



Philippine Institute for Development Studies  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## Globalization, Redemocratization and the Philippine Bureaucracy

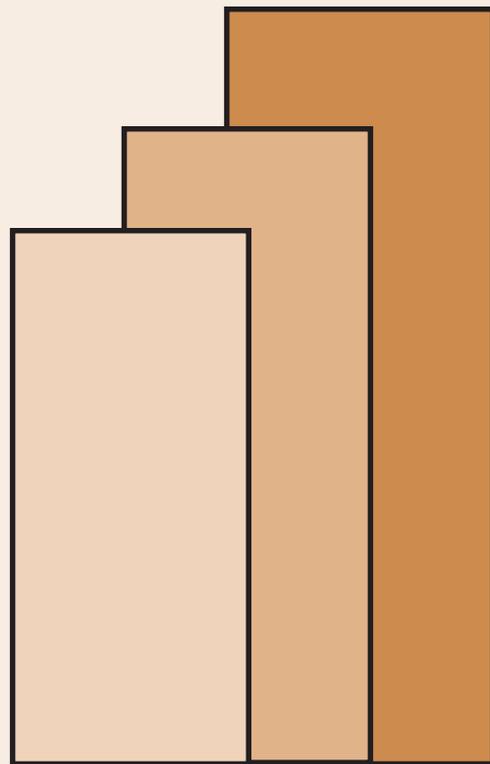
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**Globalization, Redemocratization and  
the Philippine Bureaucracy**

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## **TABLE OF CONTENTS**

*LIST OF TABLES*

*LIST OF FIGURES*

*LIST OF APPENDICES*

<b>I.</b>	<b><i>Introduction</i></b>	
	Rationale, Scope and Delimitations of the Paper	3
	A Note on Contingency Theory	4
	Structure of the Paper	5
<b>II.</b>	<b><i>Globalization and the Bureaucracy</i></b>	
	What Globalization Means for Administrative Reform	9
	New Public Management	10
	The Role of APEC and WTO	13
	The Governance Perspective	15
	Good Governance Indicators	18
<b>III.</b>	<b><i>The Legislative and Political Context of the Philippine Bureaucracy</i></b>	
	The Redemocratizing Philippine Bureaucracy	20
	“De-Marcosification”	21
	The Security of Tenure Act	22
	The Salary Standardization Law	23
	Decentralization and Tripartite Governance	23
	Privatization	24
	Trimming the Fat from the Civil Service? The Attrition Law	27
	Reinventing and Reengineering the Government	28
	The Size and Distribution of the Bureaucracy	30
	Politicization of the Bureaucracy	32
	How Much Does it Cost to Run the Bureaucracy	33
<b>IV.</b>	<b><i>The Responses to Globalization: Case Studies on DTI, DA and DFA</i></b>	
	Permanent Mission to the WTO	38
	WTO/AFTA Commission (WAAC)	38
	The Process of WTO Decision-making	39
	<b><i>Department of Trade and Industry</i></b>	
	The Development of a Department	41
	Intra-Departmental Coordination	47
	Additional Organizational Restructuring	48
	Legislative Context	50
	Other Policy Responses to WTO Participation	50
	Interagency Networking and Collaboration	51
	Multiplying Mandates, Rigid Resources	54
	-- Trade Promotions	55
	-- IT Services	56
	-- Human Resource Requirements	56
	-- Human Resources Development	58
	<b><i>Department of Agriculture</i></b>	
	WTO and APEC	60

Organizational Structure	61
Interagency Collaboration	61
DA and the Local Government Code	62
Legislative Environment for Agriculture	64
Budgetary Requirements	66
Personnel Requirements	68
The GATT-Related Measures Adjustment Fund	68
<b><i>The Department of Foreign Affairs</i></b>	
Organizational Structure	71
The Role of the Office of the Undersecretary for International and Economic Relations	73
Human Resource Requirements	77
-- Staffing Pattern	78
-- Coping With New Demands	78
-- Human Resource Development	80
Interagency Commitments	81
-- APEC Concerns	81
-- WTO Concerns	83
Budgetary Concerns	84
Changing Priorities	
-- Overseas Filipinos	85
-- Passporting Services	86
<b>V.      <i>Significant Findings, Concluding Notes, and Policy Recommendations</i></b>	
Department of Trade and Industry	88
Department of Agriculture	88
Department of Foreign Affairs	89
Policy Recommendations	89

***BIBLIOGRAPHY***

***APPENDICES***

### **List of tables**

Table 1: New Public Management and its Elements	11
Table 2: Employment of State Corporations and Other Entities as a Ratio to Total Population	25
Table 3: Distribution of Government Personnel by Major Subdivision (96-99)	31
Table 4: Distribution of Civil Servants by Type of Work	32
Table 5: DTI Bureaus, Attached Agencies and Corporations	41
Table 6: Devolved Agricultural Functions	62

### **List of figures**

Figure 1: Conceptual Diagram	4
Figure 2: Multilayered Governance	17
Figure 3: World Bank Good Governance Indicators (1996-2002) and the Performance of the Philippine Government	18
Figure 4: Government Consumption as a Percentage of GDP	26
Figure 5: Civil Service Figures (1971-1999)	28
Figure 6: Total Budget and Personal Services, and their Growth Rates (1992-2002)	33
Figure 7: Growth Rates of Total Budget, Personal Services, Personal Services as a Percentage of the National Budget (1979-2002)	34
Figure 8: National Government Expenditures by Economic Classification	35
Figure 9: Decision-making on WTO Matters	39
Figure 10: DTI Organizational Structure (1987)	42
Figure 11: DTI Organizational Structure (1992-1994)	43
Figure 12: DTI Organizational Structure (1995-1998)	44
Figure 13: DTI Organizational Structure, 1999	45
Figure 14: DTI Organizational Structure, 2000	46
Figure 15: DTI Organizational Structure, 2002	47
Figure 16: DTI Budget, 1992-2002	54
Figure 17: DTI Personnel, 1998-2003	57
Figure 18: DA Total Appropriations (1990-2000)	67
Figure 19: DA Budget According to Economic Classification	67
Figure 20: Number of DA Personnel	68
Figure 21: Distribution of GATT-Related Adjustment Measures Fund	69
Figure 22: OUIER's Main Pillars	74
Figure 23: DFA Staffing Pattern	78
Figure 24: APEC National Secretariat	82
Figure 25: Government Agencies in the APEC Structure	83
Figure 26: Total Appropriations of the DFA	84

### **List of Appendices**

Appendix 1: Interagency Councils
Appendix 2: DA Organizational Chart
Appendix 3: DA Organizational Chart
Appendix 4: DFA Organizational Structure 1986
Appendix 5: DFA Organizational Structure 1991
Appendix 6: Present DFA Organizational Structure

## **Abstract**

The increasing demands and expectations placed upon the Philippine bureaucracy by a redemocratizing society are further amplified by the strengthening of global institutional pressures emanating from organizations such as the World Trade Organization and the Asia Pacific Economic Cooperation. These forces converge to advocate a minimal and more effective government through downsizing, privatization, deregulation, decentralization, harnessing civil society and private sector capacities, empowering citizens, and adopting a customer orientation. These have led to significant changes in the very nature and role of the civil service, how it is managed, and the means by which administrative reform can be achieved. This study thus looks into the impact of globalization on the Philippine bureaucracy in a redemocratizing context. In order to observe these changes, three agencies have been selected as case studies – the Departments of Trade and Industry, Agriculture, and Foreign Affairs.

**Keywords:** governance, globalization, redemocratization, Philippine bureaucracy, civil society.

# Executive Summary

## Background, Rationale and Structure of the Paper

The Philippine bureaucracy today is confronted by a plethora of obstacles it has to surmount. Whether from external, global institutional pressures or the increased internal demands placed upon it by a redemocratizing Philippine society, the nature of policy making and implementation of government has to adapt and cope with all of these new issues. With new or stronger pressures comes increasing expectations from the citizenry, despite the limited human and financial resources of government that keep getting stretched to the limit.

This study delves into the impact of globalization on the national bureaucracy in the context of redemocratization. These changes are studied as they happen in the national government, with three agencies serving as case studies. The agencies under study are at the frontline of the country's globalization drive – the **Department of Agriculture**, the **Department of Foreign Affairs**, and the **Department of Trade and Industry**. The focus of analysis is on the following areas: policy inputs and outputs, human and financial resource requirements, as well as interagency coordination.

The paper is divided into five major parts, beginning with the general context and concepts of globalization, the bureaucracy, and administrative reform. The second part is a discussion on the different facets of globalization, how it affects governments especially vis-à-vis the market economy, the impetus for global administrative reform, as well as the roles of the **Asia Pacific Economic Cooperation (APEC)** and the **World Trade Organization (WTO)** as prime drivers of today's globalization. The third chapter is a situationer of the Philippine bureaucracy presenting a brief historical survey, the legislative and policy environment, as well as the impact of domestic and global reform movements on the civil service. The issues on decentralization, privatization, and streamlining, among others, are discussed. The fourth chapter of the paper presents the case studies on the three departments. The paper then concludes with analyses and policy recommendations for each of the three agencies, as well as the national bureaucracy.

## Globalization, Redemocratization, and the Philippine Bureaucracy

The failure of governments worldwide to cope with the economic crises in the 1980's had led to massive disillusionment with the bureaucracy. Leaders espousing the paradigm of liberalism in developed countries (such as Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom) placed the blame squarely on "big government", with the accusation that excessive intervention of government in the economy fettered free market forces, leading to economic problems.

