

# Chapter 22

## Bureaucratic Reforms

### I. SITUATIONER

The independence, capacities and integrity of government institutions are not enough to provide quality and efficient public services. Regulatory capture works as powerful brakes on various government initiatives, eroding their effectiveness and sustainability. The bureaucracy is largely perceived to be beholden to vested interests which interfere in the bureaucracy's functioning, rendering it unable to perform its functions and undertake its programs unhampered. The entrenched system of patronage and payback in the political landscape is the source of such particularistic interests.

The institutional design, systems and processes of government pose a challenge on the quality of public goods and services. A number of factors impinge on this quality, these are: (a) redundant, duplicating and overlapping programs/activities, (b) diffused resources to non-essential undertakings, (c) uncoordinated policy and program implementation, (d) poor sector management, (e) proliferation of special task bodies or interagency committees, (f) ineffective performance management system, and (g) highly politicized bureaucracy.

Despite previous efforts to trim the bureaucracy, the government is still weighed down by unclear delineation and overlapping of functions. This results in high transaction costs internalized by government, business, nongovernment organizations and the general public as a result of poor coordination in policy and program implementation, weak sector management and wastage of resources.

The perception of a "bloated" bureaucracy lies not only in the distribution of government employees in terms of national vis-à-vis the local government units (LGUs), but also its maintenance cost. Neighboring Asian countries have higher government personnel ratios, but they deploy greater number of civil servants to local areas and frontline services. The other issue is more of efficiency and cost.

Government addresses these concerns through various institutional reforms that would strengthen its capacity to be efficient, effective and responsive. Various administrative streamlining initiatives have been implemented in lieu of the sector-wide public sector management reform that was intended under the Public Sector Institutional Strengthening Bill. In the Office of the President, a total of 125 agencies were either abolished or properly aligned/subsumed under the different departments/agencies to demonstrate leadership in structural and functional fitness.

Meanwhile, the country has continued to exploit the use of information and communications technology (ICT) as a tool to enhance productivity, improve efficiency and ensure greater transparency and effectiveness in government operations. The commitment of the government to enhance delivery of government services is demonstrated by the creation of the e-Government Fund to finance priority government frontline ICT projects. Among those that have been approved under the Fund were: (a) the Bureau of Internal Revenue's (BIR) Integrated Computerization Projects, which

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include the electronic filing and payment system, E-TIN system, e-Report Card, and the BIR Data Warehouse; (b) the Bureau of Custom's (BoC) web-based applications system to streamline processes, and encourage transparent transactions; and (c) the National Computer Center's e-Local Government Units (LGUs) project to assist LGUs in the computerization of priority systems, including Real Property Tax System (RPTS). In addition, to encourage more private sector investments in the development and implementation of priority ICT projects in government, additional guidelines for ICT projects for implementation under the Build-Operate-Transfer (BOT) or similar schemes were adopted.

## **II. GOALS, STRATEGIES AND ACTION PLANS**

To improve the quality and efficiency of public service, the government shall adopt institutional improvements in the bureaucracy, deactivating irrelevant functions, consolidating duplicated functions while reinforcing the most vital functions. It shall establish a professional bureaucracy that maintains a healthy independence from political influence. A bureaucracy that is relatively well-paid (which matches private sector initiatives) and has a strong sense of merit and integrity. This independent bureaucracy would ensure public services to flow continuously despite occasional political storms. It would allow merit-based promotion and other best practices to take root in the bureaucracy.

Legislation will be passed on government reengineering with a silver parachute. The compensation package of those that will remain will be upgraded, together with the institution of a sustained capability building program and promotion of meritocracy through recruitment of the "best and the brightest."

All departments of the Executive Branch and their component units/bureaus, including government-owned-and-controlled-corporations (GOCCs) shall conduct a strategic review of their operations to identify the functions, activities, programs, and projects, that need to be scaled down, phased out, or abolished. It shall also be able to identify the areas where to channel more resources. Government corporations shall perform their mandates in the most efficient, effective and economical manner. Employees whose functions are found to be redundant may opt to retire, if qualified, or remain in government; their separation from the service will be voluntary. Those who opt to retire or be separated from government service are guaranteed their retirement/separation benefits plus the applicable incentives. The government shall also implement a livelihood program for those who want to venture into business after retirement/separation from government.

