and consumed. In contrast, goods are tangible, visible, and storable, and do not require direct interaction between producers and consumers (World Bank 1994).

Services are also important elements of value-chain of almost all production of goods and services. They are usually bundled with other services in the final production of a good or service. The value-added of many merchandise exports, for instance, would require inputs from accounting, logistics, transport, banking, and a whole range of other services. In particular, producer services, such as telecommunications, finance, education, and transport assume a greater strategic role and constitute the backbone of many businesses. Deregulating producer services and allowing greater competition can actually be beneficial to the national economy as its efficient provision is viewed as providing critical elements for enhancing national competitiveness.

Services also greatly vary in terms of the number of subsectors and under different modes of supply. Firstly, the sheer diversity of the composition of the sector complicates the formulation of a single management approach to the sector. Services include sectors ranging from tourism, banking, and transport to professional services. The industrial composition and production processes of each service sector are fundamentally distinct from each other. It is characterized by technical complexity, product differentiation, and client-orientedness. Its supply requires certain specificity to meet the particularistic demands of consumers which may make comparability between similar services difficult. Secondly, services are more susceptible to technological changes or developments, contributing to more product differentiation. Service policy is thus constantly adjusted to consider these developments and tend to be individualistic in nature.

Thirdly, services are distinguished by their different modes of supply. Unlike goods, which by and large take place through cross-border exchanges, services are traded through four modes: (1) cross-border trade, (2) consumption abroad, (3) commercial presence, and (4) movement of natural persons (see Table 5). The WTO defines cross-border trade as service transactions where neither the producer nor the consumer physically moves, interacting instead through postal or telecommunications network. An example of cross-border trade is business processing outsourcing and back office operations performed in overseas locations. Consumption abroad is where consumers temporarily move to the country where the supplier is situated. Tourism is a perfect example of mode 2 services. Commercial presence involves a foreign company setting up subsidiaries or branches to provide services in another country. This usually refers to foreign direct investments of services.

Finally, the movement of natural persons comprises service exchanges where individual service providers temporarily move to the consumer's country of residence. The intracorporate transferees or movement of skilled workers on temporary work permits overseas comes under this mode. The four modes of supply entail different regulatory approaches and further magnify the specificity of services.



**Table 5. Modes of supply**

	Mode 1	Mode 2	Mode 3	Mode 4
	Cross-border trade	Consumption abroad	Commercial presence	Movement of natural persons
Relevant sector	Business processing outsourcing Animation Medical transcription and telemedicine	Tourism Health tourism	Foreign investment Foreign bank operations Retirement villages and hospitals	Temporary work contract Export of nurses and other health care professionals
Type of restriction	I Quotas  I Local content rules  I Access to distribution networks	I Entry and exit restrictions  I Residency permits  I Taxes	I Foreign equity limits  I Quota restrictions  I Restrictions on location  I Performance requirements	I Licensing requirements  I Recognition of educational standards and certificates  I Nationality requirements

Source: WTO; UNCTAD, 1994

Relatively, services tend to be less traded compared to goods. Most service providers are either predominantly or exclusively oriented toward the domestic market. For instance, telecommunications, retail, and educational services are typically centered on the domestic market. Moreover, service providers of developing countries, such as the Philippines, often do not have the capacity or the inclination to seek foreign market access. Consequently, the interests of import-competing sectors tend to outweigh export-oriented service providers. Domestic service providers are usually opposed to any liberalization or deregulation that would invite more competition. The concerns and interests of these domestic industries largely drive trade negotiations.

Indeed, services already tend to be highly regulated. A whole range of domestic rules and regulations that come under the jurisdiction of many government agencies and independent regulatory authorities characterize the institutional regime of the services sector. Many of these regulations are introduced to ensure certain public goods, achieve some social objective, or minimize potential negative externalities. Some of these instruments are also used to prevent the entry of foreign providers and limit competition.

Government usually protects domestic industries because many of these service sectors are either state-owned or run by monopolistic private operators. They are in large part uncompetitive and do not have comparative advantage in that sector. The biggest barriers limiting access to local service markets include discriminatory treatment of foreign investments, more rigorous regulations on foreign establishment, limitations on foreign personnel, and restricted terms in conducting business and outright prohibitions. The domestic regulatory environment can create barriers to international competition and lead to inefficient outcomes.

The Philippines maintains several discriminatory measures against foreign service providers. There are foreign equity restrictions for certain service industries, particularly public utilities, telecommunications, and transport. There are also national treatment restrictions, such as those sectors expressly reserved for Filipinos (such as media and education services) and, quota limitations or outright bans (such as in banking and professional services, respectively). Several reforms were initiated by the Ramos administration, which were directed at liberalizing and/or deregulating historically sheltered industries and long-standing monopolies. Emphasis was given to the liberalization of producer services, including financial services, telecommunications, air and maritime transport, and distribution services. However, the Philippines continues to maintain several discriminatory measures against foreign service providers.

These regulations accentuate the essentially closed character of most services. Closedness refers to groupings that have exclusive and restrictive membership that strictly observe their own system of values

and norms. Barriers to entry tend to be high because of the specialist knowledge or compliance to certain standards required for membership. The guild nature of many professional services, for example, ensures that they are closed to outsiders and enables them to maintain their autonomy and restrict market access to their sector. Associations for legal services, medical, and health professionals, accountancy, and engineering are largely independent and self-governing private actors that have their own language and rules. These groups operate more by exclusion rather than inclusion.

Domestic regulations and licensing requirements by government only furthers to limit entry. "The structure of protection is the result of the interaction between the demand expressed by various pressure groups and the supply (regulation) offered by governments. Attempts to alter this equilibrium will result in opposition by those interest groups that are likely to lose from liberalization (Kostecki 1999)." Closed networks that seek to maintain the status quo often demand protection and restrictive regulations. The issue of market access and national treatment is a especially sensitive policy issue given legal and political considerations that exclude domestic industry from foreign competition and grant them monopoly control over the local market. However, these policy restrictions may lead to economic inefficiencies in the local industry and throughout the national economy. For instance, an inefficient telecommunications service will lead to higher costs for consumers and domestic firms.

The composition of the services industry and the structure of regulation highlight the difficulty in managing this sector. Domestic deregulation is often seen as a necessary complement to services trade liberalization. However, deregulation is made difficult because of the relatively fragmented structure of the services industry. Devising policy for services must take into account the diverse rules and patterns of relationships that characterize each subsector. Various services subsectors will have different preferences with respect to their goals and strategies. Given the involvement of different government authorities and private stakeholders, addressing the problem of coordination is extremely challenging. A central issue in the liberalization of

international service transactions concerns the best way to combine regulatory measures with competition (Stephenson 2000).

Given that services are governed by different sets of rules and regulations, it is understandably difficult for trade policymakers and negotiators to reach progressive liberalization. The reciprocal exchange of concessions or trade-offs that is possible in trade in goods is made much more difficult in services as trading off one sector for another is not as straightforward. In GATS negotiations, the pattern is reciprocity within each subsector rather than the overall balancing of commitments where parties would be willing to offer concessions in one sector in exchange for market access in another (Kostecki 1999). In general, WTO members are also more reluctant to make binding commitments in national treatment compared to most-favored nation (MFN) commitments in services.

The variety of the service providers under different modes of supply highlights the difficulty in coming up with a single, coherent policy approach for the entire industry. The uniqueness of different sectors demands a detailed individualistic approach eschewing a comprehensive approach to services trade. One cannot generalize about impact of services because each sector has different goals and development strategies. Sector-based definition of services in GATS reflects the preference for a sector-by-sector approach. Deals for particular service sectors are negotiated separately. Regulatory authorities may oppose liberalization because they have a vested interest in protecting their turf, complicating the necessary interagency cooperation and coordination. Regulators may also resist market-opening measures as it may be more difficult for them to control industries that are located on foreign shores (Kostecki 1999). As such they may prefer mode 3 commercial establishment rather to mode 1 cross-border supply of services, because it ensures that they are able to effectively regulate the activity.

Thus, in the GATS, commitments tend to be "offered à la carte," reinforcing the preference for the positive rather than the negative list approach to services negotiations (Kostecki 1999). The positive list approach allows WTO members to voluntarily submit

only those sectors that they are prepared to market access and national treatment commitments. It is easier for negotiating parties to leave out sectors which it considers sensitive or needing protection from foreign competition. This is complemented by the request-and-offer approach, where parties negotiate on individual sectors and is the current modality in the GATS as well as in regional arrangements such as the ASEAN Framework Agreement on Services (AFAS). On the other hand, the negative list approach assumes the comprehensive inclusion of all service sectors, unless otherwise specified in the list of reservations. This approach, used for example in the North American Free Trade Agreement, requires that specific reservations, exemptions, or exclusions be explicitly stated, hence making it more transparent. The latter approach is considered to be more conducive to greater liberalization because it calls on the party to defend or provide rationale for each exception rather than allow a more conservative listing under the positive-list approach.

### *Emerging agenda in trade in services*

The conclusion of the Uruguay Round of the multilateral trade negotiations saw the first-time inclusion of services to be subjected to trade disciplines and market opening measures. WTO members made horizontal and sectoral agreements that grant MFN and national treatment to foreign service providers. The GATS treaty that emerged from this round and signed in Marakesh in 1994, however, was generally an unfinished agreement. It laid the basis for future discussions of the so-called built-in agenda of the Marakesh treaties. The ministerial meetings following the establishment of the WTO had an agenda that included continued negotiations in the GATS. Subsequently, services were incorporated into the new round of multilateral trade negotiations under the Doha Development Round (DDA).

One core objective of the DDA is to improve the level of commitments reached under the Uruguay round. WTO members are expected to submit new and improved offers in their schedules of commitments under the request-offer process. This process poses

significant pressure on governments as it must respond to each offer and undertake bilateral negotiations. From the administrative standpoint, this approach is resource-intensive and time-consuming, requiring national negotiators to go through each subsector with every WTO member as well as consult with domestic stakeholders and regulatory authorities. Coming up with its initial and revised offers requires close coordination between the Philippine mission to the WTO in Geneva (which has only one person assigned to GATS) and the national trade authorities located in Manila, who in turn must be able to consult with the various domestic stakeholders.

Because of the slow pace of negotiations and the lack of meaningful submissions, some WTO members suggested a plurilateral approach as a way of speeding up current bilateral request-offer process. This means that a country like the Philippines will now have to respond to collective requests on specific services sector or mode of supply. This may increase pressure on the country to respond, especially when confronted with a large number of demandeurs. It was also suggested that WTO members come up with numerical targets and quantitative indicators as a way to improve commitments. This may mean more demands on the Philippines with respect to coverage of sectors or modes and quality of its offers.

The GATS negotiations are also moving toward the direction of rulemaking. This refers to proposals to introduce greater disciplines on domestic regulations, subsidies, and government procurement. These disciplines are meant to complement market access commitments in GATS. Among the disciplines on domestic regulation are qualification and licensing procedures and requirements, and technical standards. The proposal is to introduce greater transparency, competition rules, and equivalence of regulations and standards, to be applied horizontally across all services sectors under all modes of supply.

One underlying principle is to balance the regulatory rights of national governments while ensuring that such regulations do not constitute disguised protection. This may have a profound effect on the nature of regulatory authority and directly impinges on the sovereign right of national governments. There are also proposals to

include government procurement of services under trade discipline. Negotiations on subsidies are also being undertaken to come up with further disciplines that may be necessary to avoid trade-distortive effects and assess the appropriateness of countervailing measures.

Outside of the WTO, the Philippines also participates in trade negotiations at the regional and bilateral levels. On the regional level, the government has made commitments under the AFAS, which seeks to extend services liberalization on a preferential basis among ASEAN members. AFAS is aimed at substantially eliminating restrictions to trade in services among ASEAN countries to improve the efficiency and competitiveness of the region's services suppliers. This in turn should result in a bolder, far-reaching, and significantly improved agreement on the members' GATS commitments. The ultimate objective is the free flow of services across all modes of supply within ASEAN by 2020. This will include the harmonization of national regulatory regimes to facilitate regional integration.

ASEAN members have initially submitted GATS-plus commitments on air transport, business services, construction, financial services, maritime transport, tourism, and telecommunications. There are proposals to advance the liberalization of health services and E-services. A number of mutual recognition agreements on qualifications of professional services suppliers in such areas as engineering, architecture, accountancy, surveying, and tourism are also being explored. However, some have observed that the AFAS has not achieved significant movement as the ASEAN governments have been largely conservative in their commitments (Stephenson and Nikomborirak 2002). According to Stephenson and Nikomborirak, the lack of substantial progress in AFAS is due to the lack of political will and genuine commitment among members to open their domestic service sectors, weaknesses in the negotiating framework, and institutional limitations. Kartadjoemena (2003) said harmonizing regulatory regimes and improving the negotiating modalities are critical factors in the successful realization of AFAS.

The Philippine government is also negotiating services agreements under the proposed JPEPA and the ASEAN-China Free

Trade Agreement (ACFTA). In the JPEPA, greater market access is being negotiated under mode 3 or investment of service providers, and mode 4 or movement of natural persons between the two countries. After successfully concluding the early harvest program covering a number of merchandise goods, the ACFTA is moving ahead to include a services component in the free trade agreement. All these simultaneous trade negotiations concerning services trade may put further strain on the already limited capacity of the Philippine government to participate in such arrangements.

Philippine commitments under the WTO-GATS, AFAS, and preferential bilateral accords commit the country to the progressive liberalization of the domestic services sector as well as to observe certain disciplines on domestic regulation. The Philippines entered into binding commitments and obligations to improve market access and national treatment in selected services sectors. Continuing negotiations in the WTO under the current Doha Round of multilateral trade negotiations and the prospect of other free trade agreements will push the country to deepen its commitments, broaden the number of sectors listed under its present schedule of commitments, and grant effective market access to foreign service providers through regulatory reforms. These demands pose a challenge to decisionmakers who have to manage the process and come up with the appropriate responses to these issues.

### *Current approaches to services administration*

It is important to distinguish the different administrative functions or roles governing the services sector. There are three main areas, namely: (1) those that relate to the formulation of negotiating strategies and decisions with respect to the multilateral, regional, and bilateral trade forums; (2) those that pertain to the promotion of services trade; and (3) those concerning rule formation that sets the criteria for market entry as well as the mandatory regulations that promote certain social or welfare objectives. As we will see, not all these functions reside in one agency but rather are subdivided among different actors that are compelled to interact with each other.

### Services trade negotiations

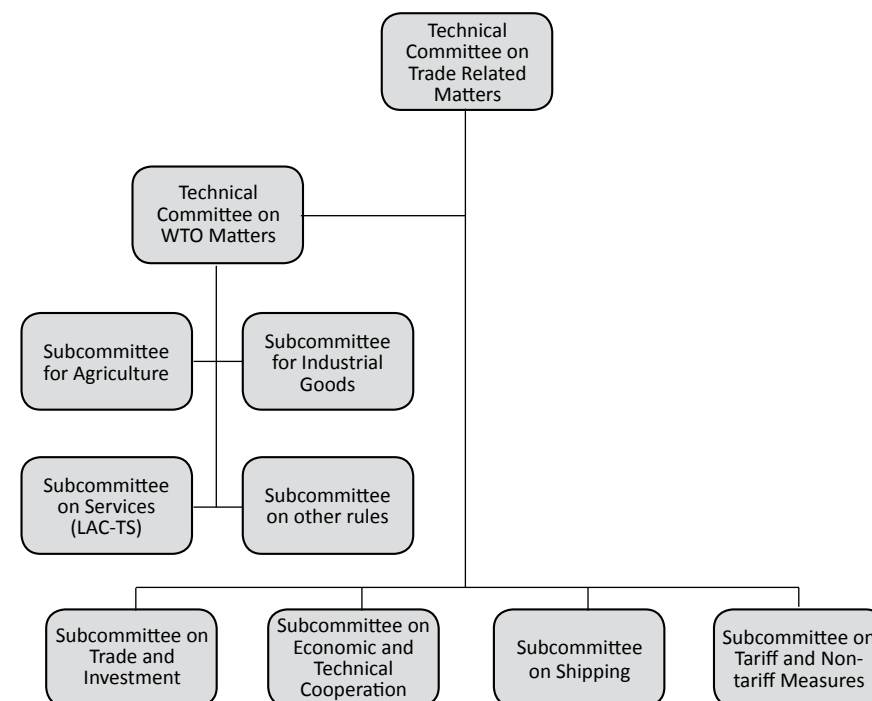
Formally, the primary coordinating agency for making decisions on services trade issues in the WTO and other international trade forums is the NEDA. It chairs the IAC-TS, which serves as the main forum for policy deliberation and decisions made in relation to the GATS, AFAS, and other bilateral arrangements. The IAC-TS is a subcommittee under the Technical Committee on WTO Matters, which in turn is directly attached to the TRM Committee, the main body in charge of Philippine trade policy, which is co-chaired by the DTI and NEDA (see Figure 1).<sup>4</sup>

The IAC-TS is composed of the main regulatory agencies in charge of services sectors (see Table 6). It specifically comprises 23 members representing government agencies responsible for the different services sectors or specific modes of supply. Usually, an individual from the department or bureau is assigned to issues relating to the WTO and attends on behalf of his or her principal. Meetings are held periodically and are chaired by NEDA.

As co-chair of the TRM, the DTI also plays a lead role in services trade policy. The BITR is the lead office for all trade negotiations, especially with respect to the WTO agenda. The BITR serves as a point of coordination as well as acts as lead negotiator in the current DDA multilateral round of negotiations and in discussions on preferential trade agreements. The DFA's OIER likewise plays an important role in this process. DFA oversees the diplomatic dimensions of trade relations and plays a more prominent role in agenda emerging from the country's participation in the voluntary agreements under the Asia Pacific Economic Cooperation grouping. Relations between NEDA, DTI-BITR, and DFA-OIER are critical in coming up with negotiating positions in the WTO, ASEAN, and bilateral free trade agreements. Effective communication and coordination between these three

<sup>4</sup>The TRM Committee was created by EO 230 (series 1987) and its primary functions are (1) to advise the President on tariff and related matters and on the effects on the country of various international developments; (2) to coordinate agency positions and recommend national positions for international economic negotiations, and (3) to recommend to the President a continuous rationalization program for the country's tariff structure.

Figure 1. The formal trade policy structure



offices is essential to ensuring that the Philippine government is able to develop a coherent trade policy in services.

The other members of the IAC-TS are relatively not as fully engaged as the representatives from NEDA, DFA, and DTI. Oftentimes, these offices are represented by more junior officers compared to these three main departments, which are usually represented by undersecretaries. Hence, these junior representatives would have limited decisionmaking authority and would usually defer to their superiors at their home departments. Moreover, the other members only participate in deliberations on issues which directly impact their jurisdictions. For instance, the representative from DOLE will be actively engaged in discussions on mode 4 issues but will usually not make any substantive contribution on financial services or telecommunications.

**Table 6. Members of the interagency committee on trade in services**

Service Sector/Mode of Supply	Agency
Across	Bureau of International Trade Relations (DTI)
Acrosss	National Economic and Development Authority
	Office of International Economic Relations (DFA)
Finance	Bangko Sentral ng Pilipinas
Customs Brokerage	Bureau of Customs (Department of Finance)
Mode 3	Board of Investment (DTI)
Mode 4	Bureau of Local Employment (DOLE)
Air Transport	Civil Aeronautics Board
Education	Commission on Higher Education
	Department of Education
	Technical Education and Skills Development Authority
IT-Services	Commission on Information and Communications Technology
Health and medical services	Department of Health
Construction and related engineering services	Construction Industry Authority of the Philippines
Energy	Department of Energy
Environmental Services	Department of Environment and Natural Resources
Energy Services	Department of Energy
Air transport	Air Transport Authority
Telecommunications, Transport	Department of Transport and Communications
Financial Services	Insurance Commission
Maritime Transport	Maritime Industry Authority
Telecommunications	National Telecommunication Commission
Professional services	Professional Regulatory Commission

Transport services tend to be the sole mandate of the Department of Transportation and Communications. In other words, the participation of many members of the IAC-TS (apart from the three main agencies mentioned above) appears to be a function of the respective mandates of the departments they represent, which may not be directly concerned with trade. Nevertheless, because of their exclusive jurisdictions, these offices may effectively hold veto power on any decision concerning their particular sector. These agencies also take direct charge over any process of consultation involving their respective constituencies. For instance, no movement toward greater market access concession in the insurance sector will happen without the consent of the Insurance Commission.

Decisional outcomes, therefore, depend to some extent on the influence exercised by either the NEDA, DFA, and DTI acting alone or together. These three can encourage collective action among the other members of the interagency committee and address information asymmetries by facilitating understanding about services trade issues. However, at the moment there seems to be no coherence in the working relationships between these three offices. Based on separate informal interviews with the representatives from these offices, coordination and communication appear to be a problem. There is, for example, disagreement over what the overall framework concerning trade in services should be while specific negotiating positions, whether at the WTO or at the ASEAN, have yet to be spelled out. The inability to come up with a credible request-and-offer package is reflective of this institutional problem. There are also conflicts over who should conduct and in what manner consultations are to be carried out with various stakeholders – an indication of the quality of exchange between these offices as well as the state of representation and legitimacy. Such policy dynamics reflect not so much on turf fights as on the process management involved.

Decisionmaking with respect to WTO-GATS negotiations also involves the Philippine Mission to the WTO based in Geneva, which is headed by an ambassador with appointment from the DFA and

includes a number of specialists seconded from other government agencies. For example, an officer from the Department of Agriculture is assigned to Geneva to handle agricultural issues in the WTO. The person assigned to services issues was formerly a foreign trade attaché assigned by the DTI, who report to the DTI Senior Undersecretary for International Trade. However, in the past (and currently), GATS issues were assigned to a DFA foreign service officer. Given the complexity and wide coverage of services trade, it seems that this assignment does not fall automatically under any specific jurisdiction.

Under this setup, the lines of authority and communication that exist between the IAC-TS and the Geneva Mission are rather unclear. It is difficult to assess the flow of decisionmaking on positions to be taken at the multilateral trade negotiations as well as those for the regional and bilateral trade agreements. Based on conversations with former trade officials, there appears to be some disconnect between the flow of policy advice and instructions between capital officials and the mission in Geneva. Official representatives assigned to the WTO mission expressed difficulty in responding to requests and inquiries because of the absence of clear and specific instructions or advice from Manila. On the other hand, there seems to be a lack of urgency or compulsion on the part of national government authorities to respond promptly to questions from other WTO members. It does not seem apparent that the IAC-TS transmits any instructions before any position is made by the Philippine representatives in Geneva. It is only when the NEDA chair is present and directly involved in any of the WTO meetings such as in the biennial WTO ministerial meetings or bilateral and regional negotiating forums that some response is made. This raises the issue of unwarranted centralization that could spawn ill-conceived policy – one that has not been threshed out through a process of coordination and consultation.

### *Trade promotion*

There is a growing recognition of the importance of services in the country's economic growth and welfare. According to the NSCB, services accounted for approximately 53 percent of Philippine gross domestic product and employs around 48 percent of the country's labor

force. According to data from the BSP, Philippine services exported around USD 4.15 billion in 2005 up from just USD 3 billion in 1990.<sup>5</sup> According to the WTO, the country's share of total services exports in Asia was 0.9 percent in 2004 compared to 0.37 percent in 1990. The government has long engaged in mode 4 trade through the export of temporary labor, and promoted mode 2 flows with an aggressive tourism program. However, it is only lately that there has been some recognition of the need for a broader strategy to promote services exports with its recent inclusion in the PEDP.

The Philippines seems well placed to take commercial advantage of the economic opportunities presented by the global economy given its demographic structure, relatively high levels of literacy, and English competency. This advantage is not only manifested through the ready supply of Filipino labor to meet some of the work requirements overseas but also through cross-border services trade made possible through improvements in technology and communications. Lately, several local firms have set up businesses engaged in long-distance provision of services in such areas as data processing, software development, and other backroom operations. Moreover, there are also prospects in generating more foreign demand for domestically supplied services through tourism and other related activities.

Efforts aimed at boosting services exports are presently dispersed across different government agencies. The DTI, through its Bureau of Export Trade Promotion (BETP) and the CITEM, is currently doing some promotional work for mostly mode 1 services. Some attention is being given to IT-enabled services, as indicated in the PEDP. This is part of the government's E-Services strategy, which centers on business processing outsourcing, animation, medical transcription, software design and development, and engineering design. It includes customer service, backroom office functions, and other low-end services such as record maintenance and coding as demonstrated by the fast-growing call center industry. DTI's BOI, through the Investment Priorities Plan, focuses on mode 3 services by offering incentives in selected service sectors such as retirement facilities and logistics. The DOLE and the POEA are the

<sup>5</sup> When measured according to the four modes of supply, the Philippines is estimated to have exported around US\$15.2 billion in 2004. See Sicat (2005).

primary agencies responsible for the export of professional services while the Department of Tourism (DOT) is encouraging greater mode 2 consumption.

Recently, the DFA initiated the creation of a Philippine Services Coalition (PSC). The PSC was established in May 2005 to serve as an association that brings together different stakeholders in government, the business sector, and the academe. Its principal objective is to develop and enhance Philippine services exports by (1) increasing awareness among public and private sectors of the GATS; (2) facilitating consultations, networking, and alliance-building among stakeholders; (3) establishing a framework to synergize and synchronize country-team strategies for tapping foreign markets and positioning Philippine services exports; and (4) helping build individual and institutional capacities to enhance and strengthen the involvement of stakeholders in both services export promotion and services trade negotiations.<sup>6</sup> Among the members of the coalition are DTI, NEDA, DFA, Philippine Institute for Development Studies (PIDS), Philippine Chamber of Commerce and Industry (PCCI) and the Philippine Exporter's Confederation (PHILEXPORT) as well as members from the academe.

The main task of this services coalition is to help form networks and alliances for the effective promotion of services exports and promote individual and institutional capacity-building activities that will enhance stakeholder involvement in services export promotion and services trade negotiations. Such a plan is expected to generate significant private sector interest in services trade. Among the project's immediate outputs are sector-specific interventions,<sup>7</sup> which should feed into the PEDP.

In October 2004, President Gloria Macapagal Arroyo issued Executive Order No. 372 creating a Public-Private Task Force for the Development of Globally Competitive Philippine Service Industries. The primary aim of the task force is to develop medium- and long-term strategic objectives that will promote services exports by identifying primary target markets and priority clusters. The task force is chaired

<sup>6</sup> For more information, see [www.philippineservicescoalition.com](http://www.philippineservicescoalition.com).

<sup>7</sup> Among the services sectors identified for research and promotional work are: accountancy, business processing outsourcing, engineering services, health and wellness, franchising, shipcrewing and ship management, multimedia and animation, and education.

by the DTI, and comprises the following as members: the DFA, the chairpersons of the Clark Development Authority and Subic Bay Metropolitan Authority as well as five private sector representatives. Among the services sectors targeted for promotion are health and wellness, retirement and leisure, IT and IT-enabled services, and logistics. The task force has begun initial work on developing health care services market. An interagency coordinating group, including the DTI, BOI, DFA, the DOT, and the DOH, was created to come up with a master plan to develop the health and wellness tourism sector.

### *Rule formation*

Rulemaking in services is shared by the government and the private sector. Government regulations in all services sectors arise essentially from market failure attributable primarily to three kinds of problems, namely, natural monopoly or oligopoly, asymmetric information, and externalities (Mattoo 2000). In the case of the Philippines, a number of government agencies maintain a variety of technical standards, prudential regulations, and qualification requirements in professional, financial, and numerous other services. For instance, the Professional Regulatory Commission (PRC) regulates the entry and practice of certain professional services through a system of qualification and licensing requirements. The government also seeks to guarantee that universal service obligations are met in such sectors as transport, telecommunications, financial, health, and education services by either granting monopoly rights or tightly regulating the number of players in each sector.

Different bureaucratic offices oversee and enforce rules on specific services sectors to protect consumers and promote certain social objectives. Each of these departments controls separate resources, personnel, and information relevant to the strategies and development of their respective sectors. Each regulatory authority is assigned a particular services sector and, based on its mandate, may have almost exclusive jurisdiction over that sector. In other words, these agencies are essentially autonomous from each other and possess regulatory powers that are expected to have a profound impact on the development of specific services. However, these agencies tend to



have a myopic view of their respective sectors and may have different perceptions of the policy problem and interpretation of the rules and the environment.