This position would eventually solidify into what is now known as New Public Management (NPM), a philosophy of public administration that fuses the concepts of New Institutional Economics (which refers to the introduction of market incentives into government service such as competition) and managerialism (which refers to the adoption of private sector methods in government activities). At its core, NPM is a philosophy that advocates minimal

government This would result to the adoption of similar if not identical administrative reform movements across different countries, leading some to claim that NPM has become the most global and widespread of all bureaucratic reform movements whether through coercion (e.g. impositions such as structural adjustment programs); mimesis (i.e. duplication of responses to uncertainty); or normative, such as the spread of good governance values. The similarities in bureaucratic reform may also be traced to the fact that a premium has been placed on synchronizing state activities to facilitate global economic transactions.

NPM initiatives can be summed up as follows: deregulating the economy and privatizing state-run corporations; making the private sector the engine of economic growth; decentralization of national governments; shrinking the size of the bureaucracy; a government that focuses on policy-making, rather than service-delivery, and catalyzing other sectors to get involved in service delivery (i.e. steering versus rowing); empowering the citizens, and redefining them as customers. These prescriptions have been advocated and popularized by the Reinventing Government movement, and institutions such as the Organization for Economic Cooperation and Development.

The rise of New Public Management coincided with the Philippine transition from an authoritarian regime to a democratic government. As part of strengthening and reforming the bureaucracy, the government then had legislated many of the statutes that serve as the framework for government functions today. The Constitution passed in 1987 is the foundation for all of these laws. The policies were continued by succeeding administrations, and in some cases, modified or strengthened.

Paralleling the apparently global New Public Management movement, the Philippines adopted the following: decentralization through the Local Government Code of 1991 (which emphasizes participation of civil society groups and citizens themselves in governance); privatization and load-shedding through the disposition of government-owned and controlled corporations, thus making the private sector the engine of economic growth; deregulating the economy; reducing the size of the bureaucracy (such as the Attrition Law); and the establishment of a central administrative reform agency in the Presidential Commission on Effective Governance -- tasked to prepare an Integrated Administrative Reform Plan. The latest plan is to legislate "Reengineering the Bureaucracy".

Viewed from the perspective of NPM objectives, the Philippine government has implemented many of these initiatives successfully, with the appropriate legislative and policy environment in place. But the rationale behind these efforts is not easily reduced to one or two factors, with NPM not explicitly cited as the motive. In some cases, government has made reference to globalization and redemocratization as the guiding principles behind these moves.

Nevertheless, the results are the following: the country has a very small government as a ratio of its population (smaller than the global average and the average for developing countries). The same can be said for the size of the public sector corporations. The intervention of the state in the economy can also be classified as very low (lower than the average for the developed countries which initially espoused these liberal policies). One-third of the bureaucracy is now with the local governments as part of the decentralization efforts, and there is a very vibrant civil

society movement at the grassroots level. Participation and people empowerment are also bywords in national government, as enshrined in legislation.

Despite this policy environment, however, the Philippine bureaucracy is still faced with many problems, foremost of which is the perennial lack of funds. Corruption also remains a huge stumbling block. The pay scales for government managers are woefully inadequate as compared to even its Southeast Asian counterparts, and they remain vulnerable to political whims. This has led some scholars to claim that this crucial level of administration remains very much politicized. Government also spends as much as 60% of the national budget on salaries and debt servicing, while allotting insignificant amounts for capital expenditures. This trend has long-term implications for economic development as the necessary investments are not being made to ensure sustainable economic growth. Many of the policies to ensure administrative efficiency are yet to be implemented fully, properly, or are not being implemented at all. Regardless of the reasons, global ratings of the performance of Philippine governance indicate a deteriorating situation.

Given that this is the environment of the bureaucracy as shaped by global institutional pressures and domestic redemocratization demands, the Philippine government has put in place several measures to respond better to the challenges especially as posed by increasing global economic interconnectedness.

A WTO/ASEAN Free Trade Area (AFTA) Commission was created in August 1994 (EO 193) to directly address the country's concerns as a member of these multilateral trading systems. 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.

More recently, a Permanent Mission of the Republic of the Philippines to the World Trade Organization was created through Executive Order No. 271 in January 19, 2004. The Mission is a distinct diplomatic mission and post of the country which 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 United Nations Conference on Trade and Development. Aside from these institutional arrangements, several interagency councils have also been organized to respond to these new issues, and in a manifestation of redemocratization, these councils have strong private sector and civil society representation.

A safety net fund for the agricultural sector was also established in the form of the GATT-Related Adjustment Measures Fund. Specific statutes were also passed to prepare the country for increasingly stiff global competition in a more open international trading regime, such as the Agriculture and Fisheries Modernization Act.

The case studies revealed that while additional mandates were being imposed on the three agencies under study, there were no concomitant resources allotted to them – the budgetary requirements as well as the personnel complement have remained the same despite the new workload. Thus, what we can observe are ad-hoc responses by each agency, such as “borrowing” officers and reassigning them to new tasks, or giving existing personnel multiple tasks to

perform. Despite the felt need to have people well versed in international economics or international trade, there is no special requirement for people who may be assigned to highly technical positions. Short-term training seminars are the main recourse for personnel who have been assigned to posts that require these special knowledge or skills.

The Department of Trade and Industry has been adapting its organizational structure to best meet its objectives. In a stroke of managerialism, DTI created business development teams in a matrix approach -- a common private sector practice -- which is seen to be more efficient in addressing customer needs. The department has also been actively engaging the private sector and civil society. A prime example is the use of Honorary Investment and Trade Representatives (volunteer businessmen) who play an important role in generating interest in the Philippine economy abroad.

The Department of Agriculture, aside from having the task of modernizing the agricultural sector for global competition, 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. The commitments to WTO and APEC have also led to the creation of several offices to address these concerns such as the Trade Remedies Office, the Minimum Access Volume secretariat and the Agricultural Competitiveness Fund Office.

In the Department of Foreign Affairs, there were attempts to create separate line offices for WTO and APEC which indicates the importance by which DFA views these two institutions, but due to budgetary constraints, these were not successful. As international trade concerns are now being spearheaded by the likes of DTI and DA, DFA is focusing on addressing the needs and demands of a growing migrant workers' sector. This is manifested in the budgetary allocations, as well as initiatives to handle to huge volumes of passport requirements.

#### Policy Recommendations:

- Data regarding the state of the civil service is inconsistent, inaccurate or missing. This will pose a problem for streamlining or rightsizing the bureaucracy efforts because there is no readily available data to plan out reengineering or reinventing initiatives.
- 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 information would be the general performance of the local governments vis-à-vis the various administrative functions that were deconcentrated.
- While privatization efforts have been successful and are on-going, there is a need to revisit the pay scales of both public sector employees and the remaining public sector corporations, and rationalize these. While the salaries of the rank-and-file are comparable with the private sector, studies indicate that the salaries of the managers not belonging to the government corporations remain uncompetitive.
- There are also the assertions that the Philippine bureaucracy at the managerial level is extremely politicized. There is a need to strengthen the ethos of professionalism and

careerism at this critical management level, not only for the civil servants but more importantly, for the appointing power.

- The success that the agencies under study have had with the use of information and telecommunications technology can serve as benchmarks by which other agencies of government may make service delivery more efficient, effective and economical.
- For 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. There is also a need to create a separate portfolio for a trade attaché for investments to strengthen international trade relations.
- For the DFA, new competencies (i.e. economics degrees) for incoming foreign service officers may be required, especially with the end view of assigning them to WTO/APEC-related concerns, or at least for those to be assigned in OUIER. Officers must be trained in international economics and international political economy given the increasing importance of these issues in international relations. The proposal to create separate line offices for WTO/APEC/AFTA concerns should also be revived and studied carefully.
- For 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 improve the country's response to global demands in agricultural concerns. A review of the existing commodity-based organizational structure must be made in order 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 also be fully implemented.

## **CHAPTER I: 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 or invulnerable 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 to collectively 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 Public Administration -- first called for the scientific study of how to run governments as discontent with how the bureaucracy (mal)functioned became pervasive then.

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 such an 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 1970’s, with noted scholar Herbert Kaufman (1981, cited in Reyes: 1993) claiming that during this period, “anti-bureaucratic sentiment ha(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 New Public Management (NPM). Resulting from government’s inability to cope with the crisis at that time, 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 policies on economic liberalization, downsizing, privatization, debureaucratization, and

deregulation (UNPAN: 2001; Pierre: 2000; Kamarck: 2000). This view was popularized by “Reinventing Government” which declares that the “hierarchical, centralized bureaucracies designed in the 1930’s and 1940’s simply do not function well in the rapidly changing, information rich, knowledge-intensive society and economy of the 1990’s”. (Osborne and Gaebler: 1992)

But there is nothing to suggest that 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.

Academicians 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>; from the administrative sciences movement of the 1930’s, to new public administration in the 1960’s and development administration in the 1970’s. The paradigms for bureaucratic reform rise and fall, but government continues its 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, 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, this issue is becoming more acute as the democratic deficit is growing larger. With new economic, political and social challenges, 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 are continued “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 Delimitations 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 **Department of Foreign Affairs** the **Department of Agriculture**; and the **Department of Trade and Industry**.