Over the medium term, the government shall continue to adhere to a "scrap and build" policy by allowing the creation of an agency or unit only upon the abolition of an equivalent organizational unit. Likewise, the personal services program will provide for salary adjustments only from the savings of the departments who have initiated the bureaucratic reform.

As the government continues to review its functions and outputs, it shall also continue to adhere to the highest tenets of professionalism, meritocracy, and integrity in the civil service. The career service shall be rejuvenated to encourage creativity, initiative and performance. It shall endeavor to uphold the credibility of officials and employees who opt to work in government and exact performance from the corporate sector in the light of mounting demand for corporate transparency and integrity from the public.

The government shall also continue to exploit the use of ICT as a tool to improve access to and delivery of government services and promote a culture of performance, results and accountability in public sector institutions. This effort shall be supported by enacting laws and policies such as the institutionalization of the e-Government Fund to meet the requirements of major information and communication technology projects of the government. The government shall enhance access to government information and services through electronically enabled government frontline services using various technologies. LGUs shall be ICT-enabled down to the barangay level by 2010. Knowledge management and productivity frameworks shall also be institutionalized in the bureaucracy.

In the agriculture, agrarian reform and natural resources (AARNR) sector, critical governance reforms shall be implemented to establish a bureaucracy that will effectively be responsive to the demands of a productive and enterprising agricultural sector. These reforms are:

1. Fully adhere to provisions of the Local Government Code, the Agriculture and Fisheries Modernization Act (AFMA), and the Fisheries Code on the role of local government units (LGUs) in the provision of devolved services whereby the National Government's (NG) role will be limited to providing technical/funding assistance and piloting of innovations (e.g. strengthening the management capacity of LGUs on municipal fisheries management). This can include the review and revision of the NG-LGU counter-parting, as well as the Internal Revenue Allotments distribution and disbursement systems. The objective is to transform them into performance-based systems that will effectively encourage the LGUs to adequately provide the devolved agricultural and fisheries services.
2. Improve the efficiency, effectiveness, convergence and complementation of the AARNR service agencies and related offices by enforcing measures to address institutional overlaps. This is to address the needs of a greater number of farm beneficiaries (e.g., uplands, coastal and marine development activities between the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR); support service provision in agriculture by the Department of Agrarian Reform with other Comprehensive Agrarian Reform Program implementing agencies) by June 2005.
3. Fully implement the AFMA provisions on the consolidation and rationalization of the agriculture and natural resources research, development and extension (RDE) system to improve productivity, competitiveness, environment-friendliness, effectivity and responsiveness to the sector's needs. With the view towards facilitating this efficiency and reform objective, the disparate component agencies and networks of the RDE system (DA, DENR, and the Department of Science and Technology) shall be harmonized towards eventual consolidation and unification by 2010.
4. Push for the integration of the various agencies involved in land titling process (Land Management Bureau, Land Registration Authority, and Department of Agrarian Reform).
5. Shift the institutional structure and operational protocols of DA from commodity-specific to functional lines starting October 2004; from production-side intervention bias to the inclusion of demand-side strategies, in keeping with the Congressional Oversight Committee on Agriculture and Fisheries Modernization (COCAFAM) and the AFMA

reforms. This will ensure institutional accountability, unified policy direction, and a rational and integrated approach to agricultural modernization.

6. Improve the transparency, professionalism and efficiency of the sector regulatory system. This will involve reviewing the civil service rules on appointive positions to prevent regulatory capture and promote the competitiveness of the sector. Moreover, the procedures and processes of the regulatory agencies will be reviewed and revised to improve transparency, accountability as well as the timeliness, effectivity and efficiency of their interventions. This may involve operational reforms that will include, among others, the following:
  - minimize the number of steps and persons involved in the regulatory process;
  - reduce to the absolute minimum the discretionary powers of the regulators through the establishment of clear and rule-based procedures and policies; and
  - reduce barriers to entry and promote competition.