This institutional framework is further complicated by the involvement of the legislative and judicial branches in policy formulation. Congress directly influences services policy through legislation and amendments to existing laws. For instance, the granting of operating franchises in such sectors as telecommunications, transport, and media requires the consent of the legislative branch. Likewise, the judiciary can intervene by interpreting the application of legal provisions and restrictions affecting services. Rulings reached by Philippine courts can set precedents that may advance or hinder policy reform.

Recently, some members of the legislature petitioned the Supreme Court to halt the ongoing negotiations between the Philippines and Japan seeking to establish a free trade agreement between the two states. The petition unnecessarily delayed the negotiations and hampered government efforts at advancing trade and investment relations, including services, with a major trading partner. Indeed, to the extent that network governance emphasizes the democratic character of public administration – particularly concerning values such as equity, accountability, and political legitimacy – the roles of the legislative and judicial bodies of government assume greater significance.

The multistakeholder nature of services is also reflected in the private sector. There is no single organization that groups together and provides direction for the entire services sector. The PCCI and the PHILEXPORT have a number of service providers as members but they do not comprehensively represent the interests of all service providers. What exist are individual associations composed of expert members that specifically represent that subsector. For example, the Philippine Medical Association and the Integrated Bar of the Philippines exercise jurisdiction over medical doctors and lawyers, respectively. The Bankers' Association of the Philippines represents firms that provide banking services. These services associations often remain closed and have limited connections with other service providers outside their professions (see Table 7). These groups have vested interests in their

respective sectors and almost exclusively determine entry or admission into their ranks.

By and large, these private associations exercise significant autonomy and decisional authority over their respective sectors. Any policy decision concerning the easing of barriers to entry or market access commitments to trade negotiations will not be possible without their consent or participation.

**Table 7. Sampling of private service associations in the Philippines**

Services Sector	Association/Group
Professional Services	
Legal services	Integrated Bar of the Philippines Philippine Bar Association
Accounting services	Philippine Institute of Certified Public Accountants Philippine Association of Management Accountants
Medical services	Philippine Medical Association Philippine Dental Association Philippine Association of Medical Technologist Philippine Nurses Association Medical Transcription Association of the Philippines
Architectural services	United Architects of the Philippines Philippine Association of Landscape Architects Philippine Institute of Interior Designers
Engineering services	Philippine Society of Mechanical Engineers Philippine Institute of Chemical Engineers Philippine Institute of Civil Engineers Geodetic Engineers of the Philippines

(Table 7 continued)

Services Sector	Association/Group
Computer-related services	Society of Metallurgical Engineers of the Philippines
	Philippine Software Industry Association, Inc.
	Information Technology Association of the Philippines
Audio-visual services	Philippine Call Center Association
	Business Processing Outsourcing Association of the Philippines
	Animation Council of the Philippines
Real Estate services	Philippine Association of Realtors Boards Inc.
	Chamber of Real Estate and Builders Association
	Institute of Philippine Real Estate Consultants
	Philippine Realtors Foundation Inc.
Environmental services	Bantay Kalikasan
	Foundation for the Philippine Environment
	The HARIBON Foundation
Financial services	Bankers Association of the Philippines
	Investment House Association of the Philippines
	Financial Executives Institute of the Philippines
Distribution services	Philippine Retailers Association
Tourism services	Philippine Hotel and Restaurant Association
	National Association of Independent Travel Agencies
Maritime Transport	Federation of Tourism Industries
	Philippine Ship Agencies Association
	Filipino Shipowner's Association
Air Transport	Federation of Aviation Organizations of the Philippines

(Table 7 continued)

Services Sector	Association/Group
Road transport	Federation of Jeepney Operators and Drivers Association of the Philippines
	Integrated Metro Bus Operators Association
Educational services	Pagkakaisa ng mga Samahan ng Tsuper at Operators Nationwide or PISTON
	Philippine Association of Colleges and Universities
	Philippine Accrediting Association of Schools, Colleges, and Universities
Energy services	Energy Management Association of the Philippines
	Energy Development and Utilization Foundation
	Renewable Energy Association of the Philippines
Recreational, cultural, and sporting services	Dancesport Council of the Philippines
	Basketball Association of the Philippines
	Wushu Federation of the Philippines
	Business Process Outsourcing Association of the Philippines
	Medical Transcription Industry Association of the Philippines

NGOs and civil society movements also play a significant role in the policy process. Groups such as the Stop the Round Now Coalition and the Fair Trade Alliance actively seek to directly influence the country's trade policy agenda. Both of these organizations have voiced their opposition to the GATS. Many nongovernmental groups take a more critical stance toward trade liberalization and are generally opposed to more market access commitments. In the extreme, there are those who demand a withdrawal of the country's membership from the WTO while others, at the least, call for increased protection and government support of import-competing domestic industries. The

positions of these civil society groups reflect the growing sensitivities over trade issues.

In sum, rulemaking in the services sector is relatively fragmented and determined almost exclusively by entities that maintain almost absolute control over their respective sectors. In this case, trading off one sector over another in trade negotiations or advancing reform in one sector that may have positive externalities but little benefit internally may be difficult to carry out in such a divided and domain-driven industry. Coming out with a consensus on an overall services policy or coming up with positions at the GATS or AFAS negotiations will have to take into consideration the different interests and preferences of the various stakeholders. Most often this may mean the adoption of strategic policies will have to defer to the agents that have sole authority or control over a particular services sector. The need for dialogue and exchange, a process inherent in network management, has increasing salience in a complex environment like this.

### *Dynamics of services policy*

It is clear from the discussion above that no single organization or individual has the capacity or authority to determine and direct an overall services policy. What exist instead are networks of interdependent players that are horizontally organized and highly fragmented. The services sector is governed by multiple jurisdictions, which increases the likelihood of policy conflicts. NEDA merely assumes a coordinating role in so far as the WTO-GATS agenda is concerned but does not have the mandate to make decisions that affect the development of each subsector. In that sense, no concessions or commitments can be offered without the consent of the specific agency or private association. Furthermore, no one subsector can be traded off with another unless everyone involved agrees or cooperates on this particular trade strategy.

To illustrate this problem, there have been occasions where network structures and the associated challenge of network management hinder certain policy outcomes. In the case of negotiations under ASEAN, Philippine negotiators were prepared to offer greater market access in

accounting services as part of its improved schedule of commitments under the ASEAN Framework Agreement on Services. The Philippine Institute of Certified Public Accountants, representing the accounting profession in the Philippines, generally supported the government position and welcomed the opportunity of gaining reciprocal access to the other ASEAN countries. However, the PRC, which administers the licensure examination to accountants, opposed this position. Its opposition to allowing foreign accountants from ASEAN countries greater market access in the Philippines effectively scuttled the offer, hampering the bargaining leverage of Philippine trade negotiators.

A similar example is evident in services trade promotion, where the attendant functions are not clearly delineated. The DTI-BETP currently has an international services division assigned to promote the PEDP objectives with respect to services. They have brand officers assigned to education services, health and wellness, IT and IT-enabled services, and multimedia services. However, it is not clear how this office coordinates its strategies with the PSC and the private sector as well as with the task force created by EO 372. It is also unclear which agency is directly responsible for the implementation of EO 372.<sup>8</sup> It is uncertain, for instance, which government agency should take the lead for the health and wellness sector. The DTI, DOH, and DOT have overlapping jurisdictions over this sector and should in principle coordinate initiatives among themselves.

It also seems that private-public task force as well as the Philippine Services Coalition are merely advisory bodies with no direct authority over the sectors themselves. Moreover, the private service providers in the wellness and health services sector do not seem to welcome this government intervention and would rather engage in developing their business on their own. In other words, the consent and participation of the regulatory authorities and the affected private associations is still required to render any initiative by these two bodies effective.

In the case of tourism services, the success of tourism export promotion depends on transport linkages and access of foreign tourists

<sup>8</sup>Section 4 of EO 372 instructs the DTI, NEDA, DOF, Tariff Commission, and the Bureau of Customs to come up with the implementing rules and regulations for this order. The inclusion of the latter two agencies, which have little practical involvement in services trade, illustrates the lack of complete understanding about the sector.

to local destinations. Unfortunately, this is hampered by preferential restrictions on passenger traffic imposed by the Philippine Airlines (PAL) and supported by the Air Transport Office. The control of PAL was demonstrated when flights to and from Manila and Taipei were disrupted following disputes over shares of the passenger market. This effectively stopped the flow of tourist traffic between the two countries. Promotional programs of the DOT and tourism-related businesses by private operators are hindered by these limitations on air transport. A coalition of travel agencies and tourist operators cooperating with the DOT organized the Freedom to Fly Coalition to push for liberalization of air transport services. The airline industry, however, countered by organizing their own advocacy group. In this case, tourism services exports rely on cooperation between the travel industry and the transport sector.

The three cases above underline the necessity of participation and consent of all agents in policy formulation and implementation. Practically, each actor has virtual veto power and can block any policy initiative. The politics of coordination reflects the relative powers of the different policy actors, and brings to the fore the need to address the resulting conflicts of interest (Peters 1998). Therefore, it is important to focus on the exchange relations of these actors that comprise this network. It is also vital to examine the different strategies and resources that are utilized to influence the exchange process and achieve either particularistic or collective interests. Sectoral consultations are essential in obtaining support for and building consensus around specific trade positions. Consultations are also necessary in obtaining important industry information in order to craft the appropriate policy. Coordination among the different government offices as well as between government and the private sector is also crucial to strengthening the participation of stakeholders in the policy process.

However, the process of consultations in services is unorganized and muddled. The multiplicity of constituencies complicates this task and it is often difficult to determine exactly who should be consulted and why. An institutionalized or formal process of consultations similar

to the TRM process for tariff policy decisions is unfortunately lacking in services. There are no rules or procedures that govern the process that will allow decisionmakers to balance out the interests of the different stakeholders. The deficiencies of the process make it difficult to come up with an overall framework that will help them determine the country's defensive and offensive strategies. It is not surprising, therefore, that trade negotiators have been unable to come up with a credible request-and-offer package in the GATS and AFAS negotiations.

Given the diverse composition of the services sector, creating a central authority or centralizing decisionmaking is perhaps impractical and unrealistic. Establishing a single office might unnecessarily duplicate the work of the agencies or departments tasked to oversee the services subsectors, such as the Department of Finance for banking and other financial matters, and the DOT for tourism-related activities. Nevertheless, the development of the services sector requires some degree of coordination among the different government agencies concerned, and a strategic approach that articulates the government's overall policy directions. The current division of regulatory responsibilities presents challenges on positions for trade negotiations.

Managing these networks becomes difficult in the face of the members' competing interests and reluctance to concede their positions. The presence of multiple actors and organizations raises the problem of how to govern these self-regulating entities. In this regard, the role of a network manager or central coordinator and the task of process management are crucial.

Services negotiations, by their nature, entail a regulatory focus, and so effective interaction between the NEDA, line departments, and regulators is critical. Commitments made at the WTO may entail policy adjustments or some form of regulatory reform. NEDA regularly interacts with other government departments in developing services policy. But the quality of interaction still depends to a significant degree on the respective line departments involved and the resources they devote to and their awareness of trade negotiations. In turn, this depends on the priority each department accords to trade negotiations, given their own objectives and, in many cases, the dispositions of higher authorities. For some government agencies, trade is simply not a priority.

Many regulatory agencies are primarily oriented to the needs and concerns of their domestic constituencies with little or hardly any regard for those of the international environment. Several members of IAC-TS face competing priorities and find trade issues an unwelcome addition to their already heavy workload. Given the different mandates of these agencies, personnel assigned to the IAC-TS often have to contend with competing priorities and heavy workloads, which may limit their involvement and contribution to policy formulation.

None of the departments responsible for regulating the provision of key infrastructure services (financial services, telecommunications, transport, and energy) have offices fully committed to tracking developments in trade negotiations or the formulation of negotiating strategies in conjunction with the DTI or NEDA. While these departments may be somewhat familiar with services trade issues, their limited resources hamper their ability to effectively participate in the policy formulation in services. The lack of understanding of the dynamics of multilateral and regional trade negotiations also limits their ability to anticipate and respond to the issues emanating from these negotiations. The relatively lower level of representation in the IAC-TS does not confer on their representatives sufficient decisional authority.

Moreover, the constant rotation of people assigned to attend these interagency meetings suggests very little institutional memory is retained to make any sustained effort in trade issues relevant. The issue of continuity and institutional stability is a significant problem in the formulation of an effective trade strategy. Network management can help address these deficiencies by greater information sharing and education.

Given the importance of the services industry, further efficiency-enhancing reforms, including regulatory and institutional changes, must be undertaken. The interaction between and within the government and the private sector is critical to the formulation of services policy. One way to bring this about is to produce and disseminate the relevant information necessary to bridge information asymmetries between the actors involved. In general, both the private sector and the bureaucracy continue to suffer from severe capacity constraints on collecting comprehensive information and conduct in-depth analysis of the issues relating to services liberalization.

The fact that services are not usually kept in inventories and are consumed at the point of supply leads to certain data or information problems. It is very difficult to capture data that will accurately quantify the value of overall services trade. It is also difficult to precisely measure the value added of each service component in a final product. This leads to severe information and data collection problems, which in turn makes effective research and analysis incomplete. For instance, Philippine government representatives based in Geneva, who are tasked to negotiate on services, have often complained of the difficulty in coming up with coherent positions, given their inadequate knowledge of each service subsector assessing the economic implications of market opening commitments.

The ability to generate precise data and undertake analytical research is limited. NEDA's capacity is severely constrained in terms of personnel and its ability to carry out extensive policy research that will adequately serve decisionmakers. It does not possess sufficient resources to be able to carry out services policy on its own. There is no single resource center that monitors and is able to generate information vital to the formulation of services policy. The BSP and the NSO recently undertook efforts to restructure their data collection methods to gather the relevant statistical data for each service subsector.<sup>9</sup> Industry associations, on the other hand, are generally reluctant to make industry information available to the public for fear of competition and inviting further government regulation.

These information deficiencies can be addressed by greater cooperation among government agencies and private service providers.

These limitations necessitate greater sharing of resources and information among and within the private sector and government. Actors within this network will have to mutually depend on each other's resources to advance services development. An important justification for increased coordination has to do with the information and resource requirements needed to develop an effective services strategy. As a

<sup>9</sup>See Sicat 2005.

coordinating agency, NEDA heavily depends on other line agencies and the private sector for information and resources. Policy will depend in part on the willingness of regulatory agencies to cooperate and share privilege resources and information with other members of the network.

Interaction between government departments is sporadic at best while organized business remains unprepared to deal effectively with, and participate meaningfully in, the services trade agenda. There is significant variation in awareness of, and engagement in, negotiations by other government officials, regulators, and the private sector. While agencies such as NEDA, DTI, and the Philippine Exporters Confederation regularly conduct consultations and information briefings, these are poorly attended and are often not sustained. Moreover, these efforts are intermittent and do not enjoy sufficient budgetary support to sustain or broaden the scope of the activity. Certainly, there remains much room for improvement in the coordination of generating greater public awareness of services trade issues as well as in the development of domestic export capacity.

At the heart of the problem lies a persistent inability to form enduring and coordinated institutions of deliberation both to support the trade negotiating agenda and to promote services exports. The trade agenda is largely dependent on the nature and effectiveness of exchange and interactions between the government agencies, on one hand, and between the local stakeholders and government on the other. The WTO-GATS negotiations and the development of services exports may benefit from an effective network management approach. Network management may help to identify national objectives, form national consensus, and develop new strategic approaches to services trade.

### *A network approach to services*

Network management is “promoting the mutual adjustment of the behavior of actors with diverse objectives and ambitions with regard to tackling problems within a given framework of interorganizational relationships” (Kickert et al. 1997). Networks create conditions that allow greater sharing of expertise and information among members,

increase resource availability for all, and foster better policy acceptability and the likelihood of compliance (Rhodes 2000).

Network management may take two forms: managing interactions within networks and network structuring. The first centers on intervening in the relations between the members of a network. This can be accomplished by activating networks to tackle particular problems or issues (network activation), establishing ad hoc organizational arrangements to support interaction (arranging), bringing together solutions, problems and parties (brokerage), promoting favorable conditions for joint action (facilitation), and conflict management (mediation and arbitration) (Kickert and Koppenjan 1997).

The interactive approach requires managers to initiate greater interaction among agents and activation of resources. Both actors and resources must be mobilized to facilitate more effective decisionmaking. This can be accomplished by identifying points of coordination or common ground among network members. Selective activation, i.e., identifying first services subsectors that have more to gain from services liberalization, might be a useful strategy in marshalling support for negotiations and export development. The Freedom to Fly Coalition organized by tourism services providers in support of air transport liberalization is one example of selective activation. The enactment of government policy allowing budget airlines to operate chartered flight services through the Manila and Clark airports may be attributed to the successful lobby by this coalition. Bringing in key supporters or removing opposition can alter the balance of forces arraigned for or against a specific agenda item. Instead of enlarging the group, a reduction in the number of network members may make things less fragmented and more manageable (Bruijn and ten Heuvelhof 1997).

To generate increased active participation from network members, the government can exercise more effective steering strategies. This will involve the identification and articulation of specific goals by the network manager. This approach to governance underlines the importance of network managers who make collective action possible and build consensus to enable goal attainment. The

task of the manager in a network is to handle complex interactions and work out strategies to deal with the different perceptions, preferences, and strategies of the various actors involved.

Some effort is already being undertaken to develop a more consistent and coordinated approach to services. The creation of the Philippine Services Coalition is an attempt to bring together various concerned government offices, business association, and industry players in the formulation of services policy. However, much of this is taking place at a sectoral level. The downside of the sector-by-sector approach is that it is easily prone to interest group manipulation. Rent-seeking domestic industries or government offices looking to protect their own turfs can effectively block policy initiatives. Sectors that might have benefited from greater liberalization in another sector are not represented in the discussion and therefore would not have the opportunity to express their support of reform initiatives. A sector-by-sector approach neglects the important linkages that services play within the industry as well as throughout the macroeconomy.

Using a single approach covering the entire services industry is viewed as impracticable. However, a network approach may benefit the trade-negotiating agenda as well as the development of the export potential of domestic service providers. A shift away from the sector-by-sector approach to a more broad-based strategy that includes more than one sector may facilitate domestic coalition building. It may be useful to consider the cluster approach which entails looking at supply-chain efficiencies for the efficient production of each good or service. This approach can bring together different sectors that complement each other, as seen in transport services and tourism.

Identifying negotiating objectives for entire subsectors, such as professional services or transport services as a whole, or for specific modes of supply (as in all cross-border services) rather than for one industry only can accelerate the decisionmaking process. Then, too, combining subsectors that complement each other, such as between professional services and education services, can generate more support for services liberalization. This may entail bridging the differences among regulatory authorities and limiting the costs of bureaucratic turf battles.

Network management may also involve modifying the structure of the network to correct the possible misfit between the structure of the network and the tasks required of the network. Network structuring refers to strategies aimed at the context of a specific game – the rules, perceptions, values, the ecology of the game arena, the distribution of resources, and the patterns of relations that are characteristic of a policy network. This can be done by influencing the division of resources within the network; influencing the guidelines which regulate, among other things, interaction and participation; influencing interrelationships by altering the size of network; changing the existing values, norms, and perceptions of actors within the network (through intensive mass information campaigns) or changing the actors' frames of reference (reframing); mobilizing new coalitions; and managing conflict (Kickert and Koppenjan 1997).

Greater institutionalization may facilitate the process of decisionmaking in services trade. In this regard, it is important to get the commitment of network members and resources to ensure sustained effort in this industry. This could be done through voluntary binding arrangements or informal covenants among members. Agreement on a system of rules and procedures could also address bureaucratic conflicts or turf battles that can block effective intergovernmental coordination.

There is a need to strengthen the IAC-TS as well as further institutionalize the joint task force created by EO 372. For one, it is important to keep the cost of interaction within reasonable limits. Costs arise from investments made in learning the language and rules, establishing patterns of relationships, and offering advantages for one or more actors in the network. To reduce such costs, only full-time personnel with sufficient knowledge of GATS issues must be appointed to specific posts. The cost of joint action can also be high in terms of investment in money, time, and personnel. In addition, bureaucratic conflicts and policy compromises can be harmful to the network.

NEDA can play a brokering and mediating role in bringing reluctant agencies and domestic industries to participate in the development of a services agenda. It can also exercise greater influence on the members of the IAC-TS to move more progressively on the

GATS agenda. In addition, developing and strengthening research through the PIDS, a policy think tank attached to NEDA, can help generate relevant studies and foster better information dissemination of the issues involved in services trade and the economic impact of greater market openness. This highlights the need for more reliable information to enable members to properly evaluate the risks and gains of participation. This can help reduce uncertainty and alter members' wrong perceptions of issues confronting the services agenda. Reducing NEDA's dependency on other department agencies will also strengthen its role as network manager.

Better network management should also take place in the private sector. The most important stakeholder in the development of an offensive position in multilateral services negotiations is the business sector. However, the private sector frequently lacks well-informed perceptions of both market access conditions and its own relative competitive strength in international trade. In this regard, PHILEXPORT and PCCI can channel more resources to the generation of market information on services trade for the benefit of its members. It should also link up with academe, as the DFA has done with the PSC, to produce industry studies and assess the commercial implications of services liberalization.<sup>10</sup> An analysis of the impact of new technologies on both market opportunities and competitiveness of supply capabilities in services sector may also help assess the scope for improving export performance.

The business sector must also develop appropriately structured, deliberative institutional arrangements of its own, as well as internal coordination mechanisms in order to meet the demands that will be placed on it by an ever-expanding trade negotiations agenda. The PSC has the potential of serving as the primary vehicle to coordinate and conciliate the various interests in services. The private sector can monitor and evaluate the risks and benefits of services trade on their own so they can participate more meaningfully in trade negotiations and export development. In this regard, there is a need to broaden

<sup>10</sup> The Trade and Investment Policy Analysis and Advocacy Support Project (TAPS) of the PHILEXPORT has commissioned several studies on GATS issues and on specific services industries as well as engaged in policy advocacy and information campaigns in this area.

the network to enable the business sector to craft a more long-term comprehensive services strategy in relation to the WTO and the international trading environment.

Negotiations and export promotion also depend on the nature and effectiveness of interaction between the government and key service providers. Improved communication and coordination between the government and individual service providers is desirable. Business advocacy for services can be improved by interacting with trade authorities in developing strategy in trade negotiations and generating private sector support and acceptance for the services trade agenda. They can jointly act to identify barriers to trade in services in sectors of particular export interest to the Philippines. More importantly, business-government cooperation is necessary in designing supply-side policies that consider the supply constraints and market opportunities in services exports. Initiatives to foster greater coordination between the private sector and regulatory authorities can be pursued through the private-public task force created under EO 372.

## Conclusion

In trade in services, governance is key. Network governance maybe a more useful framework for advancing services trade. The failure to come up with a services strategy is essentially "a failure of concerted policy." There is clearly a need to develop greater synergy between negotiations, trade promotion, and regulatory functions to come up with a more coherent strategy in services trade. The linkages between services trade and the rest of the domestic economy require a more holistic approach as opposed to a particularistic approach to services policy. This paper proposes the following policy recommendations:

Intensify coordination among members of the IAC-TS. Relations between NEDA, DTI-BITR, DFA-OIER, and other members of the interagency committee should be strengthened. There should be greater interaction through regular meetings and exchanges between senior officials. Frequent interaction among the network members can reduce the cost of coordination, increase mutual understanding of issues, and generate shared values that will engender trust and facilitate cooperative



action. Rules for decisionmaking similar to those for tariff policy may be developed to reduce the veto power of vested interests. Effective coordination within the IAC-TS can also help neutralize the powerful opposition to further liberalization by some services industries.

Enhance private stakeholder participation through the PSC and EO 372 Task Force. Similar to the TRM process for tariff-related decisions, there is a need for more orderly consultations on trade negotiations and trade promotion. The PSC and the public-private task force created by E.O. 372 can serve as the primary vehicle for such process. Consultations can help the private sector and civil society organizations improve their understanding of the trading environment and reframe their perceptions of the economic outcomes. Improving and perhaps institutionalizing the consultation process can help policymakers come up with an overall services strategy and formulate a well-defined request-and-offer package.

Establish resource base for services trade. A central depository of information relating to the services industry can be established in NEDA or in PIDS for use of all network members. Ideally, all IAC-TS members and private sector associations should maintain their own information database on all issues relating to the GATS agenda in order to reduce resource dependencies. However, this option may be costly to maintain. However, there is need to develop credible and accurate studies on which to base policy and trade preferences. This also means greater sharing of information and exchanges among industry specialists, academe, business associations, and trade negotiators. This will address the problem of information asymmetry and reconcile the differing perspectives of the different actors. This will also help actors to reframe their views of the issues on services trade.

Network management is a tedious process of managing the differing interests of various stakeholders. It challenges existing paradigms of governance and compels decisionmakers to exert more efforts in process management and institution formation. Governance here must be open and an inclusive process that allows all participants to arrive at a common problem formulation and solution. The legitimacy of decisions reached depends on how each service provider, consumer,

or regulator perceives relative outcomes. Successful policy outcomes may involve changes in resource distribution, rule formation, and the reframing of the perceptions of actors about specific issues. Altering the distribution of resources may effectively neutralize the veto power of opposing parties and address information asymmetries. Research and information dissemination can help alter subjective perceptions among agents. Resorting to rules can help restructure the incentives and facilitate collective action.

This may entail a combination of the three approaches to network management. The instrumental, interactive, and institutional approach to network management can produce more appropriate policies directed at trade negotiations and export development. Services trade policy requires steering from such bodies as NEDA, the PSC, and the EO 372 Task Force; greater cooperation and interaction between the different members of these organizations; and the adoption of incentive systems and rules to facilitate collective behavior. Such interventions can take place within the network to enhance the existing relationships of its members. Goal attainment and decisionmaking process can likewise be improved by altering the network structure.

In network management, the role of the network manager is crucial. The ability of networks to produce policy outcomes depends heavily on the skills and competencies of the network managers. A network manager must be sufficiently adept at mediating conflicts or policy disputes, at motivating and convincing reluctant members, and at bargaining and brokering compromises. This function demands exceptional negotiating and interpersonal skills to help bridge the often divergent and opposing interests of services providers and different government offices. The network manager must also possess sufficient knowledge of or familiarity with the particular industrial characteristics and regulatory framework of each sector. Programs aimed at developing and training network managers could be crafted for this purpose.

Policymaking in services trade stresses a relational and process form of governance. Once the private sector and government develop a more appropriate and coordinated deliberative institutional arrangement,

a services agenda can be more effectively advanced. The country can offer a better response and strategy to the GATS negotiations, such as in coming up with a request-and-offer package. Consultations can enhance the legitimacy of the trade policy decisions of government. Better coordination will also help facilitate the formulation of a more coherent services export strategy that takes advantage of complementarities between services subsectors across all modes of supply. A network management approach to governing the services sector deserves another look to facilitate the establishment of a dedicated structure focused on developing positions for trade negotiations.

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# Globalization and Glocalization: The Philippine Experience<sup>1</sup>

5

Ma. DIVINA GRACIA Z. ROLDAN \*



## Introduction

Globalization has ushered in changes in the way trade, communications, and even policy decisions are carried out. This process of increased mobility of goods, services, labor, technology, and capital throughout the world has permeated and affected not only regional economies but domestic institutions and politics as well. While globalization gives rise to global cooperation, global-local tensions surface as localities adapt to economic, technological, and societal changes brought about by this process.

While adjusting to conditions brought about by globalization, localities can also accommodate opportunities to capacitate themselves and strengthen local quality of life. This approach known as “glocalization” denotes a merging of global opportunities and local interests, aiming to create a more socioeconomically balanced world, which calls for the accommodation of global perspectives into local conditions, as well as for a more pronounced role of local actors addressing global challenges.

As agents of glocalization, urban actors (e.g., cities) are accorded greater roles in activities traditionally carried out on the national level. Glocalization makes cities key players in decentralized foreign policy, diplomacy, trade, and intercity projects driving social and economic development. This activity happens through the creation of coalitions where local governments serve as a balancing force to international

<sup>1</sup> This paper is part of “Globalization, Governance and the Philippine State,” a collaborative research project undertaken in 2004 and completed in 2005 under the Philippine APEC Study Center Network (PASCN).

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private and public sector organizations in the framework of joint projects (Glocal Forum n.d.).