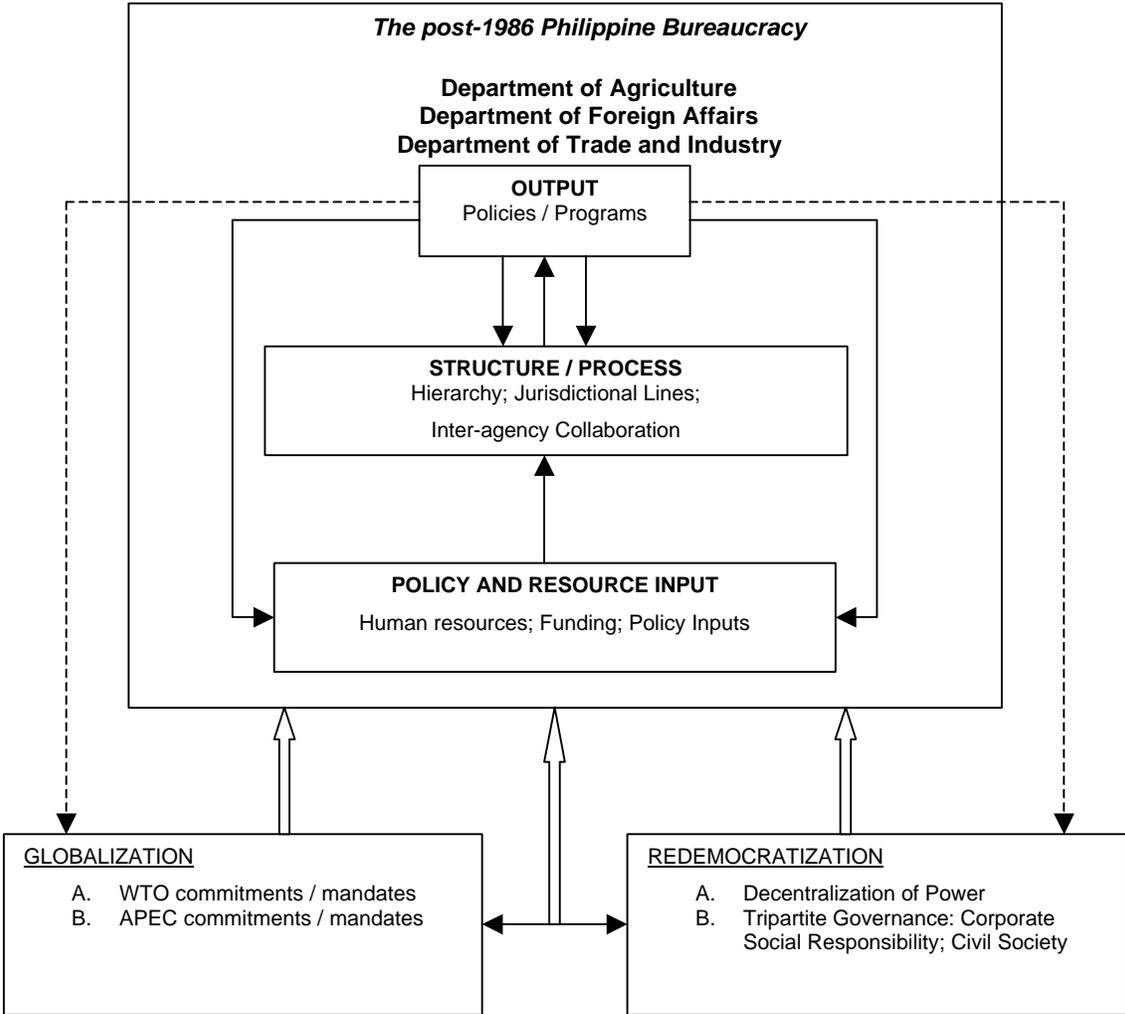
Because of its mandate, the Department of Foreign Affairs has to be at the frontlines of global concerns since it is the principal agency tasked with international affairs. As an agricultural country, the Department of Agriculture is a focal point especially since the production and trade of agricultural goods is a very socially and economically sensitive issue in global affairs. Finally, the importance of the Department of Trade and Industry cannot be overestimated as the world is moving towards 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 which focused on the strengthening and/or reestablishment of democratic institutions.

Given the breadth and depth of globalization, the study operationally defines the World Trade Organization and the Asia Pacific Economic Cooperation as the main sources of globalization initiatives, representing two multilateral institutions which the Philippines has committed itself to. This study makes use of quantitative methods in the form of descriptive statistics, and cross-reference this information with qualitative data as gleaned from key informant interviews and documentary content analysis.

The conceptual framework below is presented as a heuristic guide in understanding the complex nature of the impact of globalization and redemocratization on the identified agencies of the bureaucracy. 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 the bureaucratic organization. Nor can the different changes in the bureaucracy that have been observed be attributed to any single variable. Rather than causation, what is presented herein is the dynamics that happen within and among the agencies under study, with the hope of drawing out important lessons from these observations.

Figure 1: Conceptual Diagram



**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 Contingency Theory.

In *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 -- 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 happening in any organization. It is not entirely accurate to use business models in a public sector setting because of the different legislative and policy environment. Stakeholders also possess varying degrees of power and modes for influencing and participating in the decision making process. Nor will the impact of different forces be felt the same way even among government agencies.

Richard Daft (1998) further elaborates that “the correct management approach is contingent upon the organization’s situation, and what works in one setting may not work in another. 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 being placed under constant 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 obvious then, as it allows the research flexibility in accounting for effects or impacts of globalization and redemocratization on agencies which have 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 is a run-down of 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 New Public Management as the apparent dominant administrative reform movement today. This part also discusses the Asia Pacific Economic Cooperation (APEC) and the World Trade Organization (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 in. This is where the issues and concerns of the national government are placed in the context of globalization and NPM. The issues on 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 national government.

The fourth chapter of the paper presents the case studies on the Department of Trade and Industry, Department of Agriculture, and the Department of Foreign Affairs as the venues by which 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 interagency coordination.

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

## **CHAPTER II: 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.

In the discourse on globalization and the role of the State and government, a major school of thought is Realism. 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, account 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 for governments and their bureaucracies, where everything boils down to national interest.

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 “sceptics” who see globalization as merely heightened internationalization, or interactions between predominantly national economies. The “sceptics” 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

“sceptics”, the driving forces are states and markets. (Held: 1999) This complements the Realist perspective.

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 World Trade Organization or the European Union, with the combined forces 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 World Trade Organization and its rules may then 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 non-state 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 Asia Pacific Economic Cooperation, the European Union, or the Association of Southeast Asian Nations.

Indeed, this view that the State and its bureaucratic apparatus may just “whither away” and be replaced by non-state 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 are often cited when discussing how States are increasingly vulnerable in today’s globalizing world. To illustrate State vulnerability from the shifting winds of global forces, an oft-cited example 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 polities 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.” This view is supported by the United Nation’s World Public Sector Report (2001) wherein it is asserted that “a strong democratic State and globalization go hand in hand”.

This is what David Held (2002) categorizes as the “institutional reformist perspective”. The World Bank’s 1997 World Development Report asserts 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), being enabled 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 sceptics -- 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 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 OECD, or the Organisation for Economic Cooperation and Development (1996), globalization is not a single phenomenon. But in the economic aspect, 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 this globalizing context. Friedman in “The Lexus and the Olive Tree” (1999) identifies a specific economic phenomenon behind globalization and what it implies for government. Globalization for him means the spread of free-market capitalism to virtually every country in the world. The consequent rules of the game that under-gird this type of economy is what he calls the “Golden Straitjacket”, which is comprised of 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 in order to synchronize activities and make activities more uniform. Many of these synchronizing activities are synonymous with the concepts espoused by New Public Management or NPM.

### **New Public Management**

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

The 1980’s and 1990’s 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 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)

Margaret Thatcher in the United Kingdom, Brian Mulroney in Canada, and Ronald Reagan in the United States 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 New Public Management. (UNPAN: 2001; Kamarck: 2000; Friedman: 1999; Parsons: 1995)

Following the success of these conservative administrations in addressing the economic challenges, New Public Management 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) as contrasted with the inefficiency of government.

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

Don Kettle (in Kamarck: 2000) identifies two distinct phases in the development of NPM – the initial one in the 1980’s (dubbed as 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-1990’s, known as American-style reinvention.

Rhodes (1997) also gives two stages/meanings to 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 NPM? Drawing from several accounts, the following factors were found to be the most common bureaucratic reform adjustments being attributed to NPM:

<i>“Entrepreneurial Government” Osborne and Gaebler in “Reinventing Government” (1992)</i>	<i>The “Golden Straitjacket” of Friedman (1999)</i>	<i>UN’s World Public Sector Report (2001)</i>	<i>From the OECD (as cited in Ocampo: 2003):</i>
Preference for market mechanisms to bureaucratic mechanisms	Making the private sector the engine of growth	Market-like mechanisms	Strengthening steering functions at the center
Instead of focusing on providing services, catalyzing all sectors to solve problems	Privatizing Deregulating the economy	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

*Table 1: NPM and its various elements*

These basic principles have led to new catchphrases 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 then has veered away from traditional notions of public administration and the bureaucracy, to a more economic-oriented 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 decision-making 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” presents some statistical evidence:

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

Of course, whether these countries have adopted NPM formally, or that these reforms are identical in execution, is another matter. But it appears that this would empirically show that many of the government’s across the world are engaged in some sort of administrative reform, and that these reforms reflect many of 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 in this process: Level 1 which involves establishment of the rule of law; Level 2 which sees the privatization of state industries and the movement to a market economy; Level 3 which focuses on capacity-building of the state to support a market economy; and Level 4 which 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 pressures) 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 WTO and APEC, structural adjustment

programmes or conditionalities from the IMF, or the World Bank's measures of good governance values, many countries in the world are indeed undergoing bureaucratic reform movements. Whether these movements are caused 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 apparently one of the countries which has adopted many of the principles and initiatives espoused by NPM, as discussed in the succeeding chapter.