The sector regulatory system includes agencies such as the Fertilizer and Pesticide Authority, Bureau of Plant Industry, National Meat Inspection Commission, Bureau of Agricultural and Fishery Products Standards, and commodity-based agencies, among others.

7. Develop and implement a comprehensive restructuring plan for the National Irrigation Administration (NIA) to improve its financial and operational performance. With the Irrigators' Associations (IAs) playing a bigger role in the management of irrigation systems including National Irrigation Systems (NIS), NIA needs to refocus its management strategy and restructure its operations including the implementation of the Irrigation Management Transfer (IMT). Its plantilla needs to be reviewed carefully and streamlined as necessary. Training needs of remaining NIA staff will need to be assessed and met. A multiagency task force could be set up to oversee the restructuring process and ensure its compliance with an agreed implementation schedule.

In the infrastructure sector, public infrastructure shall be delivered with efficiency in resource allocation. Cost-efficiency shall be achieved while regulatory reforms shall be undertaken. Improved financing schemes will also be used to enhance the implementation of infrastructure projects.

Regulatory and legal reforms will be implemented by promoting the independence of the regulator, separate operator and regulator functions. Safety, quality, environmental, and legal standards shall also be enforced. Moreover, institutional reforms will be implemented to ensure transparency and accountability and to mitigate, if not eradicate, administrative impropriety of respective government agencies. This would help resolve conflicting mandates among agencies involved in the infrastructure planning and implementation.

### **Transport Infrastructure**

1. ***Air Transport.*** Consistent with the scrap-and-build policy of the national government, the conversion of the Air Transportation Office (ATO) into a corporate body shall be pursued. An independent oversight unit shall be established within the Department of

Transportation and Communications (DOTC) to handle economic regulation and safety concerns. An independent accident investigation group will also be established.

2. **Water Transport.** The Government shall restructure port institution to improve port service. Regulatory functions shall be transferred to an independent regulator (or regulators), which shall have jurisdiction over all ports. The amendment of the Philippine Ports Authority (PPA) Charter will be pursued to address, among other things, the dual role of PPA as port regulator and operator.
3. **Rail Transport.** To enhance rail services, the sector's institutions will be restructured to separate the policy, planning and regulation functions from the delivery of train services. This will then enable private sector participation. To achieve this objective, a Strategic Rail Authority/Office (SRA) will be established in DOTC, which will be responsible for policy/strategy and regulation. A Track Authority (TkA) will also be established which will own the right-of-way and infrastructure. Private concessionaires will provide all rail services.
4. The role of the Metro Manila Development Authority vis-à-vis transport agencies will be reviewed to rationalize functions of infrastructure-related agencies.

### Digital Infrastructure

1. **The establishment of the Department of Information and Communications Technology (DICT)** will more effectively coordinate and implement the national ICT agenda and strategy, as well as the needed policies, programs, projects to speed up the growth of the ICT industry. The President has recently issued Executive Order (EO) 269 creating the Commission on Information and Communications Technology (CICT), which is not merely advisory in nature. It will be the primary policy, planning, coordinating, implementing, regulating and administrative entity of the Executive Branch on ICT and e-commerce initiatives. It will also be a venue to help achieve our vision of a web-enabled Philippines, capable of participating in and contributing to the global economy.
2. **The institutional strengthening of the National Telecommunications Commission** will include prescribing fixed terms for the members of the Commission, and ensuring its independence as a regulatory body in carrying out its decisions and imposing sanctions and penalties for regulatory noncompliance. Regulators must be equipped with clearly defined mandates and the necessary resources to carry out their responsibilities.