Savir (n.d.) says:

*“If unified and networked, major cities can be essential players in reforming globalization, cities can harness local civil society for capacity-building, more effectively direct peace-building activities, and take into account local labor, cultural expressions, languages, businesses, and communities at all levels of decision making.... City-to-city cooperation can be developed with local government playing an operational role in development and post-conflict situations and together with civil society contribute technical know-how to projects. Wealthy cities can support disadvantaged cities in the realm of governance, infrastructure development, rural-urban integration, youth and education, information technology, cultural heritage, tourism, and peace-building...”*

For instance, glocalization in Rome and Kigali<sup>2</sup> is seen in both cities engaging in a multisector project that focuses on food security, job creation, and market development (as in the latter's case). Projects on culture, sports, information and communications technology, and youth were also created between the two cities as part of a peace-building process. Civil society groups were formed – the “Friends of Kigali” in Rome and the “Friends of Rome” in Kigali. Another pilot project for decentralized cooperation is underway between the cities of Sao Paulo, the largest city in Brazil, and Maputo, capital city of Mozambique, under the auspices of the United Nations' Food and Agriculture Agency and The Glocal Forum, an international organization promoting city-to-city cooperation as well as collaborative efforts in the nongovernmental sector.

Based on the foregoing view, municipal leaders and city governments are said to be ideally suited to lead the reform of globalization, as they are more sensitive to social and cultural needs and closer in proximity to citizens than their national counterparts.

<sup>2</sup>Capital of Rwanda

Glocalization, therefore, suggests a more dynamic and two-way relationship between the realms of the “global” (e.g., multinational corporations, international terrorism, the entertainment industry, CNN, the Web) and the “local” (i.e., the sense of place, neighborhood, town, locale, ethnicity, and other traditional sources of identity), especially as they are brought into contact on the Web and in other media (Stroupe 2000). Among those who take part in this “alternative” process are social entrepreneurs — local community leaders, nonprofit organizations, business groups, among others — who employ the same spirit of enterprise in helping solve social problems, building social capital and social profit to improve the quality of life in excluded communities through partnerships with central and local government, and other local and national institutions (Community Action Network 2003).

It is in this light that the study examines local responses to globalization, and looks into the possibility of describing these responses and experiences as manifestations of glocalization. It also tackles how the globalization of knowledge and the growth of a global civil society impact local policy and development thrusts to include community initiatives in the areas of business, information and communications technology, and city diplomacy. An assessment of these issues, responses, and problems faced is also covered by the study.

This chapter basically seeks to: (1) determine how globalization or glocalization is experienced in the Philippine setting, with Cebu City as a case in point; (2) to determine how the business, export, and ICT sectors respond and adjust to this phenomenon; (3) to examine how the globalization of knowledge and the creation of a global civil society impact the metropolitan area's development concerns; and (4) to underscore attendant issues and problems faced by metropolitan areas concerning globalization.

### Conceptual framework

Globalization may be defined in so many ways, but by and large it “suggests a radical dissociation between the global and the local” (Stroupe n.d.). It is the process of increasing the connectivity and interdependence of the world's markets and businesses with increased

mobility of goods, services, labor, technology, and capital throughout the world. In the last two decades, major driving forces for the increased pace of the process were advances in telecommunications infrastructure and the rise of the Internet.

While usually associated by neoliberals with liberalization (a global world without regulatory barriers to transfers of resources between countries), globalization may also be viewed as what Scholte (2000) calls as “deterritorialization” – the growth of “supraterritorial”<sup>3</sup> relations between people. This definition underscores a reconfiguration of social space. In the case of global transactions, “place” is not territorially fixed, territorial distance is covered in effectively no time, and territorial boundaries present no particular impediment. Satellite television, the US dollar, the women’s movement, the anthropogenic greenhouse effect and many other contemporary conditions have a pronounced supraterritorial quality (Scholte 2000).

Glocalization, for its part, refers to the balancing of global and local with a worldwide network of cities which aims at strengthening economic, social, and cultural sectors through peacebuilding and development projects (Glocal Forum n.d.). It may be seen as “a reformed globalization of a very strategic nature that relies on cities as the core sociopolitical anchor ... a reform placing a strong emphasis on social equity as the basis for international stability (Savir n.d.).

Moreover, glocalization is also referred to as the combination of intense local and extensive global interaction. It is a move away from solidary groups in a single locale to contact between people in different places and multiple social networks (Wellman n.d.). It is likewise marked by the development of diverse, overlapping fields of global-local linkage [creating] a condition of globalized panlocality. This condition of glocalization represents a shift from a more territorialized learning process bound up with the nation-state society to one more fluid and translocal. Culture has become a much more mobile, human software employed to mix elements of diverse contexts (Gabardi 2000).

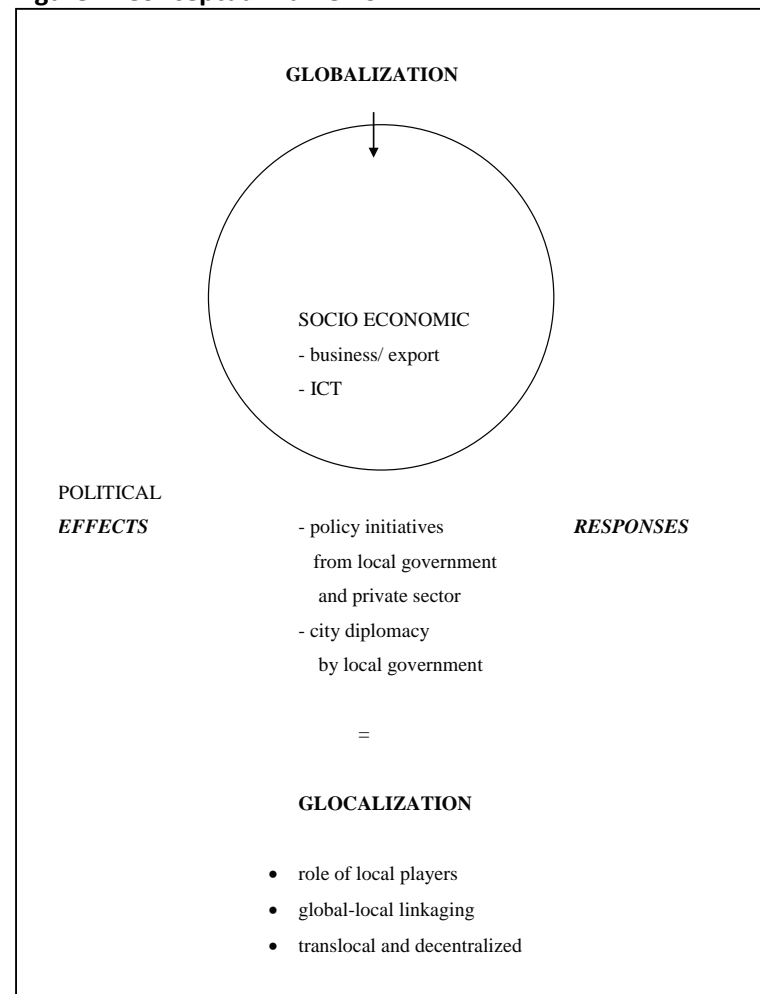
Globalization has encouraged the growth of additional loci of governance besides the state [and] the spread of additional forms of community besides the nation (Scholte 2000). It has paved the way for multilayered public governance in which there is a widespread devolution of competences from state to substate governance, increased transborder collaboration between substate authorities, proliferation and growth of multilateral regional regimes, and expanded role of transworld institutions and global laws.

The following diagram illustrates the framework used in the study (see Figure 1). As shown below, globalization produces effects on and responses from localities. These are felt in a socioeconomic and political sense and by different sectors (e.g., government and the private sector). The developments brought about by globalization in the domestic environment could lead to a process of glocalization in which the role of local players are emphasized, linking internally and externally is intensified and, responses are translocal and decentralized shown in the bullet points under glocalization. These manifest glocalization as indicated in the study.

The framework covers the socioeconomic and political aspects of local responses to globalization. On the socioeconomic level, the responses of the business, export, and ICT sectors in Cebu are identified. On the political level, policy initiatives by said sectors as well as the local government’s conduct of city diplomacy are examined. The responses to the challenges of globalization both in the local government and private sector are taken within the context of their own separate systems and environments (public and private). This is so because it is argued that with globalization, governance becomes multilayered and privatized. However independent the responses may be as they deal with issues concerning their own domains, they address the same concern – that is, to adapt to the demands of a globalizing world.

The framework supports the argument that that globalization has encouraged the privatization of governance – that is, increased regulatory activity through nonofficial channels, the use of nonofficial agencies to implement public policies, the expanded involvement of civic associations in official policy formulation,

<sup>3</sup>Supraterritoriality involves increased liberalization in the flow of goods and services, advanced communication through technology and intensified cultural mixing across geographic boundaries.

**Figure 1. Conceptual framework**

and the considerable construction of regulations by nonofficial bodies (Scholte 2000).

Such conditions can also be related to the concept of glocalization in which local players take on a greater role in the decisionmaking process given increased global-local interaction. Through ICT, glocalized networks emerge, operating more independently of their surrounding environment. Wellman (n.d.) posits that “glocalized

connectivity affords fluid systems for using ramified networks to access resources at work and in the community: material, cognitive, and influential...the very fact of their ties to other networks will be resources, creating the possibility of linkage, trade and cooperation.”

These are, therefore, tied up with the following indicators that would characterize glocalization, namely: (1) the role of local players as key agents in forwarding development activities; (2) global-local linking; and (3) the translocal and decentralized nature of responses.

The role of local players in the globalization/glocalization process is seen in the policy initiatives on the political and economic fronts. The private sector and local government share in responding to challenges and opportunities posed by this process. One such response is in seizing the opportunity to expand domestic and foreign linkages which emerges out of a more open environment.

### Scope, research context, and methods

Globalization has far-reaching effects on different sectors of society. This study, however, focuses only on the selected sectors, namely, business, export, and ICT. The study deals with policy initiatives from these sectors as responses in the light of changing global conditions. Local government responses are also included insofar its conduct of city or trans-state diplomacy is concerned.

A combination of *etic* (outsider) and *emic* (insider) approaches were adopted in the research, using participant observation, key informant interviews, and documentary analysis.

The study was undertaken in two major phases. The first phase involved a survey of literature regarding the concepts of globalization and glocalization. The second phase comprised field research. Data on Region VII/Cebu examined within a five-year period included: (1) volume of foreign investments and export trade; (2) number of sister-city or twinning agreements forged by the local government; and (3) policy initiatives made by selected private sector organizations pertaining to business and ICT development. Foreign and domestic politico-security developments were also considered as a variable as they affect local institutions and operations.



Key informant interviews were conducted among representatives from the business, export sectors, and nonprofit organizations in Cebu City during the first two quarters of 2004. The questions asked were about perceptions of what globalization is and how selected sectors have addressed its impact.

The focus of discussion in this study is on the city level to include the initiatives of both local government and private sector organizations. However, statistics on trade, industry, and exports for Cebu go beyond the city level as data recorded also include the metropolitan area and the province according to key informants.

## Profile of Cebu

### *Historical background*

Located at the center of the archipelago, Cebu has been a hub for trade and commerce since the 1860s. Globalization has been taking place here, given its exposure to trade and commercial activities, as early as the 19<sup>th</sup> century.

The opening of Cebu port to international trade in 1863, by virtue of a royal decree issued on July 30, 1860, recorded as one of the local events that stimulated trade and brought Cebu into trade with English, US, and Spanish ports. In the early 1860s, Cebu acquired increased importance as an emporium for Visayan products and successfully retained this position into the 1880s. As a regional emporium, Cebu ships brought sugar and tobacco from Bohol, rice from Panay, abaca from Mindanao and Leyte, and coffee, wax, and mother-of-pearl from Northern Mindanao. Some of these goods were retailed in Cebu, others exported to Manila, and still others exported directly to foreign ports (Sy 1996).

Foreign commercial houses which were set up in the mid-1860s also played a dominant role in the economic life of Cebuanos. British and American export firms infused skills and resources (e.g., capital loaned to local entrepreneurs) to the local economy. Economic expansion was felt as business organizations proliferated. It was noted that in general a symbiotic relationship existed between the large foreign firms and the local companies, an example of which in the late 1800s

was the La Compania de Barcos Costeros with the British commercial firm MacLeod and Company as major stockholder and 16 Cebu city merchants as other stockholders (Sy 1996).

Since then, Cebu City has evolved into one of the fast-growing urban areas in the Philippines outside Metro Manila. Its strategic location in Central Visayas has allowed it to become a regional center for trade, commerce, transportation, culture, and education. Eighty percent of the country's interisland shipping capacity is based in Cebu, which is also known as the tourism gateway for central and southern Philippines. As a hub, it likewise experienced a high degree of in-migration from the rest of the Visayas and Mindanao. Its stable peace and order situation, proactive local government, assertive civil society, and strong private sector contributed to its growth as the premier city of the South.

### *Sociopolitical profile*

Cebu Island has an estimated population of three million, 50 percent of which is in Metro Cebu. As the educational hub of central and southern Philippines, it boasts of over 25 tertiary institutions, which help provide skilled and efficient workforce in the region. As of 2001, the employment rate in the Central Visayas Region (which includes Cebu, Negros Oriental, Bohol, and Siquijor) was 87.9 percent. Cebu Province has 48 municipalities, six congressional districts, three component cities (i.e., Lapu-Lapu, Danao, and Toledo), two highly urbanized cities (i.e., Cebu and Mandaue), and 1,122 barangays. Of the 73 barangays comprising the Cebu City, 30 are categorized as mountain barangays with land areas totaling 27,797 hectares.

In the 2003 competitiveness ranking of Philippine cities by the Asian Institute of Management Policy Center, Cebu City ranked 5<sup>th</sup> among the metro cities.<sup>4</sup> The drivers of competitiveness and which served as the ranking criteria were: (1) cost of doing business; (2) dynamism of local economy; (3) linkages and accessibility; (4) human resources and training; (5) infrastructure; (6) responsiveness of LGU; and (7) quality of life. Compared to the other cities, Cebu City's noted strengths are its dynamic local economy, human resource base, and competitiveness in linkages and accessibility. Its weaknesses are in the areas of infrastructure

<sup>4</sup> Marikina ranked 1st, Pasig 2nd, Davao 3rd, and Makati 4th.

and quality of life (i.e., low road density, low number of internet service providers, unreliable water and power supply).

### *Economic profile*

Despite its economic potential, Cebu has not been spared from factors that caused a slowdown in the overall national economy. In recent times, political uncertainties, a weakening peso, the war in Iraq, domestic terrorism – have one way or the other affected the performance of its economy.

A look at the trade and industry indicators shows the following trends:

For the period 1995–2000, the number of new business establishments registered with DTI decreased from 6,000 in 1995 to 5,684 in 2000. The number of Securities and Exchange Commission-registered companies also decreased from 753 in 1995 to 672 in 2000.

The balance of trade, however, increased from PHP 228,319 in 1995 to PHP 1,546.04 million in 2000, with exports reaching PHP 2,812.08 in 2000 from PHP 1,382.23 in 1995, higher than imports amounting from PHP 1,191.12 in 1995 to PHP 1,265.96 in 2000 (Table 1).

Traditional manufacturing in the furniture and handicrafts sectors has been overtaken by advanced high technology industries (Table 2). Most of these are export-oriented and foreign-owned. The largest markets are USA and Japan (Table 3). Cebu's track record is impressive, with an export list topped by semiconductors, electronic watches, electrical equipment, cameras, and furniture. Total export sales exceeded US\$2.0 billion in 1998, representing close to 7 percent of total Philippine exports. Exports have been increasing at an average rate of more than 12 percent over the past five years.

Based on figures from the PHILEXPORT, Central Visayas contributes a nine percent (9%) average share to total Philippine exports and a 10 percent average increase per year. Cebu has generated an average of US\$2.08 billion or PHP 157 billion export revenue per year.

Because of its location, geographical features, culture, and hotel and transportation facilities, Cebu is also known for its tourism industry. Foreign tourism, in particular, grew at a faster rate in Cebu Province compared to the rest of country in the first four months of 2004.

The top 10 countries that visited Cebu as of 2001, yearly visitor arrivals by country from 1997–2001 (Table 4), and purpose of visit are shown in Figures 2 and 3.

The DOT's Region 7 figures show that the growth rate of foreign tourists visiting Cebu from January to April 2004 was 27.52 percent, which was equivalent to 113,263 tourists compared to 88,822 in January to April 2003. In contrast, the number of foreign travelers who visited the Philippines in 2004 grew just 24.3 percent, which translated to 771,569 from 20,966 in 2003. Figures also suggest that Cebu Province absorbed 15 percent of all the foreign travelers who visited the country. According to the NSCB, among the 79 provinces in the Philippines, Cebu ranked number one in foreign tourist arrivals

**Table 1. Trade and industry trends in Cebu Province**  
**Cebu Province: CY 1995 – 2000**

INDICATORS	1995	1996	1997	1998	1999	2000
<b>A. INVESTMENTS</b>						
New Business Establishments Registered with DTI	6,000	8,861	6,001	6,814	7,387	5,684
No. SEC-registered Corporations	753	768	947	604	655	672
<b>B. BALANCE OF TRADE (P Million)</b>						
Value of Exports	1,382.23	1,632.74	1,887	2,036.00	2,407.57	2,812.00
Value of Imports	1,191.12	967.88	866	707.58	986.10	1,265.96
Balance of Trade	228.319	664.86	1021	1,328.42	1,421.47	1,546.04

Compiled by: DTI-Cebu Management Information Service & InfoNet7  
Source: [www.dticebu.net.ph](http://www.dticebu.net.ph)

**Table 2. Cebu's top exports as of 2002**

<b>2002</b>	<b>% to total exports</b>
Electronics	39.14
Other industrial Goods	13.21
Furniture	7.77
Electrical Equipment	6.69
Gift, Toys and Housewares	4.94
Fashion Accessories	4.25
Marine Products	4.11
Garments	2.71
Steel / Metal Products	2.05
Vehicles, Machinery Parts	1.35

Source: www.dticebu.net.ph

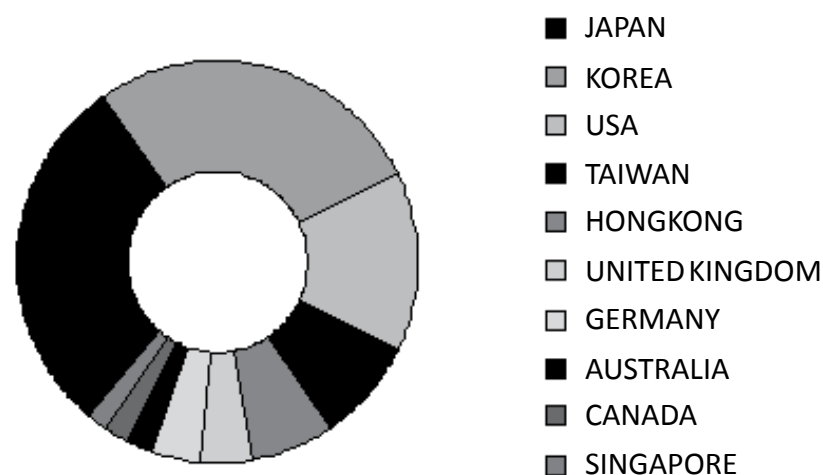
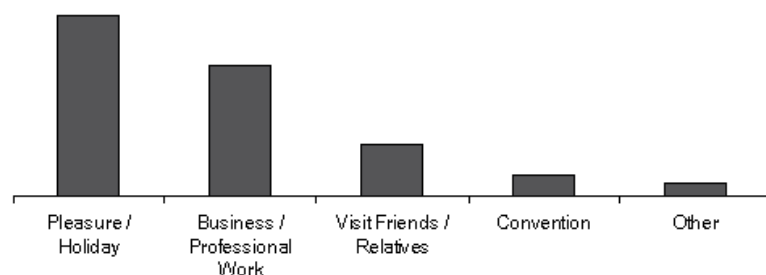
**Table 3. Cebu's top markets**

<b>2002</b>	<b>% to total exports</b>
USA	16.77
Japan	14.55
HongKong	9.98
Singapore	3.22
Australia	3.17
Belgium	2.69
Taiwan	1.72
United Kingdom	1.64
China	1.48
Thailand	1.16

Source: www.philexportcebu.org

**Table 4. Yearly visitor arrivals by country of residence (1997–2001)**

<b>COUNTRY OF RESIDENCE</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
ASEAN	23,512	13,634	14,866	12,655	7,507
East Asia	160,214	134,699	154,567	182,406	171,886
South Asia	1,047	1,084	1,297	1,326	666
Middle East	1,247	1,453	1,695	1,837	828
North America	27,506	34,274	37,258	43,194	38,172
Central America	129	160	291	271	
South America	292	346	456	319	
Western Europe	19,000	20,010	19,771	18,340	25,923
Northern Europe	11,615	13,761	14,628	14,438	
Southern Europe	3,311	3,048	3,114	3,657	
Eastern Europe	507	667	703	372	
Oceania	8,191	8,325	8,241	7,348	5,954
Africa	104	280	326	275	
Others	18,687	9,402	8,762	7,845	19,114
Balikbayan	2,252	1,751	1,395	1,904	3,826
Total Int'l. Arrivals	277,614	242,894	267,370	296,187	273,876
Total Domestic Arrivals	380,031	391,847	421,073	527,311	543,497
<b>Grand Total</b>	<b>657,645</b>	<b>634,741</b>	<b>688,443</b>	<b>823,498</b>	<b>817,373</b>

**Figure 2. Top 10 countries visiting Cebu in 2001****Figure 3. Purpose of visit**

Source: NEDA-7, [www.neda7.net.ph](http://www.neda7.net.ph)

in 2000, receiving 294,282 foreign guests. Koreans and Japanese were the top foreign travelers to Cebu in 2004, bringing 31,195 travelers each during the January to April period. Together they accounted for 55 percent of foreign tourists in Cebu (Sun Star 2004).

Tourism is also linked to business and export promotion, as foreigners also pour investments into Cebu, seeing the potential of doing business in the province. Some foreigners (e.g., British, Japanese,

Koreans) eventually decided to live and establish businesses in Cebu after first coming in as tourists. In addition, tourism also leads to other home-grown businesses (e.g., souvenir shops, shell craft, etc.), which serve as livelihoods among locals.

### Globalization and national initiatives

The trends in globalization have far-reaching effects on the national and local levels. These trends include reduced constraints on flows of goods, services, and capital across regions and the rise of cross-border exchanges and inter linkages. Sholte (2000) notes that the growth in suprateritorial relations between people has encouraged capitalist extension of activities, information industries, as well as consumerism. The process has led to an increased initiative by substate and nonstate agencies, which tend to diffuse regulation.

In this light, the Philippine government has embarked on a number of policy initiatives that reinforce globalization and glocalization, as these initiatives seek to bolster Philippine participation in the global economy. Among these are:

- The Export Development Act of 1994, which mandates government and the private sector to jointly promote exports as a focal strategy for development;
- The Investment Priorities Plan of 2000, which seeks to achieve countrywide development through globally competitive industries;
- The Philippine Electronic Commerce Act of 2000 (based on the model law on electronic commerce drafted by the United Nations Commission for International Trade Law), which provides for the legal infrastructure for online transactions in the country and prepares the Philippines's full participation in global e-commerce; and
- The Special Economic Zone Act of 1991, which established the legal framework and mechanisms for special economic zones (ecozones), and provides for the development of information technology parks, to attract locators in various regions of the country.

### ***Mactan Export Processing Zone***

The setting up of economic zones or industrial estates is a major strategy to spur development outside Metro Manila. Special economic zones have been established to encourage foreign investments and exports. They provide incentives such as income tax holidays and duty-free importation of equipment, and put all the physical and administrative infrastructure necessary for business on site.

One example of this is the Mactan Export Processing Zone (MEPZ), which has drawn most of the region's export-oriented foreign direct investments (FDIs). The MEPZ was started in 1979 and is considered as one of the successful export zones in the country. Initially comprising an area of 120 hectares, it has added 90 more hectares to accommodate new locators covering a wide range of industries such as electronics, computers, metals, chemicals, garments, furniture, precision instruments, jewelry, plastic products, and communication. Regulated by the PEZA, the MEPZ has accelerated investments in Cebu as seen in the increase in the number of locators contributing to Cebu's FDIs.

Having the MEPZ as a model, similar industrial zones have been developed around the Cebu Island, namely, the West Cebu Industrial Park in Balamban, Asiatown I.T. Park in Lahug, Cebu Light Industrial Park in Lapu-Lapu City, New Cebu Township One/Cebu Techno Park in Naga, and Cebu South Reclamation Properties in South Coastal, Cebu City.

In MEPZ I and II, total exports amounted to USD 1,919 million in 2000 from USD 895.95 in 1995. MEPZ I, the first ecozone, and one of the most successful, in the Philippines, had 109 companies in operation, employing close to 40,000 workers. MEPZ's value of exports contributes almost two-thirds of Cebu's total exports. Its balance of trade showed an upward trend in a five-year period from USD 114.65 in 1995 to USD 927.00 in 2000.

The Cebu Investment Promotions Center 10-Year Report shows an increase from nine FDIs in 1978 to 270 in 2002, with an average growth rate of 17.8 percent. The uptrend was sustained despite tumultuous periods such as the EDSA Revolution in 1986, with 17 FDIs registered during that year, and the Asian financial crisis, with 196

FDIs set up between 1996 to 1998. Despite domestic and international crises, Cebu's figures continue to show an uptrend. This may be due to a combination of factors — a responsive local government, an aggressive business community, and a general orientation and mindset that looks at opportunity amidst crisis.

The uptrend in PEZA-registered investments and number of firms at the Cebu's economic zones are as shown in Table 5.

### **Local responses to globalization: export, business, and ICT sectors**

The study mainly focuses on the business, export, and ICT sectors as these have largely felt the impact of globalization. In view of this, said sectors have also been active in finding ways to respond to the opportunities and challenges brought about by this process.

**Table 5. PEZA-registered investments in Cebu**

	1999	2000	2001	2002	2003		
Investments (PHP Million)	157.88	2,691.00	1,621.00	DNA	4,290.00		
Total Exports (US\$ Million)	1,626.37	1,919.00	1,755.72	1,775.77	1,868.36		
Total Exports (US\$ Million)	697.78	992.00	1,333.11	1,208.33	739.84		
NA – data not available							
No. of Firms							
Ecozone	1997	1998	1999	2000	2001	2002	2003
MEPZ I	101	103	103	109	108	108	107
MEPZ II	14	19	25	32	37	40	39
New Cebu Township	2	1	1	1	1('01)	2 ('02)	('03)
West Cebu Industrial Park	5	5	5	5	5	5	5
Cebu Light Industrial Park					1	1	4
Asiatown IT Park						2	6

Source: Cebu Economic Factbook 2003

### *Initiatives of the export sector and PHILEXPORT*

Mandated by the Export Development Act of 1994, the Confederation of Philippine Exporters Foundation Cebu, Incorporated (PHILEXPORT Cebu) became the primary umbrella organization of exporters in Central Visayas. As the largest multi-sectoral export group in the region, it represents the voice of the exporters and concerns itself with matters of common interest among member industries and sectors.

PHILEXPORT Cebu performs the essential roles of providing leadership and direction to the exporting community; the fielding of a common vision for Cebu's export industry through which the various export sectors are unified; the facilitation of strategic agreements on issues vital to the exporting community; the upkeep of productivity and professionalism, and the advocacy for legislation that sustains a favorable export climate in Cebu.

Pursuant to these roles, the organization maintains a 13-fold program of service encompassing all the elements essential for a thriving export industry in Cebu, namely, which includes: a one-stop export documentation center, export development act accreditation, endorsement to trade fairs, organization of trade shows and missions, community integration projects, market information and membership database, government and institutional linkages, industry strengthening, business advisory and export-related information, technical and management training and policy advocacy.

PHILEXPORT Cebu continuously guards against policy developments detrimental to the growth of the export sector and the national economy. Conversely, the organization rallies behind measures which would result in a better socio-economic climate. Thus, representations have been made on the foreign exchange situation, labor, energy and infrastructure. The organization has taken positions on legislative bills and other government policies. PHILEXPORT Cebu initiated the creation of the Save Ce-Boom Council and organized the Exporters' Congress as venues for policy discussions.