### **The 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 for the globalization in the Philippines would be the country's commitment to multilateral institutions of the Asia Pacific Economic Cooperation (APEC), and the World Trade Organization (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 claim that:

*... "the framework of rules within which economic activity takes place is increasingly defined in the international framework of the WTO, the IMF, the World Bank, the OECD and G7 summits, and is heavily influenced by regional trading blocks such as APEC, the European Union and NAFTA."*

APEC and the WTO have played vital roles with regard to trade liberalization and the opening up of national economies to the global market and following the discussion above, 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.

APEC began in 1989 when Australia hosted the first annual Ministerial Meeting of Foreign and trade Ministers from 12 Asia-Pacific economies<sup>1</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 other trade barriers across the region, creating efficient domestic economies and dramatically increasing exports. Its current 21 members compose of more than a third of the world's population, approximately 60% of world GDP and

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<sup>1</sup> Today, APEC has 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; The Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.

about 47% of world trade. It also proudly represents the most economically dynamic region in the world having generated nearly 70% of global economic growth in its first 10 years. ([www.apecsec.org.sg](http://www.apecsec.org.sg))

APEC is also the only inter-governmental grouping in the world that operates on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. It has no 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, non-discrimination, transparency, refrain from protective measures, simultaneous start, continuous process and differentiated timetables, flexibility and economic and technical cooperation (Osaka Action Agenda, 1995).

On the other hand, the World Trade Organization (WTO) began in 1995<sup>2</sup>. The WTO is an organization for liberalizing trade wherein governments negotiate trade agreements and settle trade disputes. Its objective is to reduce tariffs as well as to set limits to the amount of trade with quotas and other such restrictions. Moreover, it has expanded to include issues such as intellectual property rights, government procurement procedure and e-commerce.

The WTO is founded on the same principles as its predecessor, the General Agreement on Tariffs and Trade (GATT): non-discrimination and reciprocity. Non-discrimination means that every WTO member must be accorded 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 APEC, agreements in 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. ([www.wto.org](http://www.wto.org))

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 APEC failed to reach an agreement with the Early Voluntary Sectoral Liberalization (EVSL) consultations, it was WTO who took over the initiative (Yanai: 2000).

As mentioned earlier, one of APEC's core principles is WTO-consistency. APEC decisions recognize the superiority of the WTO system and emphasize that regional liberalization must 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 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 Trade Ministers meeting, 1996, paragraph 12)

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<sup>2</sup> Its trading system is half a century older: Since 1948, GATT had provided the rules for the world trading system.

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 on 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. Dani 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) states 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.

### **The 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 on just government, whereas the former factors in the influence of other actors in society.

The UNDP definition identifies two other actors, aside from the state: social actors (or civil society) and the private sector. These interrelationships and interactions between and among the State, the private sector and civil society groups is what is labeled as 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 World Bank); as a socio-cybernetic system; as self-organizing networks; and as new public

management. With this typology then, Rhodes has identified the apparent intersection between governance and globalization at the point of New Public Management, with NPM 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 the World Trade Organization 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 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 to the re-conceptualization of the role of governments. In governance, the State then is seen merely as a facilitator – by providing resources to assist markets and communities (Cariño: 2003). This is the “catalytic government” view of reinventing government, one which prefers “steering” (policy making) over “rowing” (service delivery).

Cariño (2003) identifies four factors pushing the concept of governance to the fore: 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.

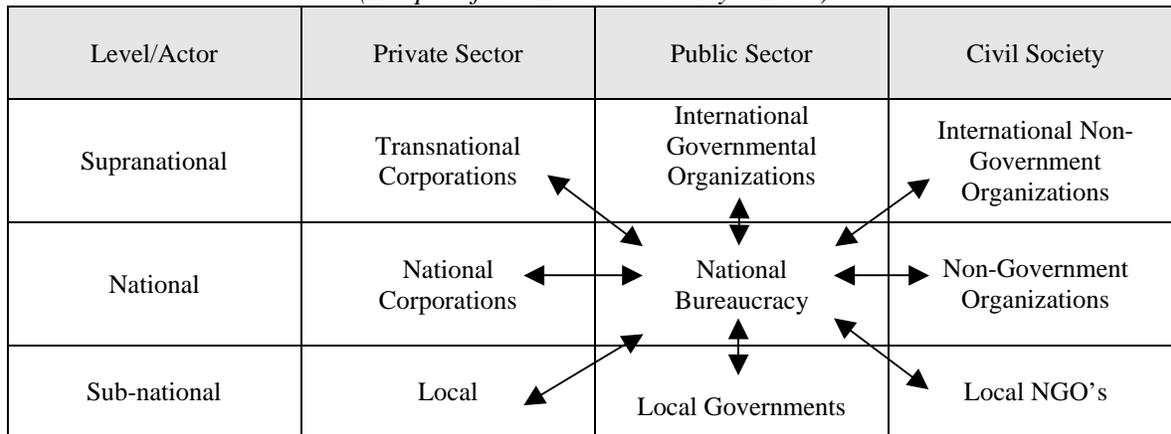
Harlow (2001, as cited in Wooldridge: 2004) thus asserts:

*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 – but not just international organizations as Harlow states, but domestic as well – a “multi-layering” of governance relationships has emerged. This has been made possible by the rise of different centers of power that exert pressures on the State and can be seen in this matrix developed by Keohane and Nye (2000) below.

In this model, the power of the government over decisions in society is then shared sideways between market and civil society groups (such as non-governmental organizations) in addressing national needs. This sharing of decision-making could also be “upwards” towards 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: Multi-layered Governance  
(Adapted from Keohane and Nye: 2000)*



At any given time in a particular policy issue then, 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 World Trade Organization 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 manifested in the massive protests 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 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 what extent 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’ (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 at all of government; a pluralistic institutional structure, and a free press”. (Leftwich: 1993 as cited in Rhodes: 1997)

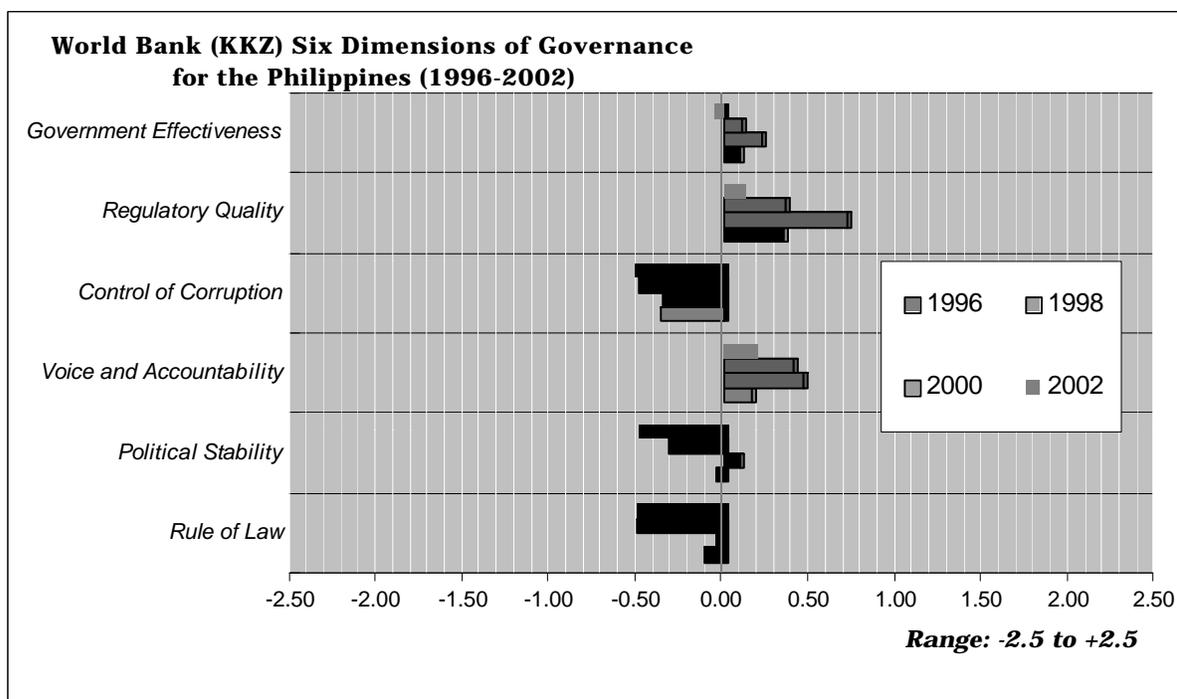
### Good Governance Indicators

The World Bank 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)

Below is the rating of the Philippine government for the past four survey periods covered by the World Bank in each of the good governance indicators. The average global score in every period for each indicator is zero, and may move towards +2.5 (highest) or –2.5 (lowest).

*Figure 3: World Bank Good Governance Indicators (1996-2002) and the Performance of the Philippine Government*



There has been clearly a steady decline in all indicators since 1998, which does not bode well for how the Philippine government is perceived. Rule of law and control of corruption measures all indicate a performance that leaves much to be desired, with Philippine scores 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 second EDSA in 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 Competitiveness Yearbook of the International Management Development, and Transparency International’s Corruption Perception Index also do not give the Philippines a very flattering image. In 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.

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 New Public Management? These questions are addressed in the succeeding chapter.

**CHAPTER III:  
THE 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, 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 1980’s and 1990’s 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 have shaped how our bureaucracy is run today. The elevation of the Civil Service Commission to the status of a constitutional body was by fiat of the 1973 Constitution (and reiterated in the 1987 Constitution). Presidential Decree No. 1 put into effect the Integrated Reorganization Plan which resulted to 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. 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, and as one scholar of the Philippine bureaucracy notes, Marcos made the civil service “more subservient than at any other time in history”. (Endriga: 1997)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.