### Water

1. **Develop and implement a comprehensive restructuring plan for the NIA to improve its financial and operational performance.** With the Irrigator Associations (IAs) playing a bigger role in the management of irrigation systems including the National Irrigation System (NIS), NIA needs to refocus its management strategy and restructure its operations including the implementation of the Irrigation Management Transfer (IMT). Its plantilla needs have to be reviewed carefully and streamlined as necessary. Training needs of remaining NIA staff will be assessed and met. A multiagency task force could be set up to oversee the restructuring process and ensure its compliance with an agreed implementation schedule.

2. ***EO 123, otherwise known as “Reconstituting the National Water Resources Board (NWRB)” shall be implemented.*** The NWRB will continue to formulate a new/revised organizational structure for its Secretariat to effectively and efficiently carry out its mandate including economic and resource regulation. With the issuance of EO 123, NWRB shall act as the independent economic regulator for the water sector. Hence, increase in private sector participation and investment for water resources is expected.
3. ***Fully implement EO 927, an act further amending the original charter of the Laguna Lake Development Authority (LLDA),*** which grants the LLDA a thorough corporate reorganization aimed at regrouping its various units for better administrative control and direction, expanding its field offices, strengthening its linkages with other government and private institutions, broadening its financial base and revenue generations, and enlarging its monitoring, licensing, and enforcement. With this, the LLDA shall implement its reengineering program based on the studies made (World Bank-Japan and Netherlands funded). The agency’s capacity to manage the sustainable development of the Laguna de Bay and its watershed through an integrated water resources management approach would then be increased.
4. ***Fully implement EO 279,*** an act instituting reforms in the financing policies for the water supply and sewerage sector and water service providers and the rationalization of Local Water Utilities Administration’s organizational structure and operations.

## **Energy**

***The Energy Regulatory Commission’s (ERC) performance shall be assessed. Its processes shall also be streamlined to shorten decision time.*** An independent search committee that employs transparent selection procedures shall be established.

## **Tourism**

In the tourism industry, the establishment of a Tourism Enterprise Zone Authority (TEZA) to manage the overall development of tourism zones shall be reviewed. The Department of Tourism (DOT) shall also be recast through: (a) the consolidation of its three main marketing units (i.e., Bureau of International Tourism Promotion (BITP), Bureau of Domestic Tourism Promotion (BDTP), and Philippine Convention and Visitors Corporation (PCVC)) into one entity; (b) the reduction of representation in noncore markets by closing foreign offices and recalling foreign attaches which are classified as unsustainable, expensive, inefficient to maintain, or have no potential; (c) the leasing out or selling of the majority of the Philippine Tourism Authorities’ (PTAs) assets, and getting out of the business of building and running hotels and other capital and labor intensive assets; and (d) the hatching of TEZA in PTA and return of the PTA’s functions to its original mandate to steward development of tourism zones (See Chapter 5: Tourism).

Other specific reforms envisioned are:

1. ***A restructuring of the Cooperative Development Authority (CDA) into a regulatory body*** through amendments of the CDA Charter will be pursued to provide the regulatory framework for the development of cooperatives nationwide.

2. ***The Housing Urban Development Coordinating Council (HUDCC) shall be elevated into the Department of Housing and Urban Development (DHUD) as the primary agency on urban planning, development and renewal, land use zoning, housing provision, regulation and finance and marginal settlement.***
3. ***Legislation shall aid in operationalizing the Social Housing Finance Corporation as the lead agency in addressing the housing needs of the bottom 30 percent poor households.***
4. ***The proposed Local Housing Boards shall formulate, develop, implement and monitor policies on the provision of housing and resettlement areas and on the observance of the right of the underprivileged and homeless to a just and humane eviction and demolition. The Boards shall be empowered to:***
  - Prepare local shelter plans;
  - Assist in the preparation of Comprehensive Land Use Plans (CLUPs);
  - Approve preliminary and final subdivision and development plans;
  - Evaluate and resolve issues in the issuance of development permits;
  - Ensure compliance with the 20 percent balanced housing requirement in the Urban Development and Housing Act (UDHA) (which provides that in every housing development project, at least 20 percent of the units or project cost should be for socialized housing); and
  - Identify lands for socialized housing, among others.