As part of its policy advocacy, PHILEXPORT Cebu carries "the voice of the exporting community in the formulation and

implementation of frame conditions (legislation, export climate, etc.) favorable to the sustained growth and development of the export industry in Cebu."<sup>5</sup>

To keep track of market opportunities for the local export sector, PHILEXPORT Cebu organized in 2003 a market intelligence seminars in Cebu City in collaboration with the Dutch government's development agency, the Center for the Promotion of Imports from Developing Countries and the UNCTAD/World Trade Organization (WTO)'s International Trade Center in Geneva to capacitate the market information officers of business support organization in the Visayas and Mindanao in gathering market intelligence using the Internet.

The latest information-gathering trends and tips on helpful websites as well as models of information-related services of successful business chambers in Western Europe and developing countries were presented during the event to serve as standards by which export chambers in the Visayas and Mindanao may develop their future membership information services (PHILEXPORT n.d.)

PHILEXPORT Cebu also forged a partnership with Interactive Design to offer web-related services to its members. Based on a recently held export industry-wide consultation, exporters asserted that for market linkage and information to be made faster and easier to access, harnessing the latest ICT developments should become standard operating procedures. In this regard, having at least a company website is a must and urgent for an organization like PHILEXPORT and its members.

PHILEXPORT Cebu and its allied organizations are one in advocating the use of Internet technology for its members. They were encouraged to change their mindsets so they could take advantage of faster and cheaper means of communication that the Internet and its related technology have to offer with regard to their market information and linkage needs.

PHILEXPORT Cebu president Alan Suarez said globalization has definitely affected the local export industry. Cebu experienced

<sup>5</sup>www.philexportcebu.org

globalization early on in its history when trading of copra was still the main economic activity on the island province. Because of the outward-looking orientation of the people, adjusting to this global phenomenon may not be difficult. All it takes is changing the people's mindset and defining the strengths and weaknesses of the local economy, he said. Business is quick to adapt to the changing environment.

According to Suarez, government policy should be attuned to these developments and should act fast. A problem which the export sector faces is in coordinating with government plagued by bureaucratic inefficiencies. Among the issues in the local export sector that PHILEXPORT Cebu seeks to address are as follows:

- Proliferation of foreign flags engaged in illegal coastwide trade, especially in Palawan, which deprives legitimate food exporters much-needed raw materials like fish, crustaceans, and cephalopods. For the DTI and all concerned agencies to find ways to curb the situation.
- Depletion of natural resources (e.g., shells and fibers) leading to unstable prices of these raw materials. PHILEXPORT Cebu proposed a program to manage natural resources of certain materials (i.e., culture of particular shells or propagation of plants and trees that produce useful fibers).
- Nonavailment of the provision on fashion accessories exports under the Jewelry Industry Development Act. As such the Export Development Council and DOF must amend existing implementing rules and regulations to remove the requirements for Cebu exporters to get endorsement from the DOF's central office in Manila.
- High cost of international trade fair participation. The DTI and the Center to International Trade Expositions and Missions must increase export promotion by subsidizing participation in identified international trade fairs where Philippine products have an advantage as exemplified by many Asian countries.
- Additional fees on top of usual importation fees affecting the furniture sector. The BOC needs to conduct a review on whether the additional fees are legitimate.

A pressing issue facing Cebu exporters is the International Ship and Port Facility Security (ISPS) Code, which came about as a result of the 9/11 terrorist attacks. The ISPS, which the Philippines adopted alongside 165 contracting governments, aims to establish an international framework involving cooperation between port facilities of all contracting governments to detect security threats and take preventive measures against security incidents affecting ships or port facilities used in international trade.

The implication of the ISPS on to business is that when ship calls on an ISPS-compliant port, it will be subjected to stringent security measures based on the Code. As it is, the Cebu International Port has yet to be ISPS-compliant. Companies serving the US market will be hardest hit with the United States bent on enforcing the Code by July 1, 2004. With the US as the Philippines's main export market (since the majority of the country's export products are shipped there annually), "noncompliance to this requirement will invariably snuff the life out of the Philippine economy as international ships will be forced to stop calling on the ports of Cebu. Exportation and importation in Cebu then will surely come to a halt. It is possible that some 200,000 workers will be put out of work, businesses can close and export revenues amounting to more than USD 3 billion in Cebu alone for the past year will be lost."

As a response to this issue, PHILEXPORT Cebu has undertaken to inform and lobby with local authorities, government agencies, and its constituents about the urgency and importance of this issue.

### *Initiatives of the business sector and the CCCI*

The Cebu Chamber of Commerce and Industry (CCCI)'s mission is to lead market opportunities for local business. As the voice of business in Cebu, it seeks to initiate and influence the development plans of government affecting business; promote and institutionalize linkages between the Cebu business community with domestic as well as foreign organizations, and strengthen the skills, capabilities, and resources of the organization as well as its members and the business community.

To promote business and enterprises development, especially among small and medium enterprises, the CCCI regularly conducts: (1) trade promotions, fairs and exhibits giving emphasis to small and medium enterprises in exploring a wide range of local and international markets; (2) trade missions to explore international business linkages; and (3) seminars, training, and fora on ICT, marketing and family business management, negotiation skills, sales, regional linkages, and health care to prepare them for an increasingly competitive business environment in the global arena.

According to CCCI president Robert Go, the effect of the GATT/WTO agreement attendant to globalization is most palpable in the retail and manufacturing sectors. The flooding in of cheap Chinese goods has led to the closure of some long-established manufacturers in Cebu. Unfortunately, production costs, including electricity and labor, are still high. Government has yet to address infrastructure problems to help make local businesses more competitive.

The Chamber has institutionalized a strong advocacy program that upholds the cause of business and continuously works to create an environment conducive to the growth and development of a competent entrepreneurship base. In this year's Cebu Business Month, for instance, activities point to two opportunities for local business to harness given the global environment – tourism and ICT.

Such a program is helping the local business community participate meaningfully in fostering the socioeconomic growth of the metropolis. This is made possible through consultations, dialogues, and lobbying with concerned institutions, government agencies, and local government units. Good government relations have enabled the Chamber to take a very active part in numerous programs and projects affecting business and industry as well as in the legislation process.

Through the years, the CCCI has covered a wide area of multisectoral concerns that affect business such as taxation, utilities, infrastructure, transportation, solid waste management, traffic, anti-smuggling, peace and order, and the environment.

Some of the issues addressed by the CCCI through its policy advocacy include:

*Taxation.* A position paper was drawn up requesting the Cebu City government to address delinquency payments of realty taxes, the lack of due process that prevents the city from collecting delinquency payments, and validity of realty tax clearance issued by the city treasurer, among others.

*Utilities.* A manifesto requesting exclusion from the universal levy imposed on all entities maintaining generation facilities as standby power systems was drafted. The CCCI recommended that the imposition of the universal levy shall exclude or exempt entities maintaining generation facilities solely as standby power system dedicated to serve the end-users' own consumption or internal use in times of power failure and/or deficiency. (indent first line "Utilities" to make it consistent with the rest of the subtopics/paragraphs.)

*Tariff.* The ceramic industry petitioned against the importation of ceramic wall and floor tiles. The CCCI opposed any move to impose any tariff increase on any imported products or implement any punitive duty on tiles or cement in light of world trade liberalization.

*Transportation.* Proposed increase of not less than PHP 3.571 per nautical mile for passenger rates and 30 percent on the indicative regulated cargo rates on the Visayas Island.

A resolution requesting the President to pass a law creating the Metro Cebu Traffic Authority (MCTA) was also passed. It was deemed that the creation of the MCTA would address the serious traffic problem in Metro Cebu more efficiently and effectively through planning, supervision and coordination among local government units of Metro Cebu and various agencies.

*Others.* A regional consultation among Cebu employers with the theme, "Global Compact Initiative, Reaching Out and Making it Work," was conducted to generate ideas and insights on the establishment of a multisectoral Global Compact Initiative committees in the regions.



A resolution was also passed expressing Cebu business' commitment to support the global framework promoting sustainable growth and good citizenship through committed and creative corporate leadership. The CCCI and its affiliate associations have unanimously agreed to commit themselves to the nine principles governing the Global Compact Agenda protecting internationally proclaimed human rights, labor standards and environmental initiatives ([www.esprint.com/-ccci](http://www.esprint.com/-ccci)).

### ICT Sector

The globalization of knowledge has led to many possibilities in the local economy. Growth in the electronics industry has paved the way for faster and wider ICT diffusion in Cebu. Cebu's ICT profile indicates the potential in this sector, as shown in Table 6a and Table 6b.

**Table 6a. Cebu's ICT profile**

Type of ICT Organization:	Number
⊕ Internet Service Providers	21
⊕ Internet Cafes	315
⊕ Software Developers	38
Employees of Software Developers	1,900
No. of Registered Internet Subscribers	42,000
Estimated Internet Users	100,000

**Table 6b. Number of ICT providers in Cebu**

Communications	Number of Providers
⊕ Land-based lines	21
⊕ Mobile phones	315
⊕ Pagers	38
⊕ ISPs	21
⊕ Telex/Fax	6
⊕ VSAT	2
⊕ International Gateway	1

Source: [www.dticebu.net.ph](http://www.dticebu.net.ph)

The local government and private sector are gradually transforming the city into the country's ICT hub. There are a number of reasons why Cebu has the potential for becoming the Philippines's software and e-services hub are: (1) Software development is a core strength with a number of small and medium I.T. enterprises forming the backbone of the industry; (2) an I.T. Park was set up to house companies investing in ICT services; (3) the city's location, infrastructure, amenities, and stable economic and political environment make it a preferred site for investment and expansion; and (4) Cebu's IT graduates base at an estimated 2,200 per year remains stable and is expected to increase to 30,000 in the next five to seven years to cope with the growing demand in the industry.

The demand for broadband Internet, virtual private networks, and international leased lines in Cebu has also increased recently with the entry of call service providers in the city. Other companies engaged in business process outsourcing, software development, animation, and medical transcription have also contributed to the growth of the ICT industry in Cebu (*The Freeman* 2004).

Industry organizations and the business sector are currently consolidating various ICT initiatives to realize the objective of making Cebu an e-services hub. An ICT industry working group, composed of representatives from government agencies like the BOI and the NCC, and ICT organizations like the CyberPromdi and Cebu Education Development for Information Technology (CEDFIT), and private sector companies, was organized into the Regional Information Technology and E-Commerce Council to work alongside the national advisory body — the Information Technology and E-commerce Council (ITECC) — in pushing for the use and development of ICT in the region.

In 2001, the Cebu IT Summit brought together government agencies, local government, venture capitalists, the academe, and private sector organizations to map out strategies for ICT development in Cebu. An outcome of the summit was the creation of the CEDFIT, consisting of educational institutions and IT companies committed to improving the number and quality of IT graduates in Cebu to meet foreign and local demands.

Local ICT initiatives to improve service delivery to the public have also been started. E-government is gradually implemented by the city government in building up information systems. Some private sector and nongovernment organizations (NGOs) have also initiated measures such as the Barangay.Net project by the Barangay.Net Alliance, Inc., and Community Information Centers by World Corps Volunteers to introduce ICT to the barangay or grassroots level. These projects were aimed at improving delivery of basic services in the barangay and assisting in livelihood through the use of ICT.

### *City government initiatives*

Part of the local government response to the demands of a changing, glocalizing environment is to make its internal systems more efficient. Under Mayor Tomas Osmena's administration, emphasis was given to improving the performance of the internal and external offices of the city government. Toward this end, two significant undertakings were implemented — the Services and Procedures Rationalization and Improvement in Government (SPRING) Program and the computerization program. SPRING involves drawing up case studies through documentation and analysis to improve internal systems. In-house seminars and workshops lead to the creation of service manuals in offices such as the city budget office, city accounting office, engineering and public works, internal control office, supply office, and management information and computer services department. By documenting and analyzing the flow of procedures in each office, the unit involved is able to examine its own work processes, and to set up its own performance evaluation indicators.

Another important initiative is the city government's computerization drive, which began in 1994. Initially, computerization was introduced in real property assessments and payments. The first-ever one-stop shop for business permits renewal was organized. As a result, Cebu received the *Galing Pook* award in the field of local government tax computerization.

In 1997, a Local Area Network was set up for the accounting, budget and financial departments. The city government also provided

technical support for the Department of Education Culture and Sports regional office's Wide Area Network computer literacy program for the city's public schools. Window-based applications were consequently developed in 1999 for personnel information, procurement, property inventory, Government Service Insurance System remittance, and civil registry systems. By 2002, the city's official website was re-launched.

Other systems developed were as follows:

- The Geographic Information System, providing detailed data on Cebu which helps the information needs of citizens and city officials in planning and decisionmaking;
- The Office of Senior Citizens Affairs Information System, which has a database of registered senior citizens residing in Cebu City, and is useful in planning and implementing projects and services for senior citizens of Cebu City;
- The Human Resource Information Systems, which maintains a database of city government employees information, service records and leave records;
- "Know Your Precinct Number" facility for Cebu City-registered voters in the May 2004 national elections, which allowed them to determine their precinct assignments by logging on to the Cebu City government website or inquiring from the public assistance or help desk for those without Internet access; and
- Demographic survey to determine the basic services for the urban poor constituents of the city.

Computerization of administrative functions resulted in the increase of the city's income, rationalized the planning and decisionmaking process of executives, and minimized the delays in the delivery of services. The civil registry information system, for example, sped up the release of documents, increased the collection of civil registration fees, minimized fixing and document deterioration, and increased efficiency in problem resolution (MICS document n.d.)

### *Local and international networking*

Cebu is able to spread and learn more about capability-building measures from other local government units (LGUs) by networking. Trainings

and sharing of best practices through the SPRING program are held in other LGUs such as, Iligan, Bohol, and Naga City. Representatives from the Cebu City government are also sent to other LGUs (e.g., Quezon City and Antipolo in Luzon) to meet with counterparts and learn about areas that they have successfully addressed.

An example of the advantage of networking is the holding of the Solid Waste Management Best Practices Symposium on May 27–28, 2003 in Cebu City, sponsored by the International Resource Cities Program and the city government. This was born out of a technical exchange between the city of Fort Collins in Colorado, USA and Cebu City to improve solid waste management, a major concern in Cebu City. Emphasis was on applying source separation (segregation) and recycling strategies to reduce the amount of waste placed in landfills.

The symposium showed the right elements to sustainable change in waste prevention were already existing in Cebu, namely: (1) the high level of awareness of the issue in the LGU; (2) strong institutional framework — with NGOs devoting time and resources to solid waste issues; (3) the Solid Waste Management Board; (5) international partners, including potential ones. It was also determined that community involvement could be readily tapped for waste segregation and recycling, the benefits of which included creating new jobs and attracting investors in processing plants using recycled materials in the manufacture of new products, all of which should boost the local economy.

### *City/Transborder diplomacy*

With local governments acquiring more autonomy, transborder diplomacy develops through direct transborder contacts with counterparts abroad.

Since the 1960s, Cebu had started establishing links with other cities, starting with Kaohsiung, Taiwan, following the signing of a Memorandum of Goodwill by then Mayor Sergio Osmena, Sr. This was followed by similar agreements during the first term of Mayor Tomas Osmena (1995–1998). To date, Cebu City has increased the

number of its sister-cities, including: Harlemermeer, the Netherlands; Seattle, Washington; Honolulu, Hawaii; Salinas City, California; Xiamen, People's Republic of China; Sevilla, Spain; Guadalajara, Mexico; Punta Arenas, Chile; Ngiwal, Palau; Yochon, South Korea; Parramatta, Australia; Vladisvostok, Russia; and Kitchener, Canada.

Among the more active arrangements are sister-city ties with: (1) Kaohsiung, in which cultural exchanges have taken place as well as an exchange of local government officials to share ideas on local administration, and a donation of vehicles from Kaohsiung for public transport; (2) Xiamen, which donated bulldozers, heavy equipment, and fire trucks to Cebu City; and (3) Harlemermeer, which donated trauma vans and ambulances to the city and helped train Cebu's emergency rescue unit on paramedic work.

The town twinning or sister-city program, which Cebu has effectively tapped, clearly provides resource inputs to the local community. Through people-to-people diplomacy, which this scheme has helped foster, the role of local communities and organizations in transborder networking is emphasized. Even the private sector and NGOs facilitate the process of cooperation abroad. A case in point is the proposed sister-city agreement between Cebu and Kortrijk, Belgium. Contact between the two city governments was facilitated by the Center for Participatory Governance, a Cebu-based NGO engaged in participatory governance in the city. City officials are now exploring possibilities of joint cooperation in the areas of mobility, waste management, children, education, and participatory planning.

Even at the provincial level, Cebu also has similar agreements, such as with Hawaii, Hainan in China, and Chullabok-do in Korea. The provincial government participates in the East Asia Interregional Tourism Forum (EATOF) founded in 1999, an international cooperation body in East Asia among provincial governments. The group seeks to encourage interprovincial tourism cooperation, work on common issues, and promote the region as a whole as a tourism destination.

The province of Cebu is a founding member of EATOF together with eight other provinces, namely, Chiang Mai Province (Thailand), Gangwon Province (Korea), Jilin Province (China),

Primorsky Territory (Russia), Sarawak Province (Malaysia), Tottori Prefecture (Japan), Tuv Province (Mongolia), and Yogyakarta Special Province (Indonesia). These provinces are represented by senior delegations of academics, tourism officials, and business people led by governors or vice-governors at the annual EATOF meeting whose venue is rotated among the members every year. There is a collective commitment to encourage further growth of EATOF and its related activities, implementation of a variety of bilateral agreements, and to broaden the future scope of interregional cooperation in the fields of tourism, culture, arts, and sports. In 2002, Cebu was host to the EATOF symposium. This helped promote Cebu and placed it on the economic and cultural map of the world.

### *Levels of interaction and partnership*

The town twinning program is an effective mechanism for LGUs to establish links both locally and internationally. Interactions may range from:

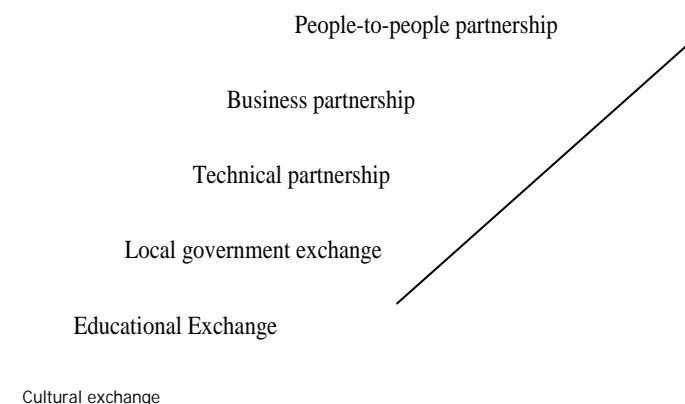
- Cultural exchange (e.g., Xiamen sending delegation to the *Sinulog* festival; Cebu sending English teachers to teach Chinese students;
- Educational exchange (e.g., Cebuano students' exposure to the school system in Honolulu);
- Technical exchange (e.g., paramedic training for Cebu City health workers by Harlemermeer experts);
- Local government administration (e.g., official visit by city mayors to share experiences in organization and management).

Representatives from the business sector usually accompany city mayors when making official visits to a sister-city or province. Business partnerships can be separately forged, with local government merely facilitating contacts. Potential town twinning arrangements may also materialize as a result of the initiative of individuals who propose the exchange through their own personal contacts and as such may later on be taken up by local officials.

The highest level of partnership is when it transcends the local government level and becomes a people-to-people partnership, with government playing only a supportive role. An example of this is the

The levels of partnership may be viewed as follows:

**Figure 4. Types and levels of partnership**



Harlemermeer Friendship Society in Cebu City, which was formed by citizens of both cities to sustain interactions and conduct their own activities, (i.e., facilitating technical assistance provision, among others) through their own initiative.

There is no data, however, indicating how twinning translates into capital infusion or investments, since there is no documentation on such partnerships. Still, Cebu City certainly benefits from it in terms of obtaining resources (i.e., equipment donations, transfer of knowledge) to meet the development needs of the local community.

### **Local impact of globalization of knowledge and global civil society**

Although globalization can pose a number of problems, it can also present opportunities. As Amidon (2003) puts it:

*"Globalization is not about defense against an enemy or competitive advantage; it is about the power of shared knowledge. The more we know about and value one another, the more we walk together. Valuing diversity and acting upon our knowledge are survival ethics for the 21st century."*

Globalization “has led to the formation of a global civil society in which civic groups and international nongovernmental organizations have linked together to press for reform creating an alliance for reducing poverty, for creating a better environment, and a global society with more social justice” (Stiglitz 2002).

Cebu’s advantage is that it has active civil society groups, NGOs, and people’s organizations, which are at the forefront of development work. These groups and organizations have their own international linkages which assist them in obtaining funds and in monitoring issues of concern (e.g., environment, women and children). Civil society representation is assured and operationalized at the city’s local development council. This serves as a venue to engage local government in ensuring transparency and accountability. With the help of their own global networks, civil society groups can strengthen capability- and institution-building in order to bringing their advocacies onto the local development agenda.

Another benefit that globalization brings is the globalization of knowledge in which processing and dissemination of information is made available to many across-cultural and geographic boundaries. An example is the globalization of healthcare information and knowledge, which empowers populations and individuals through access to delivery of effective health services, which are otherwise unavailable through inefficient system management.

Globalization of knowledge also paves the way for the growth of the ICT sector as a contributor to the national and local economy. In the case of Cebu, this is exemplified in the electronics and communications industries, which have become major sources of export revenues. Aside from the financial contribution of these industries to the economy, globalization of knowledge also leads to improvements in education, skills training, as well as efficient governance. Networking and linking is facilitated with the use of ICT. ICT education is currently being strengthened in Cebu to meet labor demand for IT professionals, both domestically and internationally. The city government has also been keen on improving its computerized information systems to make internal planning and processes more efficient. All these are triggered by the attendant effects of globalization, not only in the economic and political sense but also in the realm of knowledge and social processes.

### *Issues and problems arising from globalization*

Scholte (2000) points out one of the issues faced by metropolitan areas concerning globalization:

*“(A)lthough local government and substate authorities have gained greater autonomy from the state in the context of accelerated globalization, they have not necessarily gained greater policy initiative. After all, like states, municipal and provincial governments have faced pressures to accommodate global companies, global financial markets, and global civic associations as well as (or more than) their local constituents. In addition, substate agencies have in contemporary history had to contend not only with the state but also with new centres of suprastate governance that hold regional and transworld remits.”*

It is for this reason that Cebu private sector organizations, in particular, engage government in drawing attention to local policy imperatives because of the struggle that sometimes occur between global pressures and local interests.

There are also costs of volatility involved: “without adequate safety nets, recessions that follow from capital market liberalization lead to impoverishment,” (Stiglitz 2002). Government, therefore, needs to provide safety nets for those marginalized and ill-equipped to adjust to a globally competitive environment, namely, the rural communities, urban poor, and out-of-school youth, among others.

Another problem is how to make government more facilitative in effecting measures so that the private sector is can compete globally. This concern is expressed specifically by the local export and business community, which seeks swift implementation by government to comply with internationally, agreed standards and procedures such as those involving ISPS compliance. Bureaucratic bottlenecks have to be eased if metropolitan areas are to adjust to the demands of globalization.

### *Possible interventions*

Policy interventions are needed to meet the challenges brought about by globalization. To maximize the benefits it brings to the local economy, business, civil society, and local governments need to get their act together and direct efforts towards a common development plan. For

instance, there is a need to invest in infrastructure development, reduce the cost of doing business, simplify export procedures, and create a conducive environment for trade and investment.

An acceptance of international realities should be foremost in the minds of local policymakers. The business sector must shift focus from manufacturing to upgrading the services sector and exploring other opportunities found in ICT and tourism where Cebu may have a competitive advantage. Niche marketing for ICT-capable businesses and tourism that cater to retirees and provision of medical services is a potential thrust.

Among local governments, there is a need to solve problems on infrastructure and utilities (e.g., shortage in water supply, high power costs), arrest urban decay (e.g., problems on garbage, peace and order, squatters), and reengineer institutions. Efforts to streamline the bureaucracy entail creating a culture of transparency, flexibility, and responsiveness, which are consistent with the norms needed to effectively adapt to a globalizing and glocalizing world.

Finally, both the private sector and the LGU must draw up a collaborative program to reach sectors adversely affected by globalization (e.g., agricultural sector, unskilled labor).

### *Glocalization in the local context*

On the whole, Cebu has managed to adjust quite well to globalization. For instance, while other localities have experienced a decrease in export earnings, Cebu has registered an uptrend in recent years despite the volatile international market. The province's economic dynamism, skilled human resource base, and competitive linkages are all potential drivers of glocalization. The business community as well as the local government's outward orientation and strategic positioning in export trade and tourism reflect Cebu's adaptability to changes in the global market.

The development of a professional and skilled labor force (e.g., IT graduates) by educational institutions in Cebu has also been geared toward meeting the demands of the global market. This goes hand in hand with the efforts of civil society and private sector organizations to provide inputs for and incorporate local development needs

into policymaking processes. With the globalization of knowledge, adapting information and communication technology to community concerns is already being carried out. Transborder contacts emerge with the forging of sister-city or town twinning programs with local governments abroad. In Cebu, glocalization is manifested in the key areas of business, export trade, governance, and transborder diplomacy.

The implications of glocalization on policy include the necessity to create a decisionmaking environment where feedback and policy inputs from a wider range of stakeholders is encouraged. Multilayered governance should be embodied not merely in terms of symbolic representation by business groups or NGOs but also in functional representation to local decisionmaking bodies where suggested action plans are actually carried out. For governance to become more effective in a globalizing/glocalizing environment, devolution of competencies from local government to these other sectors need to take place.

The education possibilities for policy reform should aim not only to produce a labor force that meets global labor demands but also to provide empowerment opportunities for marginalized people (e.g., rural folk) through access to vital information. ICT as a tool offers possibilities to bridge the education gap in marginalized communities to improve health and livelihoods.

Amid possibilities for policy reform and reorientation to meet the challenge of glocalization, Cebu continues to face challenges as adjustments are made to global conditions. Swift local government responses are still called for to enable local players (e.g., the private sector) to compete globally. Application of internationally agreed standards on facilities, provision of adequate infrastructure, lowering the cost of doing business are continuing challenges. More efforts need to be exerted on the part of local administration to ensure that the benefits from globalization accrue to the rest of society. That is, to address problems of ongoing unemployment, illiteracy, and poverty.

However, lessons can be drawn from Cebu's experience in coping with the challenges brought about by globalization. Political will is

important. So is responsive leadership, both on the part of the local government and the private sector and NGOs. Cultivating an outlook that seeks out opportunities and risk taking are likewise essential in managing the glocalization process.

### Summary and conclusion

Globalization has promoted a major growth of regional and transworld governance mechanisms. As a result of this multiplication of substate and suprastate arrangements alongside regulation through states, contemporary governance has become considerably more decentralized and fragmented (Scholte 2000).

In a globalizing/glocalizing world, local players are engaged, global-local linkaging is intensified, and governance becomes decentralized.

This can be seen in the way private sector and civil society players in Cebu have taken on an active role in lobbying for solutions to local concerns. Policy initiatives have been proposed by private sector organizations such as PHILEXPORT Cebu and the CCCI, not only on sectoral issues but also on areas such as the environment, children, and peace and order.

In policymaking, aside from the bilateral institutional links of private sector organizations to government conducted through fora and dialogues, the local development council also serves a mechanism to include the voice of the private sector and civil society in the local development agenda. In Cebu City's local development council, private sector and NGO representation is close to 50 percent. In the last council, the development administration committee, for instance, was headed by the Center for Participatory Governance, an NGO working to institute participatory development planning at the barangay level. Despite this, however, much is still to be done to ensure that NGO and private sector inputs to policy are carried out.

Globalization has its benefits and challenges. For one, the globalization of knowledge has made it possible for metropolitan areas in the developing world like Cebu to capitalize on ICT to compete in the global economy. In developing this sector, further growth may accrue to the local economy in terms of revenues and

investments. For another, the globalization of knowledge allows civil society participation in tackling development issues that concern the local community. Free flow of information and networks forged, in part through the use of ICT, facilitate greater participation by a globalized civil society in governance issues. This is exemplified in the city government's efforts to address problems such as solid waste management (e.g., symposium by city government with International Resource Cities Program) and to provide better delivery of basic services (e.g., Barangay.Net) through links made locally and internationally. By linkaging, lessons learned and competencies acquired are likewise shared with other local LGUs.

Globalization's other positive impact on governance is the pressure it creates on institutions to become more transparent and accountable. This is seen in the way the city government seeks to improve its systems and procedures (e.g., through online business permits, property assessments) to curb corruption and to provide efficient service to the public.