**The Redemocratizing Philippine Bureaucracy**

A new Constitution was passed in 1987 which provided a basis for laws regarding the behavior of public officers. Article 11 of the Philippine Constitution has 18 sections devoted to the accountability of public officers. There has been an Anti-Graft and Corrupt Practices Act (Republic Act 3019) since 1960, and a Code of Conduct and Ethical Standards for Public

Officials and Employees (Republic Act 6713) passed in 1989. (UNPAN: n.d.) More recently, Republic Act 7080 or the “Anti-Plunder Law” was enacted in 1991.

The bureaucracy had to function once more under a republican, democratic, presidential structure. This structure is 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 have become regular features in policymaking and execution.

Redemocratization also meant the creation of more access channels for citizen’s participation by government. This is manifested in the decentralization process, with the passage of the Local Government Code (RA7160) of 1991, as well as the enshrinement of civil society participation in governance and the emphasis placed on the private sector as the engine of economic growth by no less than the Constitution.

Finally, emerging from years of authoritarianism meant that the Philippine bureaucracy had to be weaned away from the value system that was predominant pre-1986. This meant the reestablishment of civilian supremacy over military rule, respecting the rule of law, transparent transactions open to public scrutiny, and the duty ethic that would lead to accountability in governmental actions. Of course, 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. As the revolutionary government of Aquino came into power, it had 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).

It is important to note that this period also coincides with the rise of New Public Management, and that these reforms reflect many of 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 of the key concepts that would guide subsequent legislation and policies undertaken during that period, and two concepts underpinning 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 3 months and 10 days (ARMDEV: 1998).

### **“De-Marcosification”**

According to Patricia Sto. Tomas (1998), former chairperson of the Civil Service Commission (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 were the most turbulent years 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 (new) political loyalties as 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).

Similarly, the de-politicization of the armed forces was facing a similar uphill battle, with huge setbacks as manifested in the nine (9) coup attempts 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. Magdalo group of the Oakwood mutiny) still persist.

### **The 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, Republic Act 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 as regards its 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 can now fulfill their functions and obligations without constantly taking into account which political feathers they ruffle.

On the other hand, security of tenure has been attacked because it has made the removal of government personnel extremely difficult. Inefficiency or negligence, unless really pronounced, have not become sufficient grounds for dismissal of members of the bureaucracy. Thus, civil servants have become “headless nails” – once in, it is almost impossible to get them out. The consequences for this are obvious. Inefficient and ineffective employees get to stay on, depriving civil service with perhaps more qualified or more motivated young blood. The delivery of public service also suffers, with employees not really facing any sanctions or rewards for performance (despite the existence of the performance evaluation system in government), and are content in just “muddling through”, safe in the knowledge that as long as they do not commit criminal negligence or other similar acts, they are safe under the umbrella of the Security of Tenure law.

The Security of Tenure act also makes quick responses to changing demands difficult. Some changes in personnel requirements resulting from environmental effects (such as technological innovation) cannot be responded to. In an extreme case, some government workers

left computers to accumulate dust in storerooms because they were fearful of and/or unwilling to use this new technology (Sto. Tomas: 1998).

But being one of the most difficult hurdles in the reconfiguration of the government workforce to respond to changes is felt by others to be a small price to pay for ensuring some sort of insulation against the constant buffeting of political forces against the administrative arm of government. This is the age-old dilemma for students of Public Administration, known as the Politics-Administration Dichotomy.

### **The Salary Standardization Law**

Republic Act 6758 entitled “An Act Prescribing a Revised Compensation and Position Classification System in the Government”, or more popularly known as the Salary Standardization Law 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 towards government service.

It did succeed in its quest to give parity to government and private sector salaries, with an average increase of 160% from the 1993 baseline salary of the government employee. 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 (see section on “How Much Does it Cost to Run the Bureaucracy?” below) 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 on an agency level without resorting to a promotion in rank. Thus, the SSL created a straitjacket for most, while those with the influence or clout had themselves legislative exemptions. While these exemptions may be justified for many cases, the other civil servants who were tied down to the standards in compensation would feel resentment. The judicial branch has recently been successful in getting an exemption. The police and the armed forces have also been granted exemptions. The government corporations, guided by their own charters, were exempted from the SSL from their inception.

### **Decentralization and Tripartite Governance**

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

Decentralization was undertaken with two major aims. The first was the achievement of administrative efficiency through faster decision-making, as local units are able to take control of their own fates. The second and more important reason was that decentralization encourages more 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 devolved political powers, several administrative functions were devolved to the local government units. Among these are: field health and hospital services; social services; community-based forestry projects; public works funded by local funds; the school building program; facilities development for tourism; 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 Local Government Code 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 non-governmental organizations to strengthen the democratic process by giving people direct participation in the policy process at the local level. By mid-1990's there were over 16,000 civil society groups accredited for participation in the country (Brillantes: 1998) These are measures reflective of NPM. However, the claim that the decentralization effort (as well as other reforms) of the Philippines was due to the formal adoption of NPM is not being made.

### **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 increased from 70 in 1973 to 303 in 1985. As a strategy for sustainable economic growth and seen as a quick solution to the persistent fiscal burden imposed about by inefficient public enterprises, privatization was undertaken in the Philippines. In December of 1986, Aquino issued Proclamation No. 50 creating the Asset Privatization Trust, 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, with three of the four accounted for by NPM:

1. As a mechanism to get government out of the business of private sector
2. Disposition of non-performing assets were to fund the agrarian reform program;
3. Ease financial burden of government by reducing outlays for GOCCs and
4. As part of the conditionalities of the IMF in their stabilization programs and the 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 of (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 New Public Management as discussed in the preceding chapter.

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

The impact of privatization on the bureaucracy in GOCC's is clear. According to the Asset Privatization Trust 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 GOCC's 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 GOCC's), and the leakage from GOCC's was contained. (UNPAN: 1997)

In terms of employment, from 111,707 in 1996, the number of government personnel in GOCC's steadily decreased to 97,142 a year later, and down to 84,971 in 1999, (PSY: 2002) which was the natural consequence of privatization. When the Ramos administration took over in 1992, it had a "3 pronged strategy to right-size bureaucracy — attrition; privatization; and devolution". (ARMDEV: 1998) The latter two strategies were initiated during the Aquino administration as discussed above and were continued.

In the Medium-Term Philippine Development Plan (MTPDP) 1993-1998 of Ramos, the focus of administrative reforms was "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, a call for streamlining and rationalization of the structures of the bureaucracy. Again, these are prescriptions that are synonymous with NPM.

The disposition of these GOCC's led the United Nations Public Administration and Finance Network or UNPAN (1997) to claim that in the Philippines, "virtually all commercial activity is now in the hands of the private sector". The table below clearly illustrates the low level of employment of state-run corporations for the Philippines vis-à-vis the global average, and the average for developing countries.

As a matter of fact, in the intervening years of this global survey (between 1990 to 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.

*Table 2: Employment of State Corporations and Other Entities as a Ratio to Total Population (UNPAN World Public Sector Report 2001)*

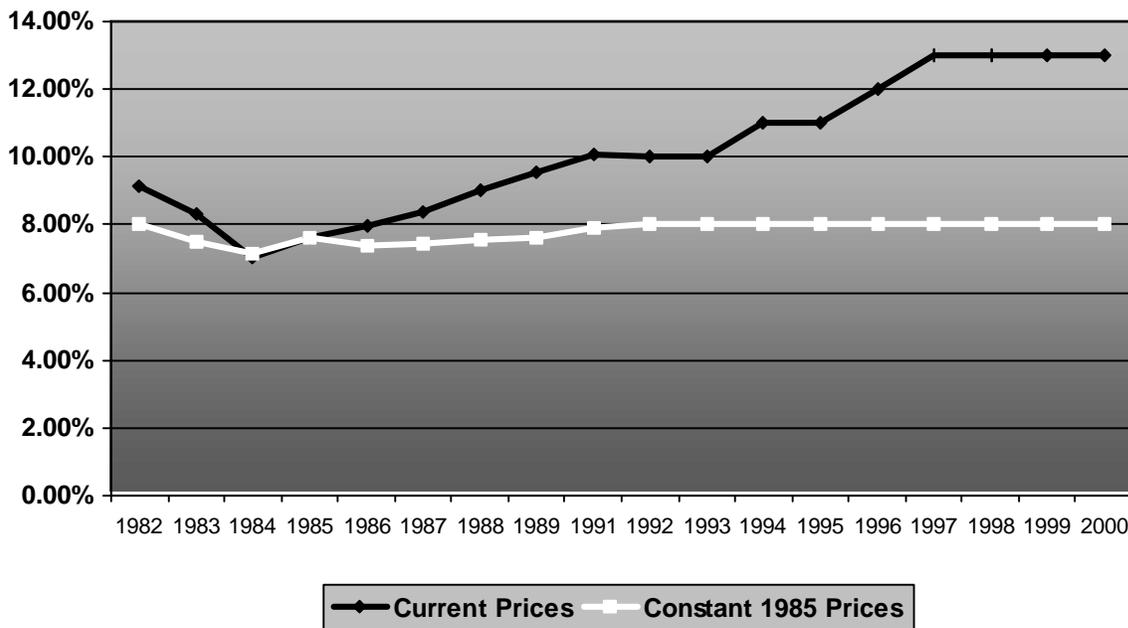
	1990 (or closest 2 years)	1997 (or closest 2 years)
Philippines	<b>.2</b>	<b>.1</b>
Average for Developing Countries	<b>2.5</b>	<b>2.3</b>
Average for Developed Countries	<b>1.6</b>	<b>3.1</b>

Average for Transition Economies	<b>19.7</b>	<b>8.9</b>
Global Average	<b>5.7</b>	<b>3.7</b>

The next chart details the government consumption of the Philippines as a percentage of the gross domestic product (GDP) from 1982-2000. According to Heritage House’s “Economic Freedom” ([www.gomains.com/economicfreedom/05.htm](http://www.gomains.com/economicfreedom/05.htm)) 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. The United States is given as an example, which rates at 24% government consumption of the GDP.

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

Figure 4: Government Consumption as a Percentage of GDP



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

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

## **Trimming the Fat from the Civil Service? The Attrition Law**

One of the main tenets of 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 purges during the “de-Marcosification” period, the number of civil servants increased considerably in a paradoxical turn of events, as Endriga (1997) puts it.

Therefore, one of the first actions taken by the Ramos Administration was to implement Republic Act 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 at what has been perceived to be a bloated bureaucracy, which was pronounced during the Aquino Administration (Sto. Tomas: 1998). Its main objective: downsize government. Its main instrument: freeze hiring, and preventing the filling of positions that become vacant due to retirements or death.

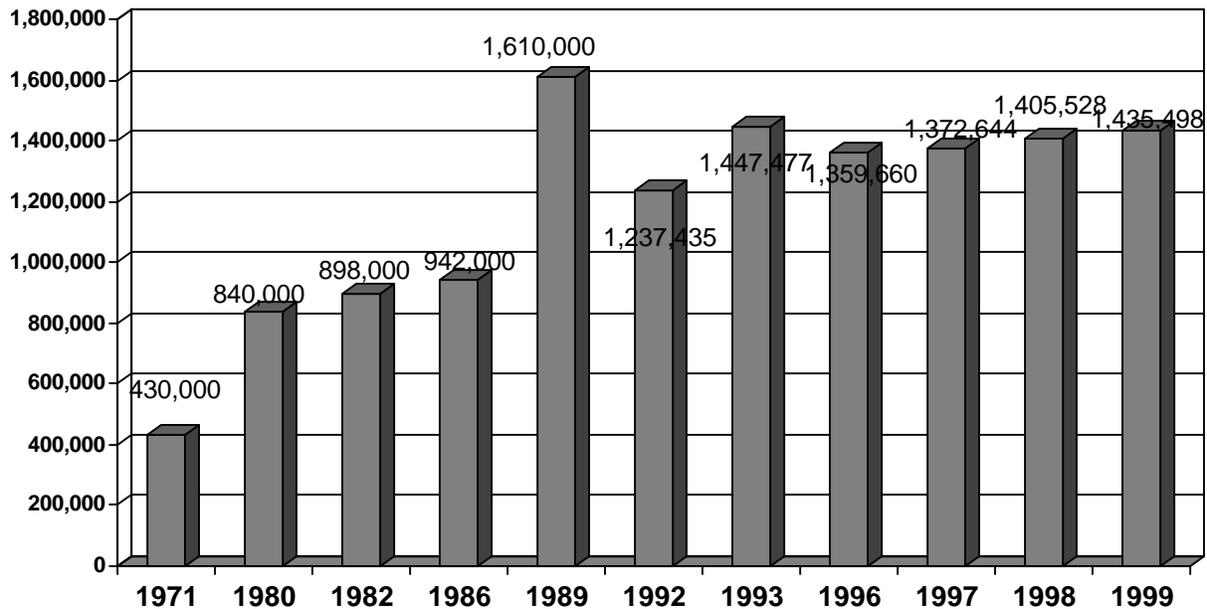
But this was apparently an exercise in futility as the figures below show. Perhaps, this may be attributed to a natural tendency of the bureaucracy to grow. “Bureaus will naturally or inherently seek to expand even if there is no reason to. In fact all organizations tend to expand. Because expansion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

Thus, despite the Attrition Law, the Philippine bureaucracy had in fact grown in size<sup>1</sup>, although the growth rates of 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 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:

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<sup>1</sup> Note: The Associated Resources for Management and Development in their 1998 study for NEDA came up with the following figures for the bureaucracy: 1993 – 1,066,928; 1995 – 1,014,284; 1996 – 994,598. This paper utilized the data from the Civil Service Commission itself for 1996 and 1997 which are based on positions actually occupied

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 CSC website

### **Reinventing and Reengineering the Government**

The bureaucracy under Ramos was able to make significant headway towards 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 selling-off of government owned and controlled corporations to pursue the twin thrusts of market liberalization and privatization. But the reengineering plan remained just that with Congress not laying down the legal framework for streamlining the bureaucracy. (UNPAN: 1997)

According to Danilo Reyes (1994), the MTPDP of Ramos had “remarkable parallelisms” between the goals of Philippines 2000 and Osborne and Gaebler’s reinventing “gospel”. It called for “reduction in the size of the bureaucracy; facilitation of consensus in decision-making; strengthening of government capabilities to implement policies and programs through local government units and volunteer organizations; the implementation of agency management improvement reforms; and the improvement of peace and order, law enforcement, and justice administration.” (Reyes: 1994) Thus we can see the combination of managerialism and new institutional economics goals as manifestations of NPM, side by side with traditional concerns of public administration.

All the gains and plans however, were given a huge setback by 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.

By virtue of Executive Order 165 or “Directing the Formulation of An Institutional Strengthening and Streamlining Program for the Executive Branch”. EO 165 defined the Estrada administration’s priority vis-à-vis the bureaucracy, and it laid down the “Re-engineering the Bureaucracy for Better Governance Program”. It called for streamlining the executive branch by directing heads of departments and other levels to identify activities no longer essential in the delivery of services to be removed. It also called for the establishment of productivity enhancement programs.

Estrada set up the Philippine Commission on Effective Governance (PCEG), in October of 1999 to prepare a “Public Sector Institutional Strengthening and Streamlining Agenda” for administrative reform in the executive branch. It was also tasked with creating an Integrated Administrative Reform Plan that would contain measures such as human resource development initiatives, 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 so-called “Edsa Dos” in January 2001, abruptly ending Estrada’s rule 2 ½ years into his 6-year term.

Upon its assumption to office, the Macapagal-Arroyo administration continued the initiatives to streamline the bureaucracy, but as yet has no overall agenda for reform in the bureaucracy. In the MTPDP 2001-2004, the present administration had adopted the Reengineering the Bureaucracy for Better Governance Program inherited from the previous administration. The PCEG created by the program seems to be the ad-hoc body that shall be the focal point of administrative reforms in the civil service.

In 2002, 77 agencies and task forces attached to the Office of the President were abolished which generated savings of Php56-million in annual salaries and overhead expenses, with 110 people losing their jobs. (PDI: July 31, 2003) The PCEG also recommended the abolition of 6,082 position in 13 line agencies with a projected savings of Php1.5-billion annually from the abolition of these offices. However thus will be offset by the plan to hire an additional 18,000 public school teachers and 5,000 military personnel in 2004. (Manila Times: March 12, 2003) Accordingly the 13 agencies targeted for shutting down 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 is also slated for privatization, but as yet the executive order has not been issued. (PDI: July 31, 2003)

Pending the passage of a Reengineering legislation, streamlining has been initiated in the department level through the issuance of executive orders from 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 Department of Agriculture; and EO 290 for the Department of Agrarian Reform. Another 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, as well as privatization efforts. For example, RA 9136 or the Electric and Power Industry Reform Act (EPIRA) was passed in June of 2001 that finally privatized the National Power Corporation (NPC). The NPC is seen as a huge drain on government resources due to its huge debt -- placed around P801-billion in 1999.

What is notable that after the Aquino administration, government efforts to improve the performance of the bureaucracy in the succeeding three administrations were anchored on the solid legislative environment created immediately after redemocratization in 1986 -- as based in the Constitution, the Administrative Code, the Local Government Code, the Salary Standardization Law, and the privatization thrusts of government. Many of these reform initiatives that were and are being implemented reflect to a great extent many of the principles espoused by 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 have been held from 1986-2001. The Legislature and the Judiciary are once more playing central roles in their respective jurisdictions, and the bureaucracy has been buckling down to work, with the media, academe, the private sector and civil society each busy testing their reacquired democratic space.

### **The Size and Distribution of the Philippine Bureaucracy**

There is the oft-repeated claim that the Philippine bureaucracy is bloated. In fact, many of the administrative reforms have included downsizing aspects to them. However, according to the Medium-Term Philippine Development Plan (MTPDP) 2001-2004, our civil service had 1.4

million personnel (as of 1999), or 1.93% of the total population. 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 technology, and have computerized most of their bureaucratic process (thereby replacing human workers), the number of our civil servants therefore should not be an issue.