Cebu has also undertaken transborder initiatives as it is connected to global cities. Global links with other city and provincial governments have been broadened. The various networks forged by the private sector and civil society groups have filled the gap in addressing local problems.

While globalization has positive consequences—decentralization of power, improved governance, economic efficiency and expanded communications—it also poses challenges. Negative outcomes include persistent poverty and increasing inequalities. The digital divide between the “information-rich” and “information-poor,” whether it be at a country, regional, or local level, continues to widen. In this regard, local initiatives in Cebu, spearheaded by the private sector and civil society groups, seek to address these attendant effects by providing technology and skills to disadvantaged groups such as in barangays within the city and outside of Metropolitan Cebu. Government can work with the private sector in providing safety nets for these disadvantaged groups.

Apparently, globalization and glocalization are very much what we make of it. It is not inherently good or bad but the outcomes

are largely a result of how well global opportunities are merged and accommodated into local conditions.

Cebu's glocalization experience shows that there are enabling factors that can maximize global opportunities: leadership is one, not only of the local chief executive but also of the private sector and civil society organizations that propel Cebu's development. The role of information is another. The ability to use, process, analyze data on resource inputs to the locality is extremely important. Specifically, ICT as a potent tool toward this end has been introduced at the local government but also at the grassroots level. Just as important is education that meets global labor demands coupled with a mindset that is global in orientation but grounded on local realities.

Glocalization balances off pressures from the external environment and helps attune global developments to local needs. The effective management of globalization at the local level is important for Cebu and other LGUs as they stand to gain from opportunities to enhance specific aspects of the economy as well as governance. By looking at the experiences of localities such as Cebu, other LGUs can gain insights into how to best adapt to a changing, glocalizing world.

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# E-government Initiatives of Four Philippine Cities<sup>1</sup>

6

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## Value of ICT in local governance

Cities have a strategic advantage for e-governance operations. That is, they have the needed telecommunication infrastructure, a concentration of businesses and citizens who may require public service facilitated by ICT, and a rich reservoir of technical skills and human resources. However, the presence of these components of “informatization” (or computerization) does not automatically translate into automated public services that are economical, efficient, effective, responsive to public needs, or that promote equity.

Local governments around the world deliver many services, including document processing. The volume of work related to these services, the corresponding records keeping, and the issuing of relevant documents could be made more efficient using relevant databases, geographic information systems, and other technologies. Licenses, permits, and property taxes create sources of income for local governments. This income could increase if local government instituted improvements in the assessment and calculation of the value of fees and taxes, and with better monitoring of tax evaders. Such income-generating services include the following:

- Resident services – community tax certificates, declarations of ownership of property, real property assessments, building permits, electrical permits;

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\* With thanks to Jennifer Francisco Matunding, research assistant.

- Regulation of business and professional services – business/cooperative registration, business licenses/permits, weights and measures certifications, professional practice permit, public transport franchises, billboard and signboard licenses, sanitation inspection certifications, safety inspection certification, real property assessment, statements of property values, declarations of ownership of property, electrical permits, mayor's permits;
- Civil registry – marriage licenses, marriage certificates.

Local governments provide some services and documentation needs jointly with the national and other local governments. Such services revolve around the following:

- Public safety – police clearances, crime mapping, fire prevention services, jail management, public lighting.
- In some countries, local governments have control over police, registry/monitoring of convicted sex offenders, and paroled criminals;
- Regulation of business – barangay clearances, registration of special economic zones;
- Transportation – traffic lights, road maintenance, road construction, traffic management;
- Education – construction of schools, management of public schools;
- Health – operation of public hospitals and health centers, emergency management services, regulation of water supply and quality, waste management, drainage and sewerage, quarantine, provision of public cemeteries;
- Welfare – monitoring of informal settlements, imposition of curfew, implementation of youth development and poverty alleviation programs, provision of centers for the aged and centers for drug rehabilitation;
- Economic growth – setting up of a one-stop shop for investors, investment and tourism promotion, provision of economic incentives, conduct of land use and infrastructure planning.

Information and communication technology applications have come into focus as tools for improving public service delivery. ICTs commonly used are:

- Database management systems – electronic devices and routines for the storage, retrieval, manipulation, and display of data;
- Geographic information systems (GIS) – electronic devices and routines for the storage, retrieval, manipulation, and display of geographic data;
- Networks – electronic devices and routines for the transfer of data; may be an Intranet, using a local area network, a wide area network, or the Internet;
- SMS – or short message system, which can connect to computers for storage of messages or for broadcasting messages in bulk;
- Closed circuit television – television technology connected by a network to obtain images of areas in front of television cameras; this technology is increasingly used by local governments to monitor selected areas; CCTV can be combined with biometric face recognition technology for the identification of suspects, criminals at large, and terrorists.

How local governments use these and other technologies to provide services to the public is described in this study.

### **Rationale of the study**

This study seeks to provide a snapshot of a specific type of public organization by describing its level of information production and sharing, and to learn from its experiences. In the information and knowledge age, government produces raw data and new information with more regularity than any other institution. The United Nations Division for Public Economics and Public Administration (UNDPEP) views information as being “at the heart of every policy decision, response, activity, initiative, interaction and transaction between government and citizens, government and businesses and

among governments themselves.<sup>2</sup> One may assume that ICT can improve the flow of information within government, but transforming public organizations and staff to make them willing and able to use such technologies is a complex process. Issues over funding, system maintenance, usability of systems, technical training, and increasing work demands upon staff are among the experiences of public organizations that adopt ICT.

It must be stressed that the goal of e-governance is not to be ready for ICT. ICT is only a tool for achieving public sector values of efficiency, effectiveness, equity, and responsiveness. It has the potential to improve the interaction between and among the three partners in governance – government, business, and citizens.

The basis of the study is drawn from the experiences of developed countries that lead in the use of ICT for local governance. For example, surveys in the US have been conducted to determine the level of ICT use by state governments. For example, in 2000, the International City/County Management Association (ICMA) surveyed 1,881 municipalities and 850 counties on their e-government practices. Based on the survey 83 percent of respondents reported that their city/county had a website, and 44 percent experienced increases in demands for services as a result of e-government. The survey also found that the biggest obstacles to e-government were lack of IT/web staff (66.6%), lack of financial resources (54.3%), and lack of IT/web expertise (46.7%).

ICMA repeated the survey in 2002 and found that out of 4,123 municipalities and counties, 74.2 percent had a website, and 46.4 percent reported increased demands of staff. The biggest obstacles were lack of IT/web staff (65.7%), lack of financial resources (57.1%), and lack of IT/Web expertise (46.7%). It seems that while the number of local governments surveyed increased, and the number of local governments with websites also grew during the two-year interim of the two surveys, the obstacles to e-government in 2000 were still present in 2002 – lack of IT/Web staff, lack of financial resources, and lack of IT/web expertise.

<sup>2</sup> UNDPEPA (2002).

The Digital State Survey<sup>3</sup> conducted in the United States showed how state governments experienced an increase in the use and maintenance of networks, databases, and GIS technology in the operations of state-level local governments (see Table 1). The survey contained questions, which were divided into eight categories and assigned raw scores ranging from zero to three. Each score is added up per category, and the percentages are computed per category. The final score of a state is the average across all categories.

Ratings varied significantly across five of the eight categories: taxation, social services, digital democracy, management and administration, and education show significant changes in ratings. It is difficult to make comparisons because the surveys reported added

**Table 1. Comparison of digital state surveys, 2000–2002<sup>4</sup>**

Category	2000	2001	2002
E-commerce and Business Regulation	58.54	59.5	59.5
Taxation and Revenue	68.06	78.0	74.2
Social Services	45.02	67.2	71.2 (est.)
Law Enforcement and the Courts	59.06	63.9	66.9 (est.)
Digital Democracy	67.14	82.5	Not stated
Management and Administration	70.70	76.1	Not stated
Education	64.14 (Higher Ed) 70.10 (K to 12)	86.2	74.2
GIS/Transportation	N/A	66.7	61.9
Overall Score	62.85	69.7	65.4
Number of Surveyed States	50	50	45

<sup>3</sup> Digital State Survey is conducted by the Progress and Freedom Foundation, Washington D.C. USA.

<sup>4</sup> Lassman, K. 2002. *The Digital State 2002: How State Governments Use Digital Technologies*, Washington D.C. USA: Progress and Freedom Foundation.

questions and modified categories over time. However, descriptions in the survey note that:

- *E-commerce was “remarkably consistent.”* E-commerce referred to the use of the Internet and Intranets to locate, file, and store paperwork for payments of fees and taxes, as well as for procurement and intragovernmental projects. The survey results showed that there was little change in the use of ICT for e-commerce. This may mean that e-commerce applications are relatively stable, and that once state governments have begun to use ICT for commerce, it is unlikely that these financial transactions will go back to manual record keeping.
- *Twenty states had perfect scores for taxation and revenue.* The other 30 states also had well-developed applications that enabled tax payers to receive, at the very least, online or email notification of the status of their tax compliance. Taxation applications and prompt feedback for taxpayers may also represent a stable application for Philippine cities. Not only can such applications enable local governments to track tax payments. They will also enable taxpayers to track their own payments, tax-related transactions transparent.
- *One-third of states were revisiting data storage policies.* Data storage policies included constituting commissions or boards that review state policy over the storage of and access to data, and the creation of a chief information officer or equivalent position.
- *Only one state did not have a formal group to coordinate GIS data.* At the state level, GIS was used within transportation management and road maintenance functions. Most states were dealing with multiple data layers including roads, traffic restrictions, road quality and maintenance, and traffic flow. These GIS data sets came from different state-level departments, and coordination was required to ensure that the data sets are consistent with each other, and can therefore be used together (*integrated*). Philippine cities also have many city-level offices that can independently maintain GIS data; coordination of

GIS data is therefore a consideration if there is evidence of a spreading of GIS applications.

In the Philippines, EO 265 (adopting a Government Information Systems Plan or GISP) and the provision in Republic Act 8792 (E-Commerce Law) requiring government agencies to have websites are two important policies that may have encouraged computerization and government web presence. Factors like available resources, political leadership, economic capacity, and the tendency of the private sector and civil society to use ICT also have an impact on the scope and breadth of a government's e-governance policy. What is interesting is that local governments have at times demonstrated the capacity to conduct transactions online even before the national government does.

In July 2000, by virtue of EO 265, a GISP was approved and adopted as framework and guide for all computerization efforts of key frontline and common services and operations of the government to enhance overall governance and improve the efficiency and effectiveness of the bureaucracy. The intention of the GISP was to put in place an enabling environment, policies, and appropriate institutional structures within five years of its approval, to allow for the full and unhampered implementation of the GISP. The plan envisioned government to reengineer their business processes and start the automation of their frontline services and housekeeping systems. In return the private sector was expected to respond to the enabling environment by building up its own capacity and making organization changes and investments required to provide quality ICT services to the government.

The government shall implement the GISP in three phases:

- *Phase 1: Setting up the enabling environment.* This entails formulating policies, providing incentives and guidelines; establishing technology standards, benchmarks and standards that will improve public services; improving and strengthening existing institutional structures and capacities of implementing agencies and local government units; and generating the necessary investments from the private sector, government, and other funding institutions.

- *Phase 2: Building the GISP information infrastructure.* This requires developing the necessary information and communications technology infrastructure, and reengineering the various mission-critical and public sector management business processes.
- *Phase 3: Sustaining the GISP.* This calls for defining ownership and management responsibilities, authorities, and accountabilities for each information system; developing benchmarks and indicators for evaluating project performance; and establishing a mechanism for continuous learning.

Based on the foregoing, this study looked into the e-governance capacity of four cities in the Philippines: Caloocan, Muntinlupa, Antipolo, and Tagaytay. Its objectives were: (1) to determine the level of use of ICT, and (2) to determine how the cities' computerization efforts facilitated good urban governance. The results are expected to contribute to an understanding of how cities use ICT to achieve good governance, and to assess how prepared they are to engage in the new economy.

## Methodology

This paper defines e-governance as the public sector's use of innovative information and communication technologies to deliver to all citizens better services, reliable information, and greater knowledge, which in turn should facilitate access to the governing process and encourage deeper citizen participation. It is also described as having a phased development in which a government agency must first use ICT to improve its internal operations (e-administration), then its public service delivery (e-government), before finally being able to use ICT to improve governance. This phased development is described in the framework in Chapter 3.

This paper used the case study method to focus on cities that are known to use ICT applications actively as part of their efforts to improve both the efficiency of their local governments and the interaction between the city government and its clients (mainly registered residents and businesses).

The study comprised: (1) direct observations of the city governments' systems, (2) a review of their websites, and (3) interviews

with key officials whose positions corresponded to or were closest to the post of chief information officer. In some instances, two officials were interviewed; in the case of Antipolo City, one respondent was a private citizen who managed a commercial website for the city (which did not have an official website at the time of the survey). Some questions related to outsourced GIS applications were verified with the company that developed the applications. The data was gathered from November 2003 to February 2004. Observations were finally assigned scores (using scales for each item), and analyzed along various components of e-governance.

## Summary of the results

The four cities had many similarities and differences in their e-governance initiatives. No strong pattern can be detected among the four cities, which was expected since there was no common framework underlying their decisions to use ICT. All of the cities were focused on e-administration efforts. At the time of the study, they were in the process of acquiring hardware and software, and had applications for e-administration such as those used for budget monitoring and payroll.

The cities seemed to use two approaches in their development of ICT applications —the pull and the push strategies of e-governance. Muntinlupa City was using the pull strategy by giving emphasis on its website rather than internal administrative applications. The other three were pushing towards e-government by developing specific, nonweb-based administrative applications that are not immediately accessible via the Internet.

The local governments cited ICT for contributing to accuracy of records, increases in tax collection and other incomes, and improvements in efficiency, accountability, and transparency. GIS, in particular, was credited with helping reduce the time spent for (and correspondingly the costs of undertaking) various tasks, such as inspecting property, retrieving property records, and verifying property characteristics.

Factors that may slow down ICT use for providing public service include national policies and methods for accounting online payments

through credit card payments or e-banking, the high costs of preparing a transactional website, and personnel issues such as acquiring skilled and reducing staff turnover of trained personnel. In addition, none of the cities reported any strong demands from the private sector or from citizens for online transactions, and none of them surveyed website users for desired web content.

In sum, all four cities were found to be improving their e-administration, and are good examples of the progression from e-administration to e-government. However, they have a long way to go before e-governance can be achieved, since it remains a formidable challenge at the moment.

### Limitations of the study

The study is designed to be a comprehensive survey of the ICT acquired and used by the four cities, and to connect the findings to the development of e-governance in the cities. The cities were selected based on the following: (1) They had a relatively good set of ICT applications and therefore already had some e-governance experience that can be studied; (2) They were at least willing to develop GIS applications; (3) There were no published e-government assessments of the cities and therefore the study could uncover new data.

Admittedly, four cities are not enough to draw conclusions over the pursuit of e-governance in all Philippine cities. Limitations of time and funding did not permit a survey of all cities. However, the study's methodology can be replicated in future research to cover more, or the entire, Philippine cities. The methodology can also be used to track cities over time in a longitudinal study that can be designed to show stability of e-governance applications and the relative importance of the factors studied.

### Previous ICT assessments of the Philippines

Some assessments and surveys of the Philippines have been made with regard to various aspects of e-governance. These surveys are briefly presented in this section. The general picture of the usage of ICT in the Philippines shows efforts are still concentrated in early stages of

development of applications and the proliferation of the associated physical and policy infrastructure.

### Networked Readiness Index 2003

The Networked Readiness Index<sup>5</sup> (NRI) was developed as a global framework to map out the factors and dimensions that contribute to the capacity of countries to participate in and benefit from ICT development. The NRI was applied to 102 countries in 2003. Table 2 shows the top 10 countries across the globe that emerged based on the index and the top six ASEAN countries, including the Philippines, using ICT to deliver services to the public.

**Table 2. 2003 E-readiness rankings (including top six ASEAN countries)**

2003 NRI Rank (out of 102 countries)	Country	Component/ Subindex	Rank of Philippines
1	US	<i>Environment</i>	82
2	Singapore	Market	78
3	Finland	Political and Regulatory	63
4	Sweden	Infrastructure	94
5	Denmark	<i>Readiness</i>	72
6	Canada	Individual	65
7	Switzerland	Business	80
8	Norway	Government	56
9	Australia	<i>Usage</i>	50
10	Iceland	Individual	72
26	Malaysia	Business	59
38	Thailand	Government	29
68	Vietnam		
69	Philippines		
76	Indonesia		

<sup>5</sup> The NRI is the product of collaboration between INSEAD, World Bank, and World Economic Forum.

The index is a summary measure with three component indices: environment, readiness, and usage. Here's how the Philippines fared on these dimensions:

- *Environment*: it measures the degree of conduciveness of the national environment (i.e., market, political and regulatory, infrastructure) for the development and use of ICT. Environment ranked very low (82<sup>nd</sup> place) while infrastructure ranked the lowest (94<sup>th</sup> place) among all the subcomponent rankings.
- *Readiness*: it measures the capability of the three principal agents of an economy (individual, business, government) to utilize the potential of ICT. The country obtained a low ranking on this dimension as well (72<sup>nd</sup> place). The rankings of the three principal agents seem to indicate that government is the most ready to use ICT.
- *Usage*: it measures the degree of usage of ICT by the three principal stakeholders of the NRI framework (individual, business, government). Indicators include changes in behaviors, lifestyles, and other economic and noneconomic benefits brought about by the adoption of ICT. Usage component ranked the highest among the three components (50<sup>th</sup> place). While the Philippines scored low in the index, government performs better than the business sector in the subindices. This may indicate that the government's computerization is proceeding faster than the business sector. The Philippines's performance based on the NRI ranking in 2003, which came three years after the implementation of the 2000 GISP, may reflect a positive impact of the government's computerization policy.

### *Global Technology Index 2001*

In 2002, the Global Technology Index<sup>6</sup> (GTI) was published as an assessment of each country's potential for economic growth in the

<sup>6</sup> Developed by the META Group. See Annex 6 for a description of the indicators.

New Economy (the information-based economy). The underlying assumption was that previous material and service-based measures (e.g., GNP and GDP) would not reflect the factors that would support current growth. The GTI was applied to 49 countries in 2001. The top 10 countries in 2001 and the top five ASEAN countries based on the 2002 GTI are shown in Table 3.

The index was proposed as a set of five qualitative and quantitative composite indicators of New Economy growth factors: knowledge jobs, globalization, economic dynamism and competition, transforming to a digital economy, and technological innovation capacity. A brief discussion of the indicators follows. (Annex 6 contains the list of indicators for each of the following aspects.)

**Table 3. 2001 GTI ranks (including top five ASEAN countries)**

2001 GTI Rank (out of 49 countries)	Country
1	USA
2	Sweden
3	Finland
4	Japan
5	Germany
6	Canada
7	Netherlands
8	Iceland
9	United Kingdom
10	Australia
17	Singapore
30	Philippines
37	Malaysia
48	Thailand
49	Indonesia



1. *Knowledge jobs* – This refers to the number of people in knowledge- or information-based jobs, including IT, or engineering-based jobs, requiring higher skills training as well as the enrollment of people in higher education institutions.
2. *Globalization* – A country must shift its scope from competition in a national economy to competition in a global economy. The assumption of the index is that countries must reduce economic and trade barriers, support technological innovation towards new enterprises, and sell products and services to a global market.
3. *Economic dynamism and competition* – Competition refers to the ability of companies to apply technological innovations in order to create the new products and services, and the speed of marketing these products and services. IT companies will have to be dynamic, entrepreneurial, fast, and adaptable.
4. *Transformation to a digital economy* – Instead of face-to-face deals, exchanges of physical goods and paper trails, this measures the capacity for virtual relationships, Internet transactions and virtual exchanges of money, products and services. Capacity is indicated by the quality of the physical infrastructure used for computerization and access to the Internet.
5. *Technological innovation capacity* – In addition to the old considerations of labor, capital, and production inputs, this measure considers increases in knowledge. The increase in knowledge is indicated by a country's expenditures for research and development (R&D) and R&D resources.<sup>7</sup>

The Philippines obtained the following ranks:

<sup>7</sup> This factor echoes the concept of endogenous growth, where the growth unexplained by GNP is explained by long-run equilibrium factors, so that growth is expressed simply as  $Y=AK$ , where  $A$  is any factor affecting technology. In this equation, R&D expenditures and development of human capital will have a large impact rather than low costs of labor. This may explain why poor countries with lower expenditures in education now face greater difficulty competing in the Next Generation economy. Conversely, Southeast Asian countries with a cultural emphasis on education have the potential to compete.

**Table 4. 1999–2001 GTI rank scores for the Philippines**

	1999	2000	2001
Knowledge jobs	1	8	3
Globalization	35	41	44
Economic dynamism and competition	34	39	36
Transformation to a digital economy	32	35	39
Technological innovation capacity	38	38	45
<b>Overall out of 49 countries</b>	<b>26</b>	<b>32</b>	<b>30</b>

The 2001 GTI described the Philippines as having excellent scores in “Knowledge Jobs” set of indicators, ranking 3<sup>rd</sup> on “availability of senior management,” 4<sup>th</sup> on “availability of IT skills,” and 12<sup>th</sup> on the number of qualified engineers.

In contrast, the country performed poorly on “Technological Innovation Capacity” indicators, ranking 46<sup>th</sup> on number of patents issued, and 47<sup>th</sup> on total R&D expenditure. Such low rankings appear very disturbing because they show whether the country's scientific and technological personnel are able to convert their training and expertise into products or processes that can be used by the various economic sectors.

### *Philippine government websites survey 2002*

Digital Philippines studied 140 national government websites from September 2001–April 2002. The websites were evaluated using the “Five Stages of e-Government” framework of the United Nations and the American Society of Public Administration. This section provides a brief description of each stage. (See the annex for further details on the characteristics of each stage.)

- Stage 1, “Emerging Web Presence”: a government website that serves as a basic public information source indicated by FAQs (frequently asked questions), contact information, and other static information about the agency.
- Stage 2, “Enhanced Web Presence”: a government website that provides basic static information, that is updated

regularly, includes documents/resources that may be easily downloaded and has features that allow a site search and e-mail for queries/comments.

- Stage 3, “Interactive Web Presence”: a government website that acts as a portal. It allows users to search specialized databases, and to download forms or submit forms online.
- Stage 4, “Transactional Web Presence”: a secure government website that will allow users to directly access services based on specific needs, and complete transactions online.
- Stage 5, “Fully Integrated Web Presence”: a country website where all services, transactions, and links can be done through a single central portal.

The results indicate that the websites surveyed still belonged to the early stages. Websites still tended to provide one-way information from the government to the people who view the sites.

The following table shows the results of the survey:

**Table 5. Analysis of 2002 Philippine national government websites by stage**

Stage	Number	Percentage
Emerging	34	24.29
Enhanced	59	42.14
Interactive	27	19.29
Transactional	0	0
Fully Integrated	0	0
Not Available at time of visit	20	14.29
<b>Total</b>	<b>140</b>	<b>100.01</b>

**Table 6. Level of GIS capability of LGUs, 2003**

Stages	Cities	Municipalities	Provinces	Total
Operational	13	5	4	22
Developmental	23	34	18	75
Gestation	33	172	20	225
<i>Sub-Total</i>	<i>69</i>	<i>211</i>	<i>42</i>	<i>322</i>
Acquaintance	46	1,285	37	1,368
<b>Total</b>	<b>115</b>	<b>1,496</b>	<b>79</b>	<b>1,690</b>

### *Inventory of the GIS capability of LGUs (2003)*

The National Mapping and Resource Information Authority posted an inventory of Philippine local government units (dated as of December 2003).<sup>8</sup> Their GIS capability was categorized into four stages, from mere acquaintance with GIS to having an operational GIS. Table 6 shows the breakdown of 1,690 LGUs:

The data showed that LGUs are acquainted with GIS, but most have not begun developing applications. Examining the data by type of LGU, we find that more than half of the provincial governments have begun developing GIS applications. Less than 1 percent of municipalities have operational GIS, and 86 percent of municipalities have only an acquaintance with GIS. More than half of the cities have begun developing GIS applications, and 11 percent of cities have operational GIS.

### *Survey of the level of computerization initiatives of local governments 1999*

The Governance and Local Democracy Project conducted a survey of the computerization initiatives undertaken by local government units using a self-administered questionnaire sent by mail or fax. The data shows that there are a variety of reported applications that are already being developed by provincial and local governments.

<sup>8</sup> The basis for the categorization and the method of data collection were not specified. The inventory is available at: [http://www.namria.gov.ph/downloads/gis\\_dev.xls](http://www.namria.gov.ph/downloads/gis_dev.xls)

**Table 7. Level of application systems development for 46 provinces**

Application System	Level of Development (%)				Total (%)
	Being used	Completed but not used	Ongoing development	Ongoing data buildup	
Payroll System	38	4	17	4	63
Real Property Tax Assessment System	29	8	21	4	62
Personnel Management Information System	33		21	4	58
Accounting System	17	4	29	4	54
Real Property Tax Billing System	13	4	17	4	38
Budget Monitoring System	8		21	8	37
Remittance System	21		4		25
Supplies and Inventory Control System	21	4			25
Property Management Information System	8		13	4	25
Cash Management System	4	4	17		25
Business Permit and Licensing System	4	4	13	4	25
Cash Collection System	8		13		21
Programs and Project Monitoring System		4	13		17
Document Tracking System	8	4	4		16
Engineering Equipment Monitoring System	4	4	8		16
Legislative Information System	8		4		12

**(Table 7 continued)**

Application System	Level of Development (%)				Total (%)
	Being used	Completed but not used	Ongoing development	Ongoing data buildup	
Hospital Information System	4		8		12
IRA Funds Allocation Monitoring System		4	8		12
Quarry & Mining Permit System		4	8		12
Governor's/Mayor's Permit System	4		4		8
Market Administration System	4				4
Miscellaneous Tax and Fees System			4		4
Investment Monitoring System			4		4
Local Government Statistics Information System			4		4
Public Information System			4		4
Executive Information System			4		4

The report received responses from 46 provincial governments. Table 7 shows the percentages of applications developed or were being developed during the period of the survey from June – October 1999:<sup>9</sup>

In terms of systems development, the 46 provinces reported that they first developed information systems for managing their funds (payroll, real property tax assessment, accounting, remittances) and their resources (personnel management, supplies, and inventory). Systems that were still under development at the time of the survey were also used for managing

<sup>9</sup> The survey asked respondents to assess the level of application systems implementation into 8 levels, with responses ranging from "Being used" to "No interest." Table 7 shows only the responses related to the applicable level of development.

money (accounting, real property tax assessment, budget, payroll, real property tax billing, and cash management) and for managing resources (personnel management). The report included responses received from 36 city governments. The percentages of reported applications developed or were being developed during the period of the survey from June–October 1999 are shown in Table 8:

**Table 8. Level of application systems development and implementation for 36 cities**

Application System	Level of Development (%)				Total (%)
	Being used	Completed but not used	Ongoing Development	Ongoing data build-up	
Local Civil Registry System	50		13	13	76
Real Property Tax Assessment System	30		13	13	56
Payroll System	23	3	13		39
Business Permit and Licensing System	20		17		37
Real Property Tax Billing System	17		17	13	47
Personnel Management Information System	17		17		34
Accounting System	10		13	3	26
Governor's/Mayor's Permit System	10		7		17
Budget Monitoring System	7	3	7		17
Local Government Statistics Information System	7			7	14
Legislative Information System	10		3		13
Tricycle Operations System	7		3	3	13
Property Management Information System	3	3	3	3	12

**(Table 8 continued)**

Application System	Level of Development (%)				Total (%)
	Being used	Completed but not used	Ongoing Development	Ongoing data build-up	
Remittance System	7			3	10
Cash Management System	3		7		10
Market Administration System	3		3	3	9
Occupational Permit System	3		3	3	9
Programs and Project Monitoring System	7				7
Miscellaneous Tax and Fees System			7		7
Cash Collection System			7		7
Document Tracking System	3		3		6
Building Permit Monitoring System	3			3	6
Investment Monitoring System	3				3
Public Information System	3				3
Supplies and Inventory Control System		3	3		6
Executive Information System			3		3

The results seem to indicate that there was more application use than application development by city governments at the time of the survey. The top three applications in terms of reported usage by the 36 city government respondents were the local civil registry system (50%), real property tax assessment system (30%), and payroll system (23%).