The personnel count of our civil service is shown below. The latest Civil Service Commission data are for the years 1996-1999. The figures clearly show that there has been a steady increase in the numbers, with an average annual growth of 1.76% per year. The effectivity of the Attrition Law lapsed in May of 1997. (UNPAN: 1997)

*Table 3: Distribution of Government Personnel by Major Subdivision  
(1996-1999)*

<i>Year</i>	<i>Total</i>	<i>Nat'l Gov't. (% of total)</i>	<i>Local Gov't. (% of total)</i>	<i>GOCC's (% of total)</i>	<i>Stat. Discrepancy</i>
<b>1996</b>	<b>1,359,660</b>	<b>849,056 (62%)</b>	<b>353,897 (26%)</b>	<b>111,707 (8%)</b>	3.3%
<b>1997</b>	<b>1,372,644</b>	<b>913,951 (67%)</b>	<b>367,551 (27%)</b>	<b>97,142 (6%)</b>	-.4%
<b>1998</b>	<b>1,405,528 (estimate)</b>	-- no data--	-- no data--	-- no data--	
<b>1999</b>	<b>1,435,498</b>	<b>959,986 (67%)</b>	<b>389,561 (27%)</b>	<b>84,971 (6%)</b>	.06%

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

The consequent decrease in the bureaucrats employed in government owned and controlled corporations (GOCC's) is attributable to the privatization thrusts undertaken by the national government. However this is counterbalanced by the resultant increase in the people hired in the national and local governments. Almost 1/3 of our civil servants are already with the local government units (LGU's) as a result of decentralization efforts. Contextualizing these numbers into the nature of work of our civil servants, the assumption that we have a bloated bureaucracy seems to be a mistaken one. The chart below details what type of work our civil servants are engaged in.

*Table 4: Distribution of Civil Servants by Type of Work*

<i>Type of Work</i>	<i>Number</i>	<i>Percentage of Total</i>
Teachers (DepEd)	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>

*Sources: CSC 1999 Inventory of Government Personnel*

Almost a third of our government workers are teachers at 30.62%, comprising the single largest item in terms of number of civil servants. The Philippine National Police (PNP) comprise 7.63%. This means that almost 700,000 of the 1.4-million civil servants (46%) are engaged in frontline social services, whose numbers are population-based (CSC, n.d.). Constant hiring is needed in these jobs to keep up with the country's population growth and maintain a favorable teacher-student ratio, and an adequate number of personnel for security duties.

The other line and staff agencies of government make up the remaining 27.93% of government employment, but some of these agencies have personnel that are also population based and involved in the delivery of basic social services such as the health workers. Of course, whether other positions are redundant or not cannot be gleaned looking at these figures alone.

### **Politicization of the Bureaucracy**

According to the CSC inventory of government personnel, of the 1,435,498 million civil servants, 1,250,510 million are part of the career service. In the career service, 1.176 million are permanent. 194,988 are part of the non-career service, 17,126 of who are elective officials. The bulk of the non-career service is classified as casual or contractual employees of government. The vast majority of these non-career government workers are at the local level, accounting for 118,216 of the total figures. At the national level then, many are already part of the career service.

It is also useful to note that of the 1.4-million bureaucrats, 4,981 occupy the third level positions – the career executive service. Of this number, only 2,054 are permanent (as of 1999). This means that the Chief Executive may appoint 2,927 managers with every new administration -- a very tempting reward for political supporters indeed. 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 Inventory of Government Personnel: 1999)

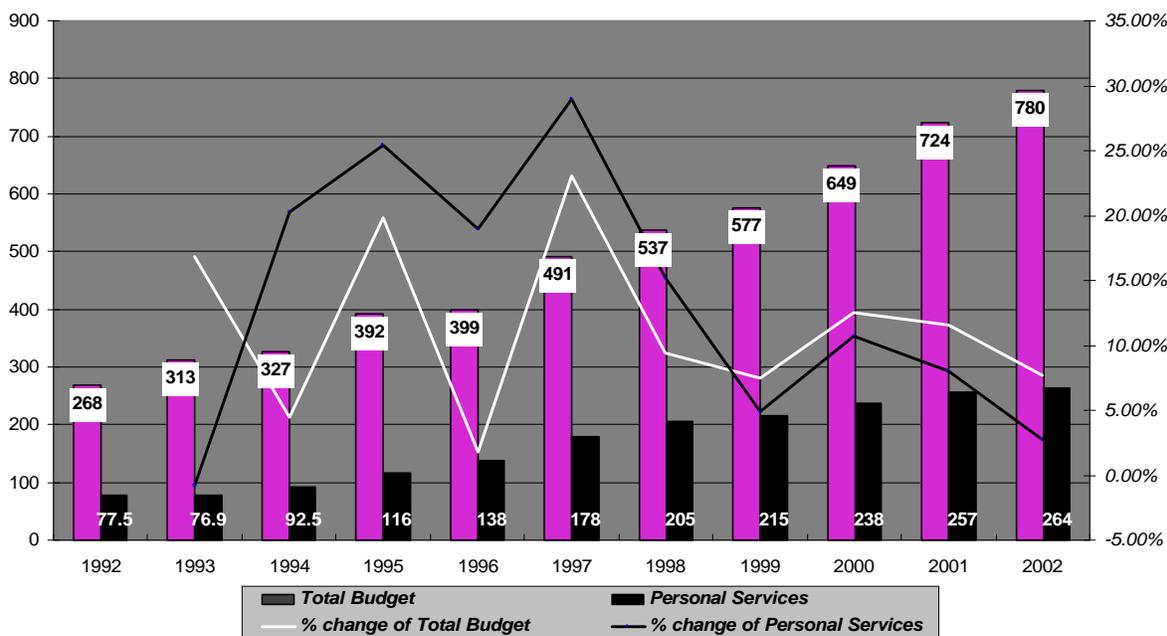
According to former Chairman of the Civil Service Commission Patricia Sto. Tomas (1995), 90% of national government managers hold temporary appointments and are not protected by security of tenure. This may prove fatal because “senior executives set the tone, the pace and the directions of the bureaucracy’s operations” (Sto. Tomas: 1995). However, she does make an optimistic note. While patronage remains a stumbling block, 94% of the total bureaucracy already had permanent appointments and that we are moving towards a professional bureaucracy. This implies that these permanent appointees already went through the requirements and necessary merit qualifications before being appointed. (Sto. Tomas: 1995)

### **How Much Does it Cost to Run the Bureaucracy?**

The chart below details how much it costs to run our bureaucracy, and with the corresponding wage bill. It is notable that the wage bill went down by less than 1% in 1993, which is attributed to the immediate effects of the Attrition Law. However, there was an inevitable steady rise in the amount paid for the salaries of the members of the bureaucracy as a function of their increasing numbers.

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

*Figure 6: Total Budget and Personal Services, and their Growth Rates (1992-2002)*

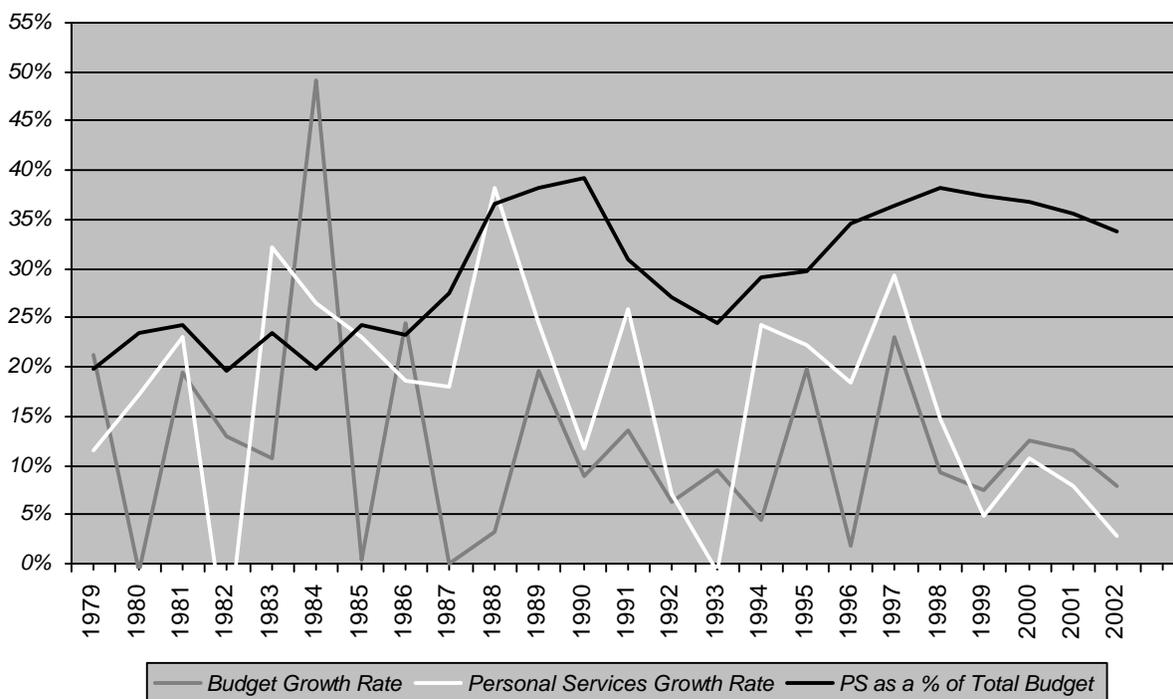


*Data from the Philippine Statistical Yearbook 2002*

The next graph 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 has been hovering at just below 40%, by far the single largest item on the budget beginning 1994, surpassing debt servicing that year. For the most recent year (2002) these two items by themselves comprise a massive 60% of the total budget, or Php468-billion of the Php780-billion national budget.

For a more comprehensive view that spans two decades and the five administrations of Marcos, Aquino, Ramos, Estrada and Macapagal-Arroyo, the chart below presents the rate of growth in terms of the national budget, personal services, and the chunk that personal services takes out of the national budget from 1979-2002.