In terms of development, the surveyed cities reported that they first developed information systems for the civil registry, for managing their funds (real property tax assessment, payroll, business permits and licensing, real property tax billing) for managing their resources (personnel management), as well as the civil registry.

### *Summary of previous ICT assessments*

Previous assessments looked at either the potential of the Philippines to use ICT and benefit from it (i.e., the NRI and GTI assessments), or surveyed various ICT initiatives of national government (i.e., website surveys) or of local governments (i.e., GIS Capability Survey and Level of Computerization Initiatives Survey).

International assessments of readiness painted a general picture of a low state of readiness in 2001 and 2003. Both the NRI and the GTI gave low overall assessments of the environments that support the use of ICT and the Philippines's participation in the digital economy. Local assessments of websites of national government agencies and GIS capability showed predominantly basic levels of each.

There were still some bright spots to be found, though. The Philippine national government had a relatively good ranking in terms of ICT usage and people in knowledge- or information-based jobs. Some provincial governments and city governments reported a variety of applications in various stages of development.

### **Framework for e-governance**

E-governance is the use of ICT to promote governance, which is the process of cooperation among the three partners in development — government, business, and citizen organizations — to facilitate decision- and policymaking. At present, the main technology being used for e-governance is the Internet, as it hosts web-based applications that connect the public to government services, information, and decisionmaking.

As earlier pointed out, ICT is merely a tool to be utilized by the three partners in governance: governments, the private sector, and civil society. Its use should ultimately lead to the improvement of the process of governance within and among the three partners. ICT can help reach this objective by improving the flow of information, the storage of data, and the access to information whenever it is needed.

The e-governance framework of the UNDPEPA shows the different levels of application of ICT in the public sector (see Figure 1.)

Since computerization has to occur within a specified context, the framework shows that the use of ICT should work toward the enhancement of any of the following: a single agency's service delivery (e-Administration), how different government agencies coordinate their efforts to deliver related or connected services (e-Government), or how the state as a whole interacts with its business and citizen partners in the governance framework (e-Governance).

The following section discusses the difference between e-government, e-administration, and e-governance, based on the fundamental concepts that should guide e-governance efforts. It concludes with a modification of the framework.

### *E-administration*

As a tool to improve the management of government, information technology has the potential to streamline business processes, improve the flow of information within government offices, improve coordination among city offices, and serve as decisionmaking support

**Fig. 1. UNDPEPA e-governance Framework<sup>10</sup>**



<sup>10</sup> UNDPEPA, *Benchmarking e-Government: A Global Perspective* (UNDPEPA 2002)

for local officials. Initial computerization efforts are usually done in this area and in the following forms:

- Conversion of paper files into digital form, and storage within computer databases and archives
- Computerization of manual operations, such as computation of income, generation of payroll, generation of reports
- Use of Intranet for intraoffice communication and sharing of hardware such as printers and scanners
- Use of facsimile machines, e-mail, and Internet for communication
- Use of the Internet for research
- Use of barcodes for office equipment inventory and for document tracking
- Payment of salaries via ATM accounts
- E-procurement, or the transparent purchase of supplies by government over the Internet
- Updating and management of cadastral records using GIS

### *E-government*

E-government refers to the use by government agencies of information and communication technologies that could enhance the delivery of services to citizens, businesses, government employees, and other units of government. ICT covers a wide range of applications using the Internet, computer software and hardware, computer networks, mobile phone communication technologies, global positioning system technology, and other similar electronic devices.

The focus of e-government is not the technologies that can be used but on how these can be used to improve public service delivery. As an international organization focused on policy issues puts it: “E-government is about transformation that helps citizens and businesses find new opportunities in the world’s knowledge economy. It holds great potential. Yet, if e-government is not part of a larger program for reform—reforming how government works, manages information, manages internal functions, serves citizens and businesses—then it may not produce all the benefits expected from the time and money invested. Use e-government to rethink the role of government. Use it as a tool to further economic development and good governance.”<sup>11</sup>

<sup>11</sup> Pacific Council on International Policy, *Roadmap for E-government in the Developing World* (Los Angeles, USA: Pacific Council on International Policy, 2002)

E-government activities are generally classified as follows:

1. E-commerce – the exchange of money for goods and services over the Internet. Such activities are made possible by first entering into partnerships with banks and credit card companies, and then using websites to transfer the money from citizens to the city government’s accounts. Examples of activities that city governments conduct through e-commerce include:
  - Payment of taxes
  - Payment of fees for birth/death certification
  - Payment of fines
  - Transfer of donations
  - Renewing vehicle registrations
  - Renewing driver’s licenses
  - Payment of business licenses
  - Purchase of government data
2. E-services – the electronic delivery of government information, programs and services, often (but not exclusively) over the Internet. Many programs and services are delivered through the Internet, with the intention of reaching the widest audience possible. Examples of city e-services via the Internet are:
  - promoting travel and tourism to the city; posting such items as maps, hotels, restaurants, historic places, beaches, museums, transportation, currency and exchange rates, weather bulletins, etc.
  - promoting investment in the city by posting investment guides and providing downloadable forms for filing taxes, obtaining business permits, etc.
  - posting jobs available in the city, and accepting online applications
  - posting real-time traffic updates, as well as schedules for planned road repair
  - posting announcements, updates on city projects and programs, and environmental concerns

- providing access to government data and maps
- acting as a clearinghouse for data about the city
- providing computer terminals with Internet access

City e-services can also be offered within a closed network, especially if these involve data that should be available only to government. Examples of such services include the following:

- Tracking sex offenders. This could involve a network of law enforcement agencies and local government units, and is found in countries where communities must be informed when a convicted sex offender moves into their localities.
- Providing support to special groups such as child protection services.
- Law enforcement. APB,<sup>12</sup> criminal profiles, criminal records, and other sensitive information are shared among law enforcement officers.

### *E-governance*

The UNDPEPA defines governance as “the process by which institutions, organizations and citizens guide themselves. Governance is also about the interaction between the public sector and how society organizes itself for collective decision making, and provides the transparent mechanisms for seeing it through.”<sup>13</sup>

E-governance is therefore the public sector’s use of innovative information and communication technologies to deliver to all citizens improved services, reliable information, and greater knowledge in order to facilitate access to the governing process and encourage deeper citizen participation. “It is an unequivocal commitment by decision-makers to strengthening the partnership between the private citizen and the public sector.”<sup>14</sup> Examples of e-governance include:

- providing feedback channels to public officials, such as through e-mail or SMS
- increasing transparency of local government transactions

<sup>12</sup> All-points bulletin, a description of a suspect to a crime, usually based on eyewitness accounts

<sup>13</sup> UNDPEPA, *Benchmarking e-Government: A Global Perspective*, 2002

<sup>14</sup> UNDPEPA, *Benchmarking e-Government: A Global Perspective*, 2002

- strengthening devolution by support portals that require coordination between national and local governments
- addressing social obstacles, such as digital divides across all ages and economic classes
- posting ordinances as well as providing access to ordinances under deliberation
- providing online debate over proposed ordinances
- online hearings and online testimony by experts
- public opinion polling
- providing information on candidates and campaign finance
- online voter education
- use of electronic voting, from optical scanning of ballots to touch-screen voting booths
- results of polls, online discussion, and online voting used directly in public decisionmaking, implying trust in the automated components of decisionmaking.

### **Foundations of e-governance**

E-governance could be mistakenly perceived as driven by technological change alone, and that improvements in public service delivery are attributable solely to the ICT bought and used by government. This would be an inaccurate perception of the transition from a traditional government into an e-government, and of the efforts required in maintaining an e-government. Generally, successful e-governance in the Philippines will have to build upon several foundations: mission-driven, client-centered, integrative processes and technologies, change management, and information policy.

#### *Mission-driven*

E-government always has an internal focus on the mission of the government agency. The adoption of new technologies and new work routines should be made while keeping the values of good governance in mind – efficiency, effectiveness, transparency, and accountability. In the end, government is expected to improve itself on these values; e-government and its attendant ICT technologies may or may not be

the key to the desired improvement. Each new technology requires a host of factors before it can be successfully absorbed:

- Conduct of an inventory of needed data to run the technology.
- Conduct of an inventory of the volume of transactions per public service provided by the city government.
- Conduct of an inventory of tasks and routines to determine if there are overlapping functions across two or more offices.
- Streamlining procedures whenever necessary
- Conduct of a training needs analysis and development of human resources.
- Conduct of an inventory of work routines that have to be modified so that the technology can be effectively utilized.
- Conduct of feasibility studies, using cost-benefit or cost-effectiveness analysis, that show that the technology will enable the relevant services to be more efficient, effective, and transparent, or will hold employees more accountable for their actions.
- Realign work duties whenever necessary. Some technologies can substitute for numerous personnel, who can then be reassigned to other offices that lack personnel.

### *Client-centered*

E-government has the client as its external focus; the client can be an individual resident of the city, or a business registered in the city, or an individual who works in the city, or even a potential resident/business/worker. The resident citizen and the registered business are the primary targets of e-government, because it is their welfare that the city seeks to promote, their taxes are collected, and their votes that are sought.

E-government can focus on what services the clients want provided electronically, thereby responding to stakeholder demands. Surveys in the United States show that the common desired electronic services are the following:<sup>15</sup>

- application for driver's licenses
- provision of state park information and reservations
- issuance of hunting and fishing licenses
- setting up of one-stop shop for government services
- application for birth/death/marriage certificates
- filing of taxes
- voter registration
- access to a candidate's voting record
- voting on the Internet
- accessing medical information from the U.S. National Institute of Health

Other services mentioned, although less frequently, include:

- review of state police reports
- payment of fines for parking violations
- online application for unemployment insurance, welfare, and health benefits
- access to child's grades and homework assignments

E-government can also act as a catalyst for economic progress and social development by helping its business community. An important context to this is globalization, because companies are no longer merely competing with local businesses but with global businesses as well. Since global competition has to be addressed, e-government can assume the Local Economic Development perspective by adding the electronic aspect to compete for new economy opportunities. Here are some concrete steps toward this end:

- Aggressively promote direct investment into the city using the city government's website to promote the benefits of investing
- Encourage the private sector provision of Internet service, with all the attendant infrastructure (namely, telephone lines, fiber optic cables, high speed Internet access, Internet cafes, website development, website hosting) at affordable prices
- Ensure a steady power supply
- Ensure access to the banking infrastructure needed for e-commerce

<sup>15</sup> Cook (2000). "What Citizens Want from E-Government".



- Encourage the creation of e-businesses, and promote them on the city government website
- Turn companies into partners who deliver e-services on behalf of the city government
- Develop a supply of knowledge workers by aggressively promoting training on computing skills that meet international standards for knowledge workers
- Post knowledge jobs available in the city, and providing a certification process for e-recruiters
- Close the digital divide by providing subsidized Internet access to poor people

### *Integration of processes and technologies*

Effective e-government service is delivered independently of the organizational structure required to produce it. Online one-stop shopping, government information portals, and intergovernment sharing are examples of integration. Integration can occur along many vertical levels, or across several organizations, through the following steps:

- Identify processes or data commonly used by offices within the city. A distributed database architecture and an office Intranet can localize the maintenance of the common data within one office while assuring other offices of access to the same data.
- Use common codes for the same data objects for all databases.
- To do one-stop-shopping style of e-service provision, make sure that clients fill up only one form that asks data required by all offices involved in providing a particular service, regardless of whether these offices are found in local governments or in national agencies. Automation can extract the data needed by each office and copy them into the respective databases.
- On the city government website, provide links to websites of the region and province to which it belongs, and even to the pertinent regional offices of national agencies.

### *Change management*

Employees are inherently resistant to change, and the degree and nature of the resistance affect the successful transition to e-government. Overcoming this resistance requires organizational “change management,” which entails the following:

- Understanding the cause of the resistance. People generally dislike having to learn new tasks, new software, and new gadgets, or may be apprehensive that they cannot learn new skills, do not have much time for training, or are afraid that new technology would make them “obsolete.” All of these causes tend to be present whenever new technology is introduced in any organization.
- Gaining the trust of the organization’s employees. Demonstrations of how the new ICT technology can help the employee do work faster, better, or more easily are bound to win advocates. However, employees who are given the opportunity to shape how and why they use ICT will increase understanding of the value of ICT for their work. This in turn leads to increased use of ICT, and probable increases in organizational performance.
- Developing ICT champions who can advocate e-government, help lead the process, encourage other employees, and remind the organization to keep the focus on the mission and the clients. Such champions are deemed crucial to ensuring the completion of the process. Bottlenecks to the completion of ICT projects are due mainly to the inability to complete data, to undergo training to use the new ICT, insufficient funds for maintenance and upgrades, or unwillingness to share access to the new technologies and/or data.
- Involving the employees in the selection and adaptation of new ICT. People on the frontlines and doing the routine backroom operations usually know which services are more in demand, which processes are the bottlenecks, etc. All these are valuable inputs to the type of improvement a new ICT must be able to provide.

- Promoting collective “ownership” of the data and information. As in any computerized system of generating data or information, the axiom Garbage In, Garbage Out applies. In this sense, all employees involved in data production or in information generation must be cautious about the quality of data they generate, and conscious about keeping the databases updated. Ownership is not the same as access to data and information. Access should be regulated by an appropriate information policy.

### Information policy

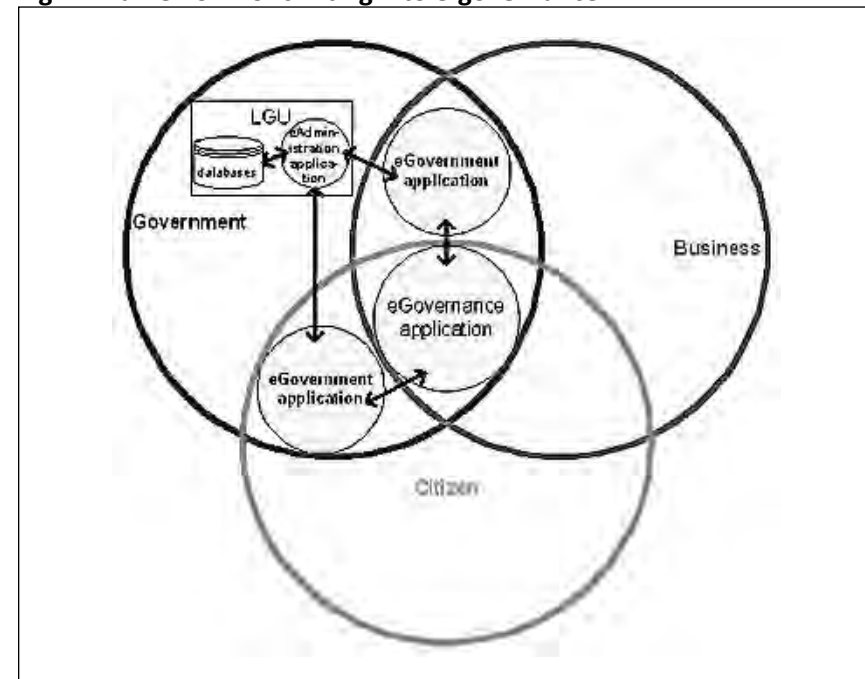
E-governance requires a comprehensive policy framework that includes provisions that protect the privacy of individuals, facilitate e-commerce, provide for data security, and punish unauthorized or inappropriate use of private information. E-governance policies will need to deal with such issues as hacking and cyber crime, the use of digital signatures, security, credit card transactions, consumer trade, taxation of online purchases, freedom of expression, cyber stalking, among others.

### Framework of the policy paper

E-government and e-governance require interagency cooperation, the setting of standards and conventions on data, laws on the acquisition of data and its protection against inappropriate use or from hacking, and a systematization of procedures among government agencies. For example, effective coordination between two agencies requires both to agree on data formats, naming conventions, work and data flow, client-centered approaches, and complementary levels of computerization.

What is critical is that an efficient and coherent e-administration system is already in place a government unit or agency embarks into e-government or e-governance. Whether in a city hall or in a national department, computerization, use of databases, improved office procedures, and appropriate training at the agency level all provide the organizational support for e-government and e-governance. This paper proposes a refinement of the framework in e-governance in three stages: e-administration, e-government, and then e-governance (see Figure 2). The first two stages are needed before e-governance can take place.

**Fig. 2. Framework for shifting into e-governance**



There is a fundamental reason for this sequence. The effective use of ICT does not happen automatically; it does not have a “plug and play” capability. All technological innovations in organizations must go through a process of acceptance of the idea by a champion, then by increasing numbers of staff. Having an ICT champion is sometimes critical to ensuring that this person or group’s vision creates the political will necessary to sustain all efforts toward the needed changes. These changes largely determine the success or failure of any application of ICT.

There are many examples of activities that an organization must undertake to integrate ICT into their processes in order to use the technologies required in governance processes. Much planning is needed to adopt ICT and to set off a computerization strategy or plan. Office procedures should be in harmony with the systematic nature of computerization. Otherwise, changes are in order. Then, too, changes in policies regarding the continued storage and use of information must be made with the intent to improve the accountability for the

accuracy and security of the data collected by the government. Change management seminars for employees, capability training for staff, and incentive systems to deter the pirating of trained personnel may be needed to ensure that government employees are aware and critically supportive of e-governance initiatives.

E-government efforts extend beyond the involvement of state agencies. Applications can involve the private sector (such as by creating links to e-banks and e-money for online payment of taxes) and individual citizens (such as by enabling them to pay real property taxes online). E-governance has truly evolved when citizens and private sector alike are involved in public decisionmaking (governance) and ICT is utilized for this purpose (e-governance).

Based on the foregoing framework, an immediate shift to e-governance applications is not advisable. While the intent to promote democratic processes using ICT is laudable, it is crucial that all governance partners are adequately familiar with the technology to be used and are equally “willing” to use technology for the same purpose. For example, the “digital divide” is commonly associated with age and socioeconomic status, which are determinants of Internet use. In the United States, income is directly related to Internet use while educational attainment is highly positively correlated to Internet use. Internet usage increases with age except for seniors (55 years and older), who show the lowest Internet use (DOC 1999). If these patterns also hold in the Philippines, then attempts to provide e-governance may marginalize citizens by virtue of their inability to access services provided through the Internet.

On a more pragmatic note, public organizations and businesses have to be prepared to store electronic data, regularly check official email, become more transparent, and pursue other measures to put working human systems behind a website. Websites by themselves do not mean that e-governance is in place; it is how they are used and the amount of useful information and interaction that they provide that are key.

## E-government initiatives: Antipolo, Caloocan, Muntinlupa, and Tagaytay cities

This section assesses the utilization of ICT in core services of four city governments in the Philippines by classifying the questions based on 10 categories, namely:

Information Infrastructure	Applications
<ul style="list-style-type: none"> <li>Implementation of their Government Information System Plan</li> <li>ICT equipment and infrastructure (including software used)</li> <li>ICT and management</li> <li>Geographic Information Systems</li> <li>City Website</li> </ul>	<ul style="list-style-type: none"> <li>Taxation and Revenue</li> <li>E-Procurement</li> <li>Electronic Commerce and Business Regulation</li> <li>Law Enforcement</li> <li>Digital Democracy</li> </ul>

This study evaluated the various systems of the selected city governments using a research instrument with questions related to the aforementioned 10 aspects of ICT utilization. Direct observations and interviews with key officials whose positions corresponded or were closest to a chief information officer were the basis for the data gathered on the core services.

The data essentially are scaled assessments of the quality of the presence and utilization of various ICT components and products. Questions on the information infrastructure were intended to get a description of the organizational basis, physical equipment, and interrelationships between existing information systems and organizational processes. Questions on applications focused on the types of public services being delivered using ICT. (The data are shown in Annex 2.) The websites of the city governments were evaluated using the indicators developed by the United Nations and American Society for Public Administration (UN-ASPA) (see Annex 3).

The research instrument did not have many questions specific to e-governance for several reasons. First, governance modes of action that involved all three partners in development were still not prevalent practices. This, therefore, eliminated the chances for online collaboration. Second, past ICT surveys indicate that city governments in the Philippines had not developed much expertise in ICT usage, and that only some examples existed of cities with relatively extended or extensive ICT usage. Thus it was deemed premature to determine the extent of e-governance initiatives. Some questions related to cooperation and coordination with the business sector and private citizens were included under various applications. (Please see sections on City Website Management, E-Commerce and Business Regulation, and Digital Democracy sections).

The data was gathered from November 2003–February 2004, with follow-up interviews conducted from April–May 2004. This section summarizes the results on each of the 10 categories listed above.

### *GISP implementation*

#### **Phase of GISP implementation**

The respondents from the city governments were asked to assess to what phase of GISP implementation they belong:

- Phase 1: Setting up the enabling environment
- Phase 2: Building the GISP information infrastructure
- Phase 3: Sustaining the GISP

Of the four local governments surveyed, only the city government of Antipolo said it was still in the second phase of the GISP implementation (infrastructure building) while the three others were already in the maintenance phase.

*Information sought at the information desk vs. information on the city's website.* The type of information that is often sought at the city government's information desk can be classified into three: a) location of offices, b) processes of filing certain legal documents (i.e., applications for/renewal/clearances), and c) availability of certain local

government officials and staff, and the location of their offices. If this information can be posted on the city's website, then individuals with Internet access can simply log on to the website instead of personally going to City Hall just to obtain the needed information.

Tagaytay City, a major tourist spot in the country, also received inquiries regarding their current press releases, directory of establishments, and information on the city government's activities and monthly newsletters.

Muntinlupa, on the other hand, had a public information booth where most of the answers to everyday queries could be obtained (e.g., locations of offices, process of application and filing permits, tax declaration process).

Although these queries were all too common, much of the highly sought after information was not available on the cities' websites at the time of the survey. Caloocan City was slightly ahead of the others, since its website contained some of the information commonly requested by clients. Muntinlupa City's website contained the procedures for filing different applications and renewal.

The lack of correspondence between the information often sought at the public desk and what was available on the website should be studied further to determine if there is a need for more client-oriented websites, which are responsive to the needs of the public. It is also possible that the cities' constituents had no use for the Internet to collect information.

*Job vacancy information.* Muntinlupa's website contained job vacancy postings, albeit in limited number. Around 25 percent or less of the city jobs can be processed online. This was due to the infrequent use of such online information by the people. Job vacancy postings and job information were not available on the other three city governments' websites. Only Tagaytay City had a plan to put up one in the future. Job seekers must apply personally at the city government concerned or directly at the private firms with openings.

### ***ICT equipment and infrastructure*** **WAN utilization**

Caloocan City was the only city government in the survey that utilized a WAN. It was used primarily for service delivery and for connecting work stations of different offices, specifically with their North Caloocan Office.

Muntinlupa was planning on putting up a Wide Area Network (WAN)<sup>16</sup> in the near future in line with its vision of becoming the premier financial district of Southeast Asia by 2020.

### **Intranet utilization**

Antipolo and Muntinlupa were the only city governments in the survey that utilized a local area network (LAN)<sup>17</sup> or Intranet. The Treasurer's Office in Antipolo used it primarily to monitor and access data from the Permit and Licensing Office and the Assessor's Office.

Muntinlupa City used an Intranet to provide their employees with access to vital information and to facilitate collaboration among project teams. It had plans of furthering the use of Intranet to facilitate access to documents, manuals, government forms, as well as to provide online training for its personnel.

### **Software used**

City governments were asked what computer software were being used for several of their computerized functions.

*E-governance.* The city governments covered by the study were found undertaking the e-governance function for land use planning. Antipolo, however, did not have any software for this purpose, while Caloocan and Tagaytay both used a GIS viewing software called ArcView. The former had AutoCad as well. However, public participation in land use planning was not evident, as online public involvement was usually done over the Internet. Online land use planning came in the forms of electronic town hall meetings and posting proposed zoning or infrastructure on city websites.

<sup>16</sup> A network that covers a wide geographical area.

<sup>17</sup> Home or office networks, which are smaller in scope than WAN.

*E-commerce.* The e-commerce functions across the cities surveyed were for issuance of permits and licenses, and payment of business taxes and real property taxes. None of the three cities offered Internet-based payment facilities.

Antipolo, Caloocan, and Tagaytay cities used a configured, Unix-based database management system for issuing permits, licenses and business taxes (Business Permit and Licensing System) from the company Amellar Solutions. For real property taxation, the three cities used a GIS-based solution called Real Property Tax Administration also from Amellar Solutions.

Muntinlupa used Visual Basic to run a Business Permit Monitoring System, a Violators Monitoring System, a Licenses and Business Taxes System, and a real property tax administration system. These programs were developed by the Management Information Systems (MIS) staff of the city government.

*E-service.* The e-service functions found in the cities covered services relating to health, social welfare, education, employment, crime prevention, and the civil registry. All cities used the Standard Civil Registry System from the National Statistics Office. Muntinlupa City had additional computerized services: a Day Care Information System by the MIS running in the DOS<sup>18</sup> environment and a Public Employment Management System by the Department of Labor and Employment. Caloocan City had a GIS-based crime-rate monitoring system.

*E-administration.* The e-administration functions surveyed were for planning, budgeting, accounting, payroll, procurement, and supply management/inventory. All cities used a variety of software as shown in Table 9.

### ***ICT and management*** **Internet and email access for employees**

Three local governments of Antipolo, Muntinlupa, and Tagaytay had similar answers to the questions related to Internet and email access. Only some offices were allowed Internet access (Table 10), while email

<sup>18</sup> Or disk operating system, which preceded Microsoft's Windows OS.

**Table 9. Software/applications used for administrative functions**

Function	Antipolo	Caloocan	Muntinlupa	Tagaytay
Planning	MS Office	MS Office	MS Office	MS Office
Budgeting	MS Office	MS Office	Budget Monitoring System	MS Office
Accounting	GAAS	Excel	Accounting Information System integrating all the revenue generating offices	GAAS
Payroll	Excel	Excel	Personnel Management Information and Payroll System	Government Payroll Biometrics System
Procurement	None	MS Office	Procurement and Supply Management System (PSMS)	MS Office
Supply management/inventory	None	None	PSMS – integrated with the procurement office	None

**Table 10. Internet and email access in the four cities**

City Government	Offices with Internet Access
Antipolo	Collection, Assessor's, IT Office
Caloocan	None
Muntinlupa	All offices, but only heads have access
Tagaytay	Mayor's, Administration, Electronic Data Processing Office, Public Information Office, City Planning

access was a privilege of specific department heads. Employees did not have direct access to email, although they could answer queries sent through email using a designated computer with Internet access. Since Internet or email access was so limited, there was therefore no policy regulating Internet or email use.

The offices of the Muntinlupa City Government had at least one terminal for unlimited Internet access. This was monitored by the MIS office that could block access when needed. Internet access was limited to the heads of offices and to some staff, depending on the nature of the work of the departments to which they belonged. Every employee had an email address, though. There was no policy on Internet and email access but they planned to make both.

### *Budget provision for IT systems*

The budgetary provision for the different components of IT systems was relatively extensive. The common budgetary items among the three cities were hardware maintenance, information system maintenance, and GIS maintenance. Table 11 lists the IT components that were provided for by the 2003 and 2004 city budgets.

### **Chief information officer**

Only the city government of Tagaytay had a chief information officer with the official designation of Officer-in-Charge of Electronic Data Processing Office. He oversaw technology policies, issues, and operations of the city government. Muntinlupa had an equivalent position, called the MIS Office head.

Caloocan and Antipolo cities both agreed that they should hire an equivalent position in the near future.

### **Technical assistance**

In response to the need for technical troubleshooting and assistance, the three local governments all had a designated person in the office who understood computers. In Caloocan and Muntinlupa, the MIS Office had a big part to play whenever some technical need arose. Antipolo had software vendor Amellar Corporation as consultant. Tagaytay opted for the services of private technicians.

**Table 11. Provision for IT components per city, 2003 and 2004 budgets**

Requirement	Antipolo		Caloocan		Muntinlupa		Tagaytay	
	2003	2004	2003	2004	2003	2004	2003	2004
Software purchase								
Software license renewal							*	
Hardware purchase			*	*	*	*		*
Hardware maintenance	*	*	*	*				*
IS design			*	*				*
IS maintenance	*	*	*	*				*
GIS design								*
GIS maintenance	*	*	*	*				*
IT training			*	*				
Internet access	*		*	*		*		*
Website design			*	*				*
Website maintenance								*
Website hosting								*

## Benefits of computerization

The shift to computerization, notwithstanding the level at which this was being pursued at the time of the survey, had benefited the local governments through improved efficiency, as time spent for computation and retrieving records had been reduced.

Computerization helped improve the city government's accountability because their systems clearly defined the people who were allowed to access data that must be kept safe, provide different levels of access to sensitive data to city government employees,

and monitor the activity of anyone involved in the computerization system to prevent tampering of records. Computerization also facilitated transparency following the standardization of the bases for paying fees, permits, and taxes. Data could also be counterchecked for errors.

## Geographic information systems

This part of the survey was limited to the cities of Antipolo, Caloocan, and Tagaytay. At the time of the survey, Muntinlupa City did not have a functioning GIS.

## Primary use of GIS

The Antipolo, Caloocan, and Tagaytay local governments were mainly utilizing GIS for purposes relating to real property taxation. Day-to-day management of the GIS was given to the Assessor's office of Antipolo and Tagaytay. Caloocan gave the overall responsibility to the IT Office. Spatial data were mostly created from paper tax maps and aerial orthophotographs. Additional data sources included paper topographic maps, road maps, and land use maps.

## Other uses of GIS

The GIS was also used to provide other departments with spatial data to develop other applications. Additional use of the GIS per city is shown in Table 12.

**Table 12. Provision for IT components per city, 2003 and 2004 budgets**

City	Other uses of GIS
Antipolo	Land Use Planning, Traffic Management
Caloocan	Mapping, Land Use Planning
Tagaytay	Mapping, Land Use Planning, Environmental, Traffic and Road Management, Disaster Management

## Mapping on the city's website

The city governments of Caloocan and Tagaytay said their websites contained mapping features based on their GIS.

Antipolo had also begun to improve the addressing system in its city by reviewing the locations of streets, identifying those without names, developing a convention for assigning numbers to buildings, and lobbying for local legislation to support the system.

## Benefits of the GIS

The Antipolo, Caloocan, and Tagaytay local governments cited increases in real property tax collections as a result of their shift to the GIS. Such increases specifically came about as a result of improvement in records management, mapping for taxation purposes, visual validation of property declaration, and identification of delinquent taxpayers. They credited the GIS with improving their efficiency by reducing time spent for field inspection of property, time and money spent to verify declared property characteristics, and time spent retrieving property records.

The system used by three cities was purchased from the same vendor. It allows the property owners to view their property records and property map and to purchase printouts of their own property records, thus allowing them to identify any potential errors in their property descriptions. Overall, the GIS boosted accountability and transparency in the city governments.

The Caloocan local government cited other benefits of GIS:

- Engineering: GIS provides information on contours and elevation utilized for planning waterways or downspouts for the drainage system.
- Traffic management: visualizes possible rerouting sites for traffic bottleneck scenarios.
- Crime monitoring: facilitates identifying crime-prone areas and police deployment.
- Planning: the visual representation to assist during conceptualization of projects to benefit as many citizens as possible.

## Problems with the GIS

Caloocan and Tagaytay local governments cited problems associated with the GIS, while Antipolo City did not find any problem with it that they said they could not solve. Caloocan City pointed out the mismatch between the personnel's GIS-related skills and the requirements of GIS, staff turnover of trained personnel, unattractive compensation for GIS personnel, the prohibitive costs of acquiring data and of acquiring and upgrading software licenses.

## *City website management* Existence of a city website

All surveyed cities had websites, although at the time of the survey, Antipolo City did not have an official one yet; in its place was a commercial initiative created mainly to assist tourists. The study made an inventory of the components of each website using the UN-ASPA's framework showing the five stages of e-government (see Annex 4).

A clear distinction emerged among the three local governments concerning their websites. The Antipolo website, being a commercial undertaking, was constructed in 1999 and updated at least once a week.

Both Tagaytay and Caloocan constructed their websites from 2000 to 2001. Tagaytay updated its website once a month while Caloocan did so once a year due to late submission of data by its local government offices.

Muntinlupa's website was constructed from 2002 to 2003 and updated, which complemented the city government newsletter. Emails from the constituents to the mayor were read daily and reported promptly to him.

Based on an inventory of the components of each website, using the UN-ASPA framework (see Annex 4), Muntinlupa, Antipolo, and Tagaytay had enhanced (Stage Two) websites, and had begun to develop interactive features. Caloocan's website was only at the emerging stage. The next section explains the processes that went into the websites' construction.

## Website management

The day-to-day management of the website was assigned to specific offices:



- Caloocan City – a private contractor called Amellar Corporation
- Muntinlupa City – MIS office
- Tagaytay City – EDP Office

Difficulties in maintaining their websites arose from retrieving data related to online items that must be updated frequently, and insufficient funds for maintaining their website.

**Website promotion.** With the exception of Antipolo City, promotion of each city's website was done through different modes:

- Antipolo City – in the absence of promotional efforts for the city website, potential visitors had to search for it through web search engines.
- Caloocan City – through press releases, posters, flyers
- Muntinlupa City – through press releases (usually in newsletters) and other means such as correspondences to constituents abroad and associations like the League of Cities.
- Tagaytay City – through letterheads, streamers, and newsletters

#### **Specialized databases accessible through the city website**

Some of the cities surveyed provided access to databases, others did not.

- Antipolo City – e-cards, chat rooms, forums/bulletin board, people search, email (for interactivity purposes only)
- Caloocan City – real property tax- and Civil Registry Services -related data (for viewing purposes only)
- Muntinlupa City – none
- Tagaytay City – none

#### ***Taxation and revenue***

Around 26 to 50 percent of tax forms were downloadable from the Muntinlupa City website, 25 percent from those of Caloocan and Tagaytay. However, online payment was not yet possible through these cities' websites at the time of the study. Caloocan and Tagaytay cities scheduled the implementation of online payment for CY 2004.

#### ***E-Procurement***

With the exception of Antipolo City, the three city governments were utilizing e-procurement by purchasing products over the Internet (in

the case of Muntinlupa and Tagaytay) and posting requests for bids or proposals (in the case of Caloocan and Muntinlupa).

#### ***E-commerce and business regulation***

Caloocan, Muntinlupa, and Tagaytay city governments were already into e-commerce and the Online Business Regulation system to some degree. Yet they lacked online forms or online payment facilities. Tagaytay City had downloadable forms such as those for business permit, zoning, and electrical applications. Caloocan City constituents could download real property tax assessments as well as business permits forms. Muntinlupa City residents could download business permit forms. None of the city governments had engaged citizen or business participation in the development of their online services.

#### ***Law enforcement***

ICT use in law enforcement was minimal in all four cities. Although they all had digital mobile technologies available for law enforcement offices connected to a digital communication network, they had no video-conferencing capabilities intended for high-security communications. Tagaytay had already purchased the needed equipment for this purpose but the system was not yet operational at the time of the survey.

Muntinlupa City had an innovative antidrug abuse campaign called the CRUSADA Text Hotline (0920-7272311), which allowed constituents to report anonymously drug abuse-related information to the authorities. This information was coursed through the Drug Abuse Prevention and Control Office's drug enforcement unit called Task Force "Kidlat." CRUSADA (which stands for Crusade Against Drug Abuse) won the "Trailblazing Program" award in the 2003 Galing Pook Awards given by a private awards-giving body that goes by the same name.

A computerized system integrated with other law enforcement agencies was not yet available in the city during the survey.

#### ***Digital democracy***

Among the three city governments, Caloocan City was the only one actively engaged in measures to promote digital democracy, which

included information such as the locations of polling places or voting precincts, the names of candidates for local elections, and others fostering voter education on its website. Still, no citizen could vote online. Such information was available during the campaign period for the May 14, 2001 elections.

Muntinlupa City's website included data on the number of registered voters per barangay but none on the locations of polling areas. The city government said it had considered posting online the names of local candidates for elections two months before the elections, specifically beginning on March 25, 2004, but discarded the idea thinking it could be perceived as electioneering.

In contrast, Tagaytay City listed the names of its local candidates for the May 2004 elections on its website.

Only Tagaytay City and Muntinlupa City had the email addresses of their mayors on their respective websites.

### *Feedback from some city residents*

As part of this study, a small-scale survey was conducted among the residents of Caloocan and Antipolo to get an indication of whether citizens were aware of the computerization efforts of their city governments. Ten citizens, including five residents and five business owners, were interviewed in each city.

Thirteen respondents acknowledged the benefits of computerization, which they mainly associated with the automated real property taxation. They specifically cited faster service (from six respondents), systematic processing (from two respondents), accurate taxation (from two respondents), and transparent taxation (according to one respondent) as a result of their local governments' pursuit of computerization.

Seven respondents did not see any benefits from the computerization. Processing of certain transactions at city hall was still slow despite computerization, according to three respondents; corruption was still present, said two others; city hall employees were still inefficient, charged another; and the local government still raised taxes, said another respondent.

Communicating what computerized products are available, such as printouts of tax maps and the website, may be needed. Only three

of the 10 residents interviewed knew that tax maps were available online. Only four out of the 20 respondents knew about the websites of their respective cities.

### **Summary and comparison of the four cities**

The four cities had many similarities and differences in their e-governance initiatives. The data for each component of e-governance are scaled assessments that reflect the presence of ICT in local governance processes, and the extent of ICT presence. Each city obtained a score that came close to the maximum possible score. The closer a city is to the maximum score, the better is its use of ICT to achieve the goals of good governance. Although no strong pattern of computerization emerged among the four cities, it was expected since there was no common framework for their decisions to use ICT. Responses to the survey questions were scored on a scale indicating the least to the most desirable. Table 13 presents a summary of the scores for the various aspects of e-governance.

The initial analysis of where the cities had the best overall performance in terms of the various dimensions of computerization showed acquisition and use of software (49%) and GIS concerns (44%). Caloocan and Muntinlupa had the best overall performance among the four cities (42% and 41%, respectively). Ratings for software concerns seemed to have the least variation among the cities (from 44% to 53%), while GIS concerns had the first and third highest performance by any city across all components (71% and 62%, respectively).

### ***Achievements in e-governance***

Fundamental to the analysis was to summarize the scores into four main categories (e-government, e-administration, ICT management, ICT equipment, and infrastructure) and a few items for e-governance (see Table 14):

- E-governance – this category combines items related to engaging the two partners in governance, the business sector and civic society, in public decisionmaking (including decisions over how ICT applications may be used to provide public service) through ICT applications

**Table 13. Survey Scores of the four cities by component and percent of total scores**

Component	Highest Score Possible	Antipolo	Caloocan	Muntinlupa	Tagaytay	Total of 4 cities
E-governance	7	0	3	0	0	3
			43%			11%
E-government Applications	46	2	16	13	15	46
		4%	35%	28%	33%	25%
Website	19	2	7	11	7	27
		11%	37%	58%	37%	36%
GIS	21	9	13	0	15	37
		43%	62%		71%	44%
Software	34	16	18	15	18	67
		47%	53%	44%	53%	49%
GISP	13	2	4	9	5	20
		15%	31%	69%	38%	38%
ICT and Management	41	14	21	15	18	68
		34%	51%	37%	44%	41%
ICT Equipment and Infrastructure	62	17	19	37	13	86
		27%	31%	60%	21%	35%
<b>TOTAL</b>	<b>243</b>	<b>62</b>	<b>101</b>	<b>100</b>	<b>91</b>	<b>354</b>
		26%	42%	41%	37%	36%

- E-government – combines e-government applications and website sections
- E-administration – combines software usage and GIS sections
- ICT and Management – this category refers to organizational and information system plans to develop and maintain information systems, and use information products, including GISP
- ICT Equipment and Infrastructure – this category refers to hardware and physical networking of ICT equipment

All of the cities were concentrating on e-administration efforts. At the time of the study, the cities were in the process of acquiring hardware and software. They all had applications for e-administration (e.g., for planning, budget monitoring, accounting, and payroll). Three cities reported having procurement systems as well.

**Table 14. Comparison of scores of the four cities by category<sup>19</sup>**

Category	Max. Score	Antipolo	Caloocan	Muntinlupa	Tagaytay
E-governance	7	0	3	0	0
			43%		
E-government	65	4	23	24	22
		6%	35%	37%	34%
E-administration	55	25	31	15	33
		45%	56%	27%	60%
ICT and Management	54	16	25	24	23
		30%	46%	44%	43%
ICT Equipment and Infrastructure	62	17	19	37	13
		42%	31%	60%	21%
<b>TOTAL</b>	<b>243</b>	<b>88.1</b>	<b>167.25</b>	<b>145.83</b>	<b>135.62</b>

Caloocan and Muntinlupa cities had more of the e-administration and e-government components asked for in the survey. Muntinlupa City had more ICT equipment and infrastructure compared to the others, which was made evident by its use of an Intranet and its high utilization of its website. It was no wonder why it became the recipient of a Galing Pook Award for its CRUSADA Hotline in 2003, an application using SMS.

Caloocan City's better performance at managing its ICT applications may be attributable to specific budget allocations for systems design and maintenance. Among the four cities, Caloocan performed the best at developing e-government applications and seemed hampered only by the delay in updating its website. The city government was also in the process of developing a system to allow online access to property taxation history and payment of fees. Even before this could be set in place, it had already begun providing election-related data on its website, especially during local election years and usually close to voting day.

<sup>19</sup> Figures are rounded off; totals therefore do not seem to tally with table entries.

Caloocan City scored much lower than Muntinlupa on ICT equipment and infrastructure component and its website was only at stage one. However, it performed as well as Muntinlupa because it was using its GIS and exerted more e-government efforts. This may indicate that the number of computers and other hardware is not the main factor that spurs e-governance initiatives for various local governance functions.

Tagaytay City obtained a score not too far from the first two, and was the only one with a chief information officer. This means that someone was in charge of generating useful information from a public perspective, and was responsible for the judicious distribution of information to the public. Muntinlupa City had a Management Information System Office, and Caloocan City an Information Technology Group with an internal orientation. These units mostly did applications development and information infrastructure maintenance.

Antipolo City's score was affected by its lack of an official website, lack of a CIO or similar position, and minimal development of e-government applications. However, while the city was behind the other three cities in terms of scores on the survey, follow-up interviews showed that it had taken more initiatives toward e-administration. Among others, it had already ventured into geocoding that required ordinances setting standards for building addresses, the naming of all streets, and the densification of control points before the corresponding GIS application could be developed.

At this point, the three cities with GIS applications were compared for similarities. All three were behind Muntinlupa City on ICT equipment and infrastructure, yet were at par in terms of software usage and functioning GIS applications. This may indicate that ICT equipment and infrastructure are not critical to developing e-administration and e-government initiatives.

In summary, there seem to be two approaches among the cities in their development of ICT applications – the pull and the push to e-governance. Muntinlupa City was subscribed to the pull model of e-governance, giving emphasis to its website rather than internal administrative applications. Muntinlupa City had been publicly recognized for its comprehensive website and had more content (such as online

tourist information, over 1,000 ordinances, and forms). However, online transactions require good database systems, clean records, integration of systems, and security. To respond to the pull of e-governance, that is, keep its online content up to date, the city had to improve the speed and quality of its service. Its e-administration efforts were the next point of emphasis as evidenced by the ongoing conversion of its database system from flat files to relational database systems.

The other three were doing a push towards e-government by developing specific administrative applications that were not immediately accessible via the Internet. These applications are the bases for online extensions of their service once the systems are running well. It seems that should be a direct relationship between the amount of ICT equipment and infrastructure in place with the ability of a city to use ICT. Muntinlupa had more ICT equipment and infrastructure, but Caloocan and Tagaytay had developed more e-government applications.

Caloocan and Tagaytay cities had concentrated on GIS-based real property taxation system and has begun to develop some systems based on it, such as for crime mapping and road maintenance, with Tagaytay having developed more applications. They also have the same business permit and licenses system. Even though Caloocan and Tagaytay gave less emphasis to their websites, Caloocan was developing an online payment system for taxes and fees, while Tagaytay already had a Chief Information Officer overseeing its use of ICT.

Antipolo City had less equipment, hardly had any e-government applications, and did not have an official website. It seemed to be at the initial stage of E-administration, as it had concentrated its efforts on the development of particular systems, i.e., GIS-based real property tax administration, and a system for issuing business permits and licenses. However, it was the only city among the four addressing the complex legal and organizational requirements for a clean spatial database by developing an addressing system in its locality.

### *Implications of e-governance*

The city governments cited ICT for contributing to accuracy of records, increases in tax collection and other incomes, and improvements in

efficiency, accountability, and transparency of the local administration. GIS, in particular, was credited with helping reduce the time spent for inspecting property, retrieving property records, and verifying property characteristics.

A factor that can slightly hold city governments back is that the national government has not yet developed methods for accounting online payments through credit card payments or e-banking. City governments interested in developing online payment schemes would benefit from policies ensuring the security of transactions, a variety of online payment modes, and supporting services from the private sector such as online credit card payments and money transfers from private and corporate Internet bank accounts.

Preparing a transactional website entails enormous costs. More than website design and hosting, one needs a fully computerized system for storing, securing, and retrieving data; data backup storage; and a facility for online access by users. Unless there is a high enough demand for an online payment system such that a city government will earn enough from online tax payments, it is not financially viable to provide such a service.

The study yielded some personnel issues such as acquiring trained staff who will run and maintain the various computerized systems, staff turnover, and inadequate compensation, specifically for GIS technicians. Yet another issue that city governments must contend with is the digital divide — a palpable issue when poor families cannot afford the required hardware, connectivity and training to use the Internet. Until the general populace is given sufficient training to use computers, e-governance will not happen. As of the time of the study, the four cities did not report any strong pressure from residents and businesses to provide online public service.

Antipolo City had just begun the deployment of computer kiosks linked by a WAN to City Hall. At these kiosks, users can have easy interfaces on touch-screen equipment to view announcements and maps showing the different parts of Antipolo. This is a step toward increasing public familiarity with computers and WAN-based governance.

Local governments can provide training on Internet usage for its citizens, and encourage IT education to increase the number of IT-skilled labor. They can also provide scholarships to improve the quality

of skills, such as those needed in call center and encoding operations, programming, digital art, and the creation of Internet-based services. Needless to say, citizens and businesses themselves have to take their own initiatives to complement government efforts in virtual space.

### *Next steps for e-governance*

Missing in the picture are the demands from the business sector and the citizens. Both governance and e-readiness have to be present before e-governance can evolve. None of the cities reported any strong demands from the private sector for online transactions, and none of the cities had surveyed its website users for desired web content. This lends credence to the NRI 2003 results, which showed that government consistently outranked the business sector and private individuals in terms of networked readiness and usage.

The national government may have created the supply of public online resources and prescribed minimum content. The implementation of EO 265 and RA 8792 may have brought about online presence among national agencies, if only in its incipient stage. City governments and highly urbanized municipalities do have enough resources for computerization and website development to follow the lead of national agencies. The national government may also have to encourage the private sector to develop the necessary online banking and other payment systems to provide secure online support to such transactions.

It is evident that all four cities are exerting efforts to improve their e-administration and are good examples of the progression from e-administration to e-government. Admittedly, they have a long way to go before e-governance — a formidable challenge at the moment — can come about. Part of this challenge lies in encouraging the business sectors in their respective jurisdictions and their clientele among these citizens' residents to transact business online.

### **Policy recommendations**

Based on the study's assessment of the four cities as well as past IT assessments, this paper offers the following recommendations on

how Philippine cities can improve e-governance. In general, these recommendations revolve around a finer definition of the e-governance policy problem.

- ***Connect websites and information systems to improving e-administration***

Current efforts to implement E.O. 265 have failed to emphasize the importance of e-administration. Without doubt the government's web presence is an indicator of compliance with R.A. 8792 and with international e-readiness demands. Yet it has yet to devise a system by which it can effectively gauge what is behind the website. Memorandum Circulars 2002-01 and 2003-01 issued by the National Computer Center contain guidelines on the minimum components of a website, corresponding to UN-ASPA's first three of five stages of e-government. Such guidelines show increasing degrees of interactivity between a public website and the citizens who will use it.

These circulars were followed by the amended guidelines (i.e., MC 2003-02) for strategic planning for information systems to support the push for online public service. Based on the Internet Solution and Service Provider's template, which requires the agency to enumerate the personnel, hardware and software, and the system architecture needed, the guidelines do not contain measures for assessing the impact of the information systems. Neither does it provide time-and-motion standards, measures of impacts upon the speed of doing business with government, and measures of public satisfaction.

Of the four cities in the study, Muntinlupa demonstrated the highest scores in terms of equipment and infrastructure. However, the overall assessment of the four cities showed that Caloocan and Muntinlupa had identical scores because both of them had a large number of e-government applications available on their websites. Thus, the presence or lack of equipment and infrastructure is not the main determinant of the number and quality of e-government applications that can be generated by the city.

Rather than assessing the performance and impacts of ICT investment in isolation from the organizational context, it is recommended that a system be developed for connecting ICT to performance measurement systems. Existing performance

management systems such as the minimum basic needs survey or similar community-based surveys of the Department of Social Welfare, the Local Development Administration Measurement System begun by the Development Academy of the Philippines, the Philippine Cities Competitiveness Ranking of the Asian Institute of Management are possible starting points.

- ***City governments should develop their information policy***

City governments will also have to assure the public of the high quality of their data. They must also recognize that incomplete, inaccurate and late data and information are potentially dangerous. Poor data and information can have costly outcomes for the city's clients whereas excellent data and information will be willingly bought by the latter.

A policy document will be needed to address at least the following concerns:<sup>20</sup>

- Require clear protocols on data gathering and presentation, emphasizing consistency and accuracy of the process, and timeliness of the availability of the data and information to clients.
- Specify who can see which data, and which person is responsible and accountable for data that has been added to a database, data editing, and data deletion. Accountability should include punishment for unauthorized access to a database, and unauthorized operations of data entry, editing, and deletion.

Such a policy document should be linked to the national policy on information to establish clear lines of accountability for data quality and maintenance. This is a major requirement, although a large-scale survey is needed to determine the major components that a policy should contain.

- ***Institute a system for identifying, anticipating, and preventing problems and failures in local ICT investments***

The experience of the United States shows that operational and management problems related to information technology exist in federal,

<sup>20</sup> Milner (2000), *Managing Information and Knowledge in the Public Sector*.

state, and local governments. Data from the U.S. General Accounting Office shows that the same problems appear regularly, but it is difficult to conduct a systematic study of such cases due to the reluctance of public organizations to reveal their failures (Rocheleau 2000).

This study only describes the factors that the respondents cited and has not looked into how problems emerge, and how the city governments can resolve problems associated with computerization and other ICT use.

Expectations on how ICT can improve the efficiency/effectiveness, accountability, and transparency of the activities of local governments should be clearly identified. Furthermore, assessments must be based on a system of measurable indicators. Unfortunately, basic research is needed on defining successful and unsuccessful acquisitions of ICT, on defining reasonable periods for developing ICT applications, and for defining appropriate phases or sequences of expenditure for ICT components (namely, analyses of workflow, systems, training needs, change management, data maintenance needs, and after-purchases support; setting data standards and service quality standards; purchase of data, software, hardware).

## **Annex 1. Government information system plan**

### **EXECUTIVE ORDER NO. 265 APPROVING AND ADOPTING THE GOVERNMENT INFORMATION SYSTEMS PLAN (GISP) AS FRAMEWORK AND GUIDE FOR ALL COMPUTERIZATION EFFORTS IN GOVERNMENT**

WHEREAS, the government is committed to carry out, in pursuance of “Angat Pinoy 2004”, or the Medium-Term Philippine Development Plan, 1999-2004, wide-ranging administrative reforms to enhance government efficiency and effectiveness in government operations and in the delivery of basic services to the public;

WHEREAS, these reforms are being pursued particularly in fiscal and financial management, procurement, education and manpower development, personnel welfare, organizational effectiveness, and service delivery;

WHEREAS, the wider use and application of information and communications technology offer tremendous opportunities for government to ensure the success of these reforms;

WHEREAS, the National Information Technology Council (NITC), the policy advisory body on information and communications technology in the country, has formulated, in close consultation with concerned government agencies, the private sector, local government units, academe, and members of Congress, and accordingly endorsed a government information systems plan that will serve as blueprint for the computerization of vital government operations and key front-line services for more effective governance;

WHEREAS, the NITC and the Electronic Commerce Promotion Council, created pursuant to Executive Order 468, dated 23 February 1998, have been merged into the Information Technology and Electronic Commerce Council (ITECC);

NOW, THEREFORE, I, JOSEPH EJERCITO ESTRADA, President of the Philippines, by virtue of the powers vested in me by law, do hereby order as follows:

Section 1. Approval of the GISP. The Government Information

Systems Plan (GISP), also to be known as “Philippine Government Online” hereto attached, is hereby approved and adopted as framework and guide for the computerization of key frontline and common services and operations of the government to enhance overall governance and improve the efficiency and effectiveness of the bureaucracy.

Section 2. GISP Implementation. To ensure the full and effective implementation of the GISP, all government agencies and instrumentalities, including local government units, shall align their respective computerization projects with the priorities identified in the GISP. The ITECC shall prepare a consolidated annual program of expenditures for government computerization, which shall become part of the President’s Annual Expenditure Program for submission to Congress.

Section 3. Implementing Rules and Regulations. ITECC shall issue such guidelines as may be necessary to implement this Executive Order.

Section 4. Repealing Clause. All orders, directives, issuances, resolutions, rules and regulations or parts thereof that are inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly.

Section 5. Effectivity. This Executive Order shall take effect immediately.

DONE in the City of Manila this 12th day of July, in the year of our Lord Two Thousand.

**JOSEPH EJERCITO ESTRADA**

President of the Philippines

### ***Excerpts from the GISP:***

## **Chapter 2. Vision and development framework**

### **A. Vision**

Consistent with the national vision and objectives set forth in the Medium-Term Philippine Development Plan or Angat Pinoy 2004, government shall harness the full potentials of ICT to ensure wider public access to information and the faster and more efficient delivery of government services to the public.

Once the Philippine government goes online, Filipino citizens anywhere in the country and in other shores, as well as current and potential foreign investors anywhere in the world, will have electronic access to government information and services.

To realize this vision, the following shall be the specific goals to guide the implementation of the GISP:

Within five years after approval of the GISP, the government shall have put in place the enabling environment, the policies, and the appropriate institutional structures to allow the full and unhampered implementation of the GISP. Government agencies shall have reengineered pertinent business processes and embarked on the automation of their frontline services and housekeeping systems. Given this enabling environment, the private sector shall have built up its capacity and put up the organization and investments required to respond adequately to the challenge of providing quality ICT services to the government.

Within the first decade of the 21st century, every Filipino, every organization, and every foreign investor and visitor shall have online access to government information and services in their homes, in community or municipal centers, in foreign posts, in public libraries and kiosks, and in government offices.

Within the first decade of the 21st century, the application of information technology in government operations shall have improved governance with the following key indicators of success:

- Faster and simpler processing of licenses, permits, and certifications;



- Expanded and more convenient access to more and better quality information and services;
- Efficient planning, generation, and management of government resources, in the process adding value to every taxpayer's peso, reducing waste, and eliminating opportunities for graft and corruption; and
- Highly developed and more responsive public sector organizations with better-informed decisionmaking, highly transparent and accountable operations, and goal-driven instead of task-driven government employees.

## B. Goals and objectives

The GISP seeks to realize a system of governance that will lead to:

- Faster and better delivery of public goods and services;
- Greater transparency in government operations;
- Increased capacities of public sector organizations; and
- Proactive participation of citizens in governance.

These are in support of the broader national development goals as follows:

- A globally competitive economy;
- Accelerated development of human resources and eradication of poverty;
- Equitable spatial distribution of development, economic activity, and population;
- Sustainable development of natural resources;
- Improved peace and order; and
- More effective governance.

These shall be realized through the establishment of an electronic bureaucracy that will link government institutions with one another, with the public, and with private sector institutions.

### 1. Information systems solutions

Government shall harness ICT in developing solutions that directly address and support the country's development goals.

## 1.1 Globally competitive economy

### Objectives

To promote the efficient operation of markets, particularly in the following areas:

- Providing information on business opportunities, credit and technical assistance, sources of materials and information, and linkages;
- Developing sound economic policies and strategies, and monitoring and assessing their performance;
- Formulating and enforcing appropriate rules and regulation; and
- Promoting electronic commerce.

## 1.2 Accelerated development of human resources and eradication of poverty

### Objectives

To improve the management of social services, particularly in the following areas:

- Upgrading information support so that government can better formulate, implement, and assess policies in education, health, welfare, and labor policy, as well as plan and manage poverty eradication programs more effectively;
- Achieving faster, more efficient, and more responsive social services particularly to the poor, the elderly, the handicapped, the disadvantaged, and victims of disasters; and
- Facilitate access to information on public services, employment and livelihood opportunities, health and welfare services, credit and assistance, and distance education and training.

## 1.3 More equitable spatial distribution of economic development, economic activity and population

### Objective

To decentralize decisionmaking, production and delivery of public services, and enforcement of regulations across the country thereby allowing proximate, equal, and convenient access by citizens and organizations.

### 1.4 Sustainable development of natural resources

#### Objectives

To promote sustainable use of the country's natural resources, particularly in the following areas:

- Improving the system of gathering, processing, storage, and retrieval of information on the country's natural resources; and
- Upgrading government's capacity to manage the ownership and utilization of those resources.

### 1.5 Improved peace and order

#### Objective

To build on and support the implementation of the National Crime Information System (NCIS), focusing on systems that enhance government's capacity to prevent crimes, track down criminals, monitor criminality, and administer justice.

### 1.6 More effective governance

#### Objectives

To improve agency capacity for administration, particularly in the following areas:

- Managing public sector physical, financial, and human resources;
- Promoting transparency and public accountability and reducing graft and corruption;
- Creating customer feedback mechanisms;
- Improving coordination between and among agencies and employees;
- Upgrading the quality and speed of managerial decision-making; and
- Establishing of an environment conducive to continuous education and advancement of public sector organizations.

## 2. Technologies

Government shall promote the design, development, and adoption of cost-effective technologies.

### 2.1 ICT Infrastructure

#### Objective

To establish the appropriate infrastructure, in particular the telecommunication networks, hardware and software, and information systems and procedures in accordance with the following electronic governance principles:

- Easy access — Geographically proximate access to information and services by the public and the provision of online query/guide;
- Reengineered processes — Shorter processing time, "less paper" requirements, nonrepetitive processes and input requirements, simpler compliance and evaluation procedures;
- Networked systems — Local, regional, interagency, and public-private networking of related systems and processes;
- One-stop/nonstop shops or windows — For permits, licenses, business, and other frontline transactions and services;
- Customer-driven service — Systems that can evolve and keep up with the changing requirements of government customers;
- Privacy protection and security — Protection of the right to privacy and institution of measures to ensure security of access to and processing of information at all levels; and
- Compliance with laws and standards — Compliance by all systems, procedures, input and output requirements with the provisions of pertinent laws, government policies, rules, and regulations, and adaptability of the systems to the changing legal parameters of government.

### 2.2 Interconnectivity

#### Objective

To adopt interconnectivity solutions, plans, strategies, and systems that will successfully interconnect the various government agencies with one another and with the public. To this end, the following shall be established:

- Electronic collaborative support system operations that share basic resources, equipment, and other ICT facilities;
- Intergovernmental sharing of databases and exchange of information to eliminate duplication of functions and redundancies, and ensure responsiveness in reporting, coordination, cooperation, monitoring and service delivery, among other functions; and
- Interoperable electronic messaging and communication system for government agencies.

### 2.3 Adoption of best practices

#### Objective

To identify pilot projects or strategic initiatives that will lead to the adoption and widespread use of electronic governance technologies and principles in government.

### 3. Enabling environment

To ensure the smooth and speedy implementation of all programs and projects, the appropriate enabling environment in the government, private sector, and ICT industry will be promoted and supported.

#### 3.1 Policies and institutions

##### Objectives

To put in place the necessary policies, standards, guidelines, rules, and procedures that will speed up establishment of the necessary information systems and ensure their high quality.

To reengineer the organizational setup and clearly define the roles, functions, authorities, and accountabilities at oversight and agency levels in relation to the various aspects of implementation, and provide the needed resources.

#### 3.2 Industry capacity

##### Objective

To promote the growth of the local ICT industry, improve its capacity to provide quality services in the development, implementation and maintenance of the various information systems networks to be put in place. This will be pursued through adoption of:

- A set of criteria for private sector participation;
- Procurement policies that allow partnerships, tie-ups, and consolidation of efforts and resources of participating companies and organizations;
- Competition policies that ensure a level playing field between big and small enterprises; and
- Policies that encourage innovation and creation of new products that respond to the unique requirements of government.

## C. Development framework

The government shall implement the GISP in three phases, as follows:

### PHASE 1: Setting up the enabling environment

- Formulate and adopt, within five years after GISP approval, policies to establish funding; streamline procurement; provide incentives and guidelines for private sector investment and participation; establish technology standards and benchmarks to ensure interoperability, networkability, and security; and set up systems functionality standards and guidelines that will improve public services, promote efficiency, effectiveness and transparency in government operations, and upgrade public sector management capacities.
- Improve and strengthen, within five years of GISP implementation, existing institutional structures and capacities, including those of the NITC, NCC, DBM, COA, DILG, CSC and implementing agencies and local government units. Such capacity building effort will include, among others, a proper definition and delineation of roles, authority, and accountability, training of users and ICT people in the government, conduct of advocacy and culture change programs, infusion of adequate financial, material, and other resources.
- Generate the necessary investments from the private sector, government, and other funding institutions in accordance with the scheduled implementation of the various GISP information systems projects.

**PHASE 2: Building the GISP information infrastructure**

- Develop, within five years of the GISP implementation, the necessary information and communications technology infrastructure.
- Adopt guidelines on hardware and software platforms in all participating government agencies to ensure compatibility, interoperability, and sharing of applications and to achieve savings through economies of scale.
- Set up shared nationwide telecommunications infrastructure for use by all government agencies. A shared facility will not only reduce total cost to the government, but also allow smaller and/or less sophisticated agencies to benefit from networking and interconnection.
- Accelerate implementation of the Philippine Information Infrastructure (PII) and RPWEB and promote e-commerce and Internet technologies to improve public access to government and make government transactions easier, more convenient, and more transparent.
- Identify and prioritize the various systems networks and anchor projects within each systems network.
  - Identify, design, and establish crucial databases and data warehouses to improve the following: enforcement of regulations provision of vital information on markets, opportunities, sourcing of raw materials and production inputs, and assistance; managerial decisionmaking; and policy formulation and assessment.
  - Establish priority strategies for GISP project implementation in accordance with resource availability and learning capacities of implementing agencies and their publics.
  - Reengineer the various mission-critical and public sector management business processes and develop clear definitions of the functional specifications and technological requirements of the systems network and its building blocks.
  - Review and reengineer business processes to do away with redundancies, duplication, and red tape and to prepare them for automation.

- Review and reengineer housekeeping processes and establish common functional and workflow standards across the bureaucracy.
- Clearly define the functional specifications of the various building blocks comprising the information systems network.
- Design, install, and operate the various systems network.
- Program the installation of the various applications in accordance with the learning and absorptive capacities of the participating government agencies, like transaction processing applications in the first phase, executive decision support systems in the second, and expert systems in the third.

**PHASE 3: Sustaining the GISP**

- Clearly define ownership and management responsibilities, authorities, and accountabilities for each information system.
- Develop benchmarks and indicators for evaluating overall and individual project performance.

Establish a mechanism for continuing learning and development of the various participating institutions.

**Annex 2. Raw scores of the cities in the survey**

The answers to the survey were scored using a scale applicable to each question. The scale ranges from 0 (none) to a larger number in increasing levels of desirability for e-governance. Each city obtained a score that could be compared with the maximum possible score. The closer a city is to the maximum score, the better is its use of ICT to achieve the goals of good governance.

1. Questions on having a system, application, online service, etc. have two to four ranges:
  - 0 = none, and 1 = have
  - 0 = none, 1 = plan to acquire in the future, and 2 = have
  - 0 = none, 1 = plan to acquire in the future, 2 = have equivalent, and 3 = have
2. Questions on specific budgets and specific applications were scored as 1 point per item the city had.
3. Questions on spatial data sources had four ranges:

- 0 = none, 1 = secondary data, analog, 2 = secondary data, digital, and 3 = primary data
4. Questions on extent (e.g., of access to Internet/email, or availability of online forms, of acquisition of equipment) fell into ranges specified by each question:
- Internet access: 0 = none, 1 = some offices have 1 terminal each, 2 = every office has at least one terminal, and 3 = every employee has Internet access
  - forms available online: 0 = none, 1 = 25 percent or less, 2 = 26 to 50 percent, 3 = 51 to 75 percent, and 4 = 76 percent or more
  - number of desktop computers: 0 = none, 1 = 1 to 5 pieces, 2 = 6 to 20, 3 = 21 to 50, and 4 = more than 50 units.

This scoring method allowed basic comparisons of the accomplishments each city had toward e-governance.

**Table 15. E-governance survey scores**

E-government Applications	Scoring	Antipolo	Caloocan	Muntinlupa	Tagaytay
Citizen involved in online service development	0 to 3	0	2	0	0
Online voting	0 to 2	0	1	0	0
Online polling on proposed ordinances	0 to 2	0	0	0	0
<b>Subtotal</b>	<b>7</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

**Table 16. E-government applications survey scores**

E-government Applications	Scoring	Anti-polo	Caloocan	Muntinlupa	Tagaytay
Online tax forms	0 to 4	0	1	0	1
Online tax filing	0 to 3	0	0	0	1
Online tax payment	0 to 3	0	1	0	1
Online procurement by city	0 to 2	0	0	2	2
Online RFP	0 to 2	0	2	2	0
Business/Professional forms	0 to 3	0	1	0	1
Business/Professional transactions	0 to 3	0	0	0	0
Online business fee payments	0 to 4	0	0	0	0
Citizen involved in online service dev't	0 to 3	0	2	0	0
Mobile tech for law enforcement	0 to 2	2	2	2	2
Video conferencing for high-security comm.	0 to 2	0	1	1	2
Support for integrated law enforcement system	0 to 4	0	0	0	0
Polling place sites online	0 to 2	0	2	2	1
Local candidates	0 to 2	0	2	1	2
Voter education	0 to 2	0	2	1	0
Voting precinct search	0 to 2	0	2	0	0
Online voting	0 to 2	0	1	0	0
Online polling on proposed ordinances	0 to 2	0	0	0	0
Online inquiry of Mayor and response	0 to 3	0	0	1	2
Online inquiry of Council and response	0 to 3	0	0	1	0
<b>Subtotal</b>	<b>46</b>	<b>2</b>	<b>16</b>	<b>13</b>	<b>15</b>

**Table 17. GIS survey scores**

GIS	Scoring	Antipolo	Caloocan	Muntinlupa	Tagaytay
Have GIS	0 to 2	1	2	0	2
Sharing spatial data	0 to 2	2	2	0	2
Data sources	0 to 3	3	3	0	3
Have secondary GIS use	0 to 12	3	4	0	6
Web mapping	0 to 2	0	2	0	2
<b>Subtotal</b>	<b>21</b>	<b>9</b>	<b>13</b>	<b>0</b>	<b>15</b>

**Table 18. Software usage scores**

Software	Scoring	Anti-polo	Caloocan	Muntinlupa	Tagaytay
Software for Planning	0 to 2	1	1	1	1
Software for Budgeting	0 to 2	1	1	1	1
Software for Accounting	0 to 2	2	1	1	2
Software for Payroll	0 to 2	1	1	1	2
Software for Procurement	0 to 2	0	1	1	1
Software for Inventory	0 to 2	0	0	1	0
Software for LUP	0 to 2	1	1	0	1
Software for Civil Registry	0 to 2	2	2	2	2
Software for Permits	0 to 2	2	2	1	2
Software for Licenses	0 to 2	2	2	1	2
Software for Business Tax	0 to 2	2	2	1	2
Software for RPT	0 to 2	2	2	1	2
Software for Health	0 to 2	0	0	0	0
Software for Social Welfare	0 to 2	0	0	1	0
Software for Education	0 to 2	0	0	0	0
Software for Employment	0 to 2	0	0	2	0
Software for Crime Prevention	0 to 2	0	2	0	0
<b>Subtotal</b>	<b>34</b>	<b>16</b>	<b>18</b>	<b>15</b>	<b>18</b>

**Table 19. Website survey scores**

Website	Scoring	Antipolo	Caloocan	Muntinlupa	Tagaytay
Age	0 to 4	0	3	2	3
Update schedule	0 to 5	0	1	4	2
Promotion	0 to 1	0	1	1	1
Citizen response	0 to 3	2	0	3	0
Specialized databases	0 to 1	0	1	0	0
Stage of Web presence	0 to 5	0	1	1	1
<b>Subtotal</b>	<b>19</b>	<b>2</b>	<b>7</b>	<b>11</b>	<b>7</b>

**Table 20. ICT and management survey scores**

ICT and Management	Scoring	Antipolo	Caloocan	Muntinlupa	Tagaytay
Access to Internet	0 to 3	1	0	2	1
Access to email	0 to 2	1	0	2	1
Internet use policy	0 to 2	1	0	1	0
Email use policy	0 to 2	1	1	1	0
CIO	0 to 3	1	2	2	3
Software budget	0 to 2	0	0	0	0
Software license renewal budget	0 to 2	0	0	0	1
Hardware budget	0 to 2	0	2	2	1
Hardware maintenance budget	0 to 2	2	2	0	1
Info system design budget	0 to 2	0	2	0	1
Info system maintenance budget	0 to 2	2	2	0	1
GIS design budget	0 to 2	0	0	0	1
GIS maintenance budget	0 to 2	2	2	0	1
IT training budget	0 to 2	0	2	1	0
Internet access budget	0 to 2	1	2	1	1
Website design budget	0 to 2	0	2	0	1
Website maintenance budget	0 to 2	0	0	0	1
Website hosting budget	0 to 2	0	0	0	1
Technical assistance	0 to 3	2	2	3	2
<b>Subtotal</b>	<b>41</b>	<b>14</b>	<b>21</b>	<b>15</b>	<b>18</b>

**Table 21. GISP survey scores**

<b>GISP</b>	<b>Scoring</b>	<b>Antipolo</b>	<b>Caloocan</b>	<b>Muntinlupa</b>	<b>Tagaytay</b>
GISP Phase	0 to 3	2	3	3	3
Information sought is on website?	0 to 2	0	1	0	1
Job vacancy posting	0 to 2	0	0	2	1
Public and private job info	0 to 3	0	0	2	0
Online job application	0 to 3	0	0	2	0
<b>Subtotal</b>	<b>13</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>5</b>

**Table 22. ICT equipment and infrastructure survey scores**

<b>ICT Equipment and Infrastructure</b>	<b>Scoring</b>	<b>Anti-polo</b>	<b>Caloo-can</b>	<b>Muntin-lupa</b>	<b>Tagay-tay</b>
Desktop	0 to 4	4	3	4	3
Laptop	0 to 4	1	1	1	1
Minicomputer	0 to 4	0	0	0	0
Printer	0 to 4	3	3	4	2
Plotter	0 to 4	1	1	1	1
Scanner	0 to 4	2	2	2	2
Digitizer	0 to 4	1	1	1	0
Modem	0 to 4	1	2	4	2
Hub	0 to 4	1	2	2	1
Multimedia projector	0 to 4	0	1	1	1
WAN	0 to 2	0	2	1	0
Intranet	0 to 2	2	1	2	0
Intranet for news and other info	0 to 2	0	0	2	0
Intranet for documents and manuals	0 to 2	0	0	1	0
Intranet for internal recruitment	0 to 2	0	0	2	0
Intranet for employee benefit forms	0 to 2	0	0	1	0
Intranet for online report generation	0 to 2	0	0	2	0
Intranet for online procurement	0 to 2	0	0	1	0
Intranet for team collaboration	0 to 2	0	0	2	0
Intranet staff access to data/info	0 to 2	1	0	2	0
Intranet for online training	0 to 2	0	0	1	0
<b>Subtotal</b>	<b>62</b>	<b>17</b>	<b>19</b>	<b>37</b>	<b>13</b>

### Scoring

A second analysis was performed. The scores per category were indexed to specific maximum scores. E-government and e-administration categories were given higher index scores of 100 each. ICT Management and Equipment/Infrastructure were assigned lower index scores of 50 each. The difference was made to reflect that Management and Equipment/Infrastructure are just basic requirements. The indexed scores are shown in Table 23.

After the scores were multiplied by the factors, there was a shifting in the ranks for second and third between Muntinlupa and Tagaytay. This was largely due to the lower index score for ICT Equipment and Infrastructure (where Muntinlupa scored the highest), which minimized the input of the raw scores.

The index seems to provide a finer differentiation of the characteristics of each city. The e-administration initiatives that must form the systematization of the processes and records keeping of a city government contributed to the greater part of the indexed scores of Antipolo, Caloocan, and Tagaytay. The e-government score of Muntinlupa became the major input for its indexed score, and resulted in the input of ICT Equipment and Infrastructure being greatly minimized.

**Table 23. Comparison of indexed scores of the four cities by category**<sup>21</sup>

<b>Category</b>	<b>Max. Score</b>	<b>Index</b>	<b>Factor</b>	<b>Anti-polo</b>	<b>Caloo-can</b>	<b>Muntin-lupa</b>	<b>Tagay-tay</b>
E-governance	7	50	7.14	0	21.43	0	0
E-government	59	100	1.69	6.78	33.9	37.29	33.9
E-administration	55	75	1.36	34.09	42.27	20.45	45
ICT Management	60	100	1.67	26.67	46.67	43.33	41
ICT Equipment/Infra	62	75	1.21	20.56	22.98	44.76	15.73
<b>TOTAL</b>	<b>243</b>	<b>400</b>	<b>n.a.</b>	<b>88.1</b>	<b>167.25</b>	<b>145.83</b>	<b>135.62</b>

<sup>21</sup> As figures were rounded off, totals do not seem to tally with table entries.

The format can be used to evaluate e-governance efforts along priorities set by the evaluating agency, whether local governments themselves or national government or donor agencies. For example, if an evaluating agency were to give less importance to the aspect of e-administration, then its index could be set at 75 instead of 100. In turn, the factor would change and the changes in the indexed score per city would follow:

E-administration	55	75	1.82	34.09	42.27	20.45	45
<b>TOTAL</b>	<b>238</b>	<b>275</b>	<b>n.a.</b>	<b>72.37</b>	<b>119.5</b>	<b>108.6</b>	<b>109.9</b>

There is no literature that definitively suggests a prioritization among the four dimensions. However, this author strongly recommends that the path shown in the framework would be the basis of prioritization (please refer to the framework).

### Annex 3. UN-ASPA five stages of e-government

STAGE	UN-ASPA Stage Description	Specific Characteristics / Features to look for
<b>Stage One</b>	<b>Emerging Web Presence</b> Sites serve as a public information source Static information on the government is provided FAQs may be found Contact information is provided	Telephone numbers Postal address Email address Services offered Mandate, organizational structure, FAQs, related RAs

### (Annex 3 continued)

STAGE	UN-ASPA Stage Description	Specific Characteristics / Features to look for
<b>Stage Two</b>	<b>Enhanced Web Presence</b> Access to specific information that is regularly updated A central government homepage may act as a portal to other department sites Useful documents may be downloaded or ordered online Search features, e-mail and areas for comments are accessible	Updated in the past 1.5 months Forms are available (html, word, sometimes zip, pdf) Search function/Site map Message board/Feedback form Newsletters or publications/ Purchase information
<b>Stage Three</b>	<b>Interactive Web Presence</b> A national government websites frequently acts as a portal Users can search specialized databases Forms can be downloaded and/ or submitted online Secure sites and passwords begin to emerge	Downloadable forms (pdf, zip) Specialized databases On-line forms submission Interactive elements e.g. Chatroom/ Forum/ Discussion boards User log-in name and password (internal use or public)
<b>Stage Four</b>	<b>Transactional Web Presence</b> Users will be able to conduct complete and secure transactions online The government website will allow users to customize a portal in order to directly access services based on specific needs and priorities Sites will be ultimately secure	Public use log-in and password (NOT exclusive for internal use) Secure On-line payment Confirmation of request (e-mail confirmation/ acknowledgment receipt) Display of security and privacy policy



## (Annex 3 continued)

STAGE	UN-ASPAs Stage Description	Specific Characteristics / Features to look for
Stage Five	<b>Fully Integrated Web Presence</b>	All department information and services may be accessed through the department portal
	Country provides all services and links through a single portals	Cohesive interface covering all attached agencies, concerned agencies and all services
	No defined demarcation between various agencies and departments	Frontline services are fully-transactional online
	All transactional services offered by government will be available online	User may customize his department portal page
		Search engine encompasses attached websites

## Annex 4. Survey of websites of the four cities

Antipolo City:  
*www.antipolocity.com*

Muntinlupa City:  
*www.muntinlupacity.gov.ph*

Caloocan City:  
*www.caloocan.net*

Tagaytay City:  
*www.tagaytay-city.org*

An inventory was made of the contents of the websites as of February 2004,<sup>22</sup> rated as 0 or 1: 0 = absent, 1 = present, and analyzed using the UN-ASPAs “Five Stages of E-government”.<sup>23</sup>

<sup>22</sup> Antipolo’s website, developed by a private group, was included since it was recognized by the city government as its official website pending the creation of its own.

<sup>23</sup> This framework was utilized because it is the standard set by the NCC.

Table 24. Features of city websites, transactional stage

TRANSACTIONAL	Antipolo	Caloocan	Muntinlupa	Tagaytay	TOTAL
Public user log-in and password	1		1		2
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>

Table 25. Features of city websites, interactive stage

INTERACTIVE	Antipolo	Caloocan	Muntinlupa	Tagaytay	TOTAL
User log-in			1	1	2
Online forum (chat room)	1				1
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>

Table 26. Features of city websites, enhanced stage

ENHANCED	Antipolo	Caloocan	Muntinlupa	Tagaytay	TOTAL
Accessible information	1	1	1	1	4
Updated monthly	1		1	1	3
Downloadable Forms			1	1	2
Downloadable Publications	1			1	2
Downloadable Newsletters		1		1	2
Announcements				1	1
Search features	1		1		2
Site map	1		1		2
Feedback form	1		1		2
<b>TOTAL</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>20</b>

**Table 27. Features of city websites, emerging stage**

EMERGING	Antipolo	Caloocan	Muntinlupa	Tagaytay	TOTAL
Agency name	1	1	1	1	4
Agency logo		1	1	1	3
Write-up/history	1	1	1	1	4
Organization structure		1	1		2
Key Officials		1		1	2
Plans		1			1
Projects		1			1
Rules and regulations			1		1
Services			1	1	2
Reports		1		1	2
Statistical information		1	1		2
Tourist information	1	1	1	1	4
Business/investor information		1			1
Postal address		1			1
E-mail address		1			1
Telephone numbers	1	1		1	3
<b>TOTAL</b>	<b>4</b>	<b>14</b>	<b>8</b>	<b>8</b>	<b>34</b>

Muntinlupa City's website has much content useful for its own citizens, such as forms for permits and licenses. Tagaytay City's website caters mostly to tourists, which is nonetheless a good tack given its appeal as a major tourist site of the country. Caloocan City's online content appealed more to investors, including the top 100 companies in Caloocan, and comprised information on completed and planned projects, infrastructure, and available public services. Although Antipolo City's website is privately managed, it has more interactive and search capabilities and creates a feeling of community more effectively. The other three websites tend to be, in this author's opinion, reflective of what the city government thinks its audience wants to read. Website content should really involve much research into the content its audience wants.

None of the websites showed features consistent with the fifth fully integrated stage.

## Annex 5. Interview respondents

### ANTIPOLO CITY

Paul Michael Manuel      Computer Programmer III  
*Assessor's Office*  
 Architect Cesar B. Reyes      City Assessor  
*Assessor's Office*  
 Landline: 697-0316  
 Ronald Zapanta (*Website Administrator*)  
 Administrative Officer  
 Office of the Vice Mayor  
 Landline: 697-6283/697-4384

### CALOOCAN CITY

Marco Cancino      Information Technology Group, OIC  
 Assistant GIS Administrator  
 Landline: 323-5312  
 Fax (Mayor's Office): 361-5716  
 email: [chicken1081@yahoo.com](mailto:chicken1081@yahoo.com)

### MUNTINLUPA CITY

Jaime A. Ventura      Head, Personnel Department  
 Landline: 543-0728  
 Fax: 862-5316  
 Jonnah O. Hidalgo      Head, Management Information Systems  
 Telefax: 543-0775

**TAGAYTAY CITY**

Alex Mendoza

Records Officer III  
City Assessor's Office  
EDP- OICemail: [alexmendoza@tagaytay-cit.org](mailto:alexmendoza@tagaytay-cit.org)

Reynaldo T. Bayot

Alex Baybay City Assessor's Office  
Real Property Appraiser I  
Landline: (046) 413-1089  
Fax (Mayor's office): (046) 860-0593**AMELLAR CORPORATION**

Rachelle Borja, Ria Bendaña, Jessa Dublas

Amellar Corporation  
#46 April St.  
Congressional Village  
Quezon City  
Landline: 925-2319**Annex 6. GTI indicators**

1. **Knowledge jobs** – knowledge and information-based jobs, usually IT- or engineering based, requiring higher skills training. The indicators used are as follows:

- **Qualified engineers:** The availability of engineers in a country's labor market.
- **Availability of IT skills:** The availability of qualified information technology workers in a country's labor market.
- **Availability of senior management:** The availability of competent senior managers in a country's labor market.
- **Higher education enrollment:** Net enrollment in public and private higher education institutions for persons aged 17–34.

2. **Globalization** – a country must shift its scope from competition in a national economy to competition in a global economy. The assumption of the index is that countries must reduce economic and trade barriers, support technological innovation towards new enterprises, and sell products and services to a global market. The indicators defined for globalization are:

- Exports of goods

- Exports of commercial services
- Direct investment flows abroad
- Direct investment in stocks abroad
- **Protectionism:** the degree to which national protectionism prevents foreign products and services from being imported (rated on a scale of 1 to 10)

3. **Economic dynamism and competition** – competition will be the ability of companies to apply technological innovation in order to create the new products and services, and the speed of marketing these products and services. IT companies will have to be dynamic, entrepreneurial, fast, and adaptable. The indicators are:

- **Overall productivity:** GDP per person employed
- **Worker motivation:** Employee identification with company objectives (rated on a scale of 1 to 10)
- **Adaptability:** Companies' ability to adapt quickly to changes in the market (rated on a scale of 1 to 10)
- **Entrepreneurship:** Company management's sense of entrepreneurship (rated on a scale of 1 to 10)
- **Ability to self-finance:** The degree to which a company generates enough cash flow to self-finance their investments (rated on a scale of 1 to 10)
- **Venture capital:** The availability of venture capital for business development (rated on a scale of 1 to 10)

4. **Transformation to a digital economy** – instead of deals made face-to-face, exchanges of physical goods and paper trails, the next generation economy has virtual relationships, transactions, and even exchanges. The indicators are:

- **Internet users:** Number of Internet users per 1,000 people
- **Electronic commerce:** The degree to which electronic commerce is being developed
- **Investment in telecommunications:** Average percentage of GDP
- **Computers per capita:** Number of computers per 1000 people
- **Computer power per capita:** MIPS (millions of instructions per second) per 1,000 people

5. **Technological innovation capacity** – In addition to the old considerations of labor, capital, and production inputs, the Next Generation economy also considers increases in knowledge.<sup>24</sup> The indicators are:

- **Number of patents issued:** Average annual number of patents granted to residents of a country
- **Total expenditure on R&D**
- **Total R&D personnel nationwide**
- **Total R&D expenditures per capita**
- **Total R&D personnel per capita**

<sup>24</sup> This factor echoes the concept of endogenous growth, where the growth unexplained by GNP is explained by long-run equilibrium factors, so that growth is expressed simply as  $Y=AK$ , where  $A$  is any factor affecting technology. In this equation, R&D expenditures and development of human capital will have a large impact rather than low costs of labor. This explains why poor countries now face greater difficulty competing in the next generation, and why Southeast Asian countries with a cultural emphasis on education have the potential to compete.

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## Globalization, Governance, and the Philippine State

Globalization highlights the need for public sector reform, good governance, and state capacity building. Thus, this volume highlights the key developmental role of public institutions in creating an enabling environment for economic growth, improved welfare, and sustainable development. The impact of external pressures on national economies and public policies depends to a large degree on the ability of domestic institutions to adapt to this process of change. As such, the Philippine state has an important role to play in managing this process of growing internationalization and economic integration. Effective bureaucracies and stakeholder participation are important elements of this process. Sustainable economic growth requires greater participation in economic decisionmaking, improved administrative capacity and coherence, and strengthened rule of law.



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