*Figure 10: Growth Rates of Total Budget, Personal Services, and Personal Services as a Percentage of the National Budget (1979-2002)*

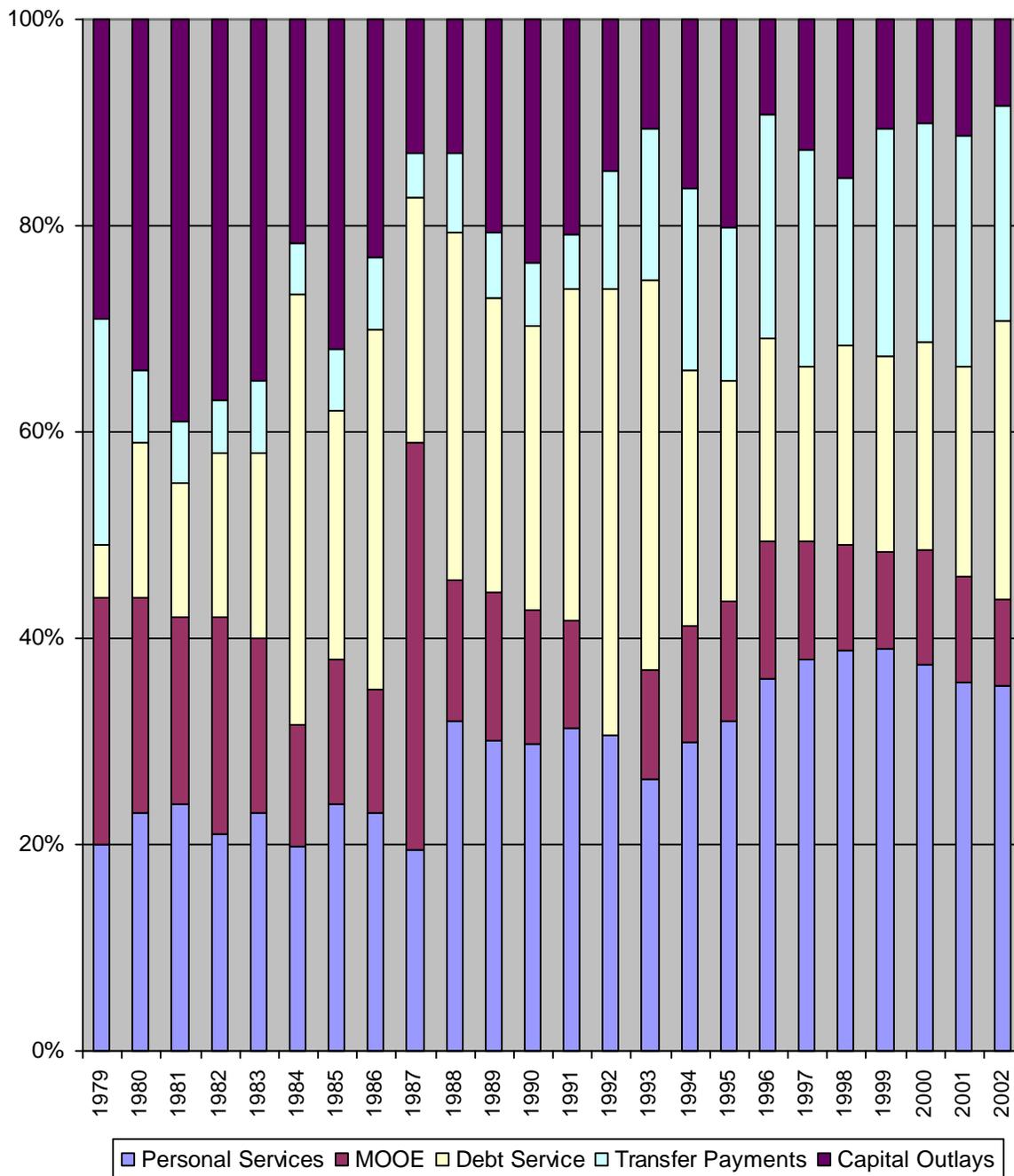


*From: Various Philippine Statistical Yearbooks*

What can be concluded from these figures is that while the growth rates for the total budget and the budget allotted to personal services has been erratic, the percentage of the national budget that goes to the payment of salaries for the bureaucrats has been growing. The Marcos regime had the largest increase in budgetary allocations in its final year while the salaries had remained fairly stable. With the assumption of Aquino to office, there was a steady increase of salaries starting 1987, reaching its peak in 1989 – at the advent of the Salary Standardization Law. This of course is a function of the numbers of civil servants and lends credence to Endriga's (1997) assertion that the bureaucracy then was bloated.

Below is a chart that shows how government has been spending for the past two decades, with the items divided among Personal Services (salaries); MOOE (maintenance and other operating expenses); Debt Service; Transfer Payments (for local government units and other social transfers); and Capital Outlays (for big ticket items).

*Figure 11: National Government Expenditures by Economic Classification (1979-2002)*



*From: Various Philippine Statistical Yearbooks*

The analysis focuses on three items: personal services, debt service, and capital outlays. What is immediately noticeable is the decreasing amounts for capital outlay. It is now one of the smallest items in the national budget, hovering around 10% since 1999. For the most recent figure in 2002, it was only at 8%. In the Marcos years, capital outlays were on average 32% of the national budget, reaching a peak of 39% in 1981. During Aquino's term, the average allotment was 22%. During the Ramos years until today, it has fallen to an average of 11%. This means that expenditure on equipment, buildings, vehicles, and other capital outlay items essential for long-term development has become a relatively low priority for government, which has implications for long-term growth.

Debt service accounted for an average of 19% from 1979-1985 (it was 5% of the budget in 1979; and shot up to 42% in 1984). This average ballooned to 35.7% of the total budget during the Aquino era, reaching 39% in 1988. This then tapered off to around 23% of the total budget under Ramos, with the same proportions being allotted today, although there has been a steady increase from 18% in 1999, to 26% in 2002.

For personal services, there was a steady allotment of around 22% for the period under Marcos. Salaries then shot up, taking as much as 39% in 1990 after the SSL was implemented during the Aquino administration. The average then was 33% 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 for his administration stands at almost 37%. Personal services slowly built up to 38% of the budget in 1998, but has slowly been tapering off. In 2002, salaries of government employees accounted for 34% of the national budget.

In 2002, debt servicing (26% of the budget) and personal services (34%) accounted for a massive 60% of the total budget. But it is important to contextualize these numbers, especially the salaries of the civil servants. In terms of ratio to population and economic intervention, and given the nature of work majority of the civil servants are engaged in, 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 those engaged in security and keeping the peace.

In a comparative study in 2002 of ASEAN civil service systems, Gonzalez and Mendoza state that the Philippines combines "high average pay and a trim civil service" on average, compared to its neighbors. However, when the salaries of the top echelons of the bureaucracy are compared, the Philippines fares very poorly. Senior civil servants get paid US\$1,200 starting salary in Singapore. Those in Malaysia get paid US\$550, and in Thailand, US\$252. The Philippines only offers US\$200 for the government managers. This has implications for morale and dissatisfaction in the higher ranks. (Gonzalez and Mendoza: 2002)

This then is the context and state of the national bureaucracy of the Philippines. Whether by accident of design, the Philippine government has been subscribing to the key ideas of New Public Management. It has embarked on an effective privatization policy, and is continuing this policy to date; it has also a constitutional mandate to make the private sector the motive engine for economic growth; it has pursued decentralization measures along with 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 numbers of civil servants (although with mixed results).

Sto. Tomas and Mangahas (2002) made a survey of the latest initiatives that the Philippine government has undertaken in trying to achieve good governance. Aside from the aforementioned creation of the PCEG, they also have identified the following:

1. Combating Corruption
2. Increased Participation of the Private Sector and Civil Society
3. Promoting Results-Based Management through the Public Expenditure Management Investment Program (PEMIP)
4. A shift in the mindset and attitudes of civil servants, by promoting accountability, emphasizing customer service; and establishing feedback mechanisms in the Civil Service Commission
5. Enhancing 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 in. Using NPM as a measure, it would appear that the government has been relatively successful in meeting some of the demands of global institutional pressure and domestic demand. What is left to do as Sto. Tomas and Mangahas (2002) state is the actual implementation, strengthening, and refinement of these policies.

With this context, it would be useful to study how the three identified agencies of the Department of Trade and Industry, the Department of Agriculture, and the Department of Foreign Affairs 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.

## CHAPTER IV THE RESPONSES TO GLOBALIZATION: CASE STUDIES ON DTI, DA and DFA

The participation of the Philippines in the World Trade Organization and the Asia Pacific Economic Cooperation has resulted to some significant changes in the national government, as well as the three agencies under study.

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

**Permanent Mission to the WTO.** Recently, Executive Order No. 271 issued by President Gloria-Macapagal Arroyo on January 19, 2004 created a *Permanent Mission of the Republic of the Philippines to the WTO* (EO 271, series of 2004). The Mission is to be considered as a distinct diplomatic mission and post of the country, which shall be responsible for leading trade negotiations, handling trade disputes, and representing the Philippines before the WTO, the United Nations Commission on International Trade Law, and United Nations Conference on Trade and Development.

The Permanent Mission shall 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 (both of the Department of Foreign Affairs), the DTI's Bureau of International Trade Relations, 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 DA insofar as agricultural policy is concerned.

**WTO/AFTA Commission (WAAC).** In order to directly address the country's concerns as a member of the multilateral trading system, Executive Order No. 193 issued by President Ramos on August 2, 1994 created the *WTO/AFTA (World Trade Organization Advisory / ASEAN Free Trade Area) Advisory Commissions* (EO 193, series of 1994). 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 mandated to conduct an education information campaign on the effect and implications of the Uruguay Round and the AFTA. In 1996, EO 193 was amended by EO 322 which expanded 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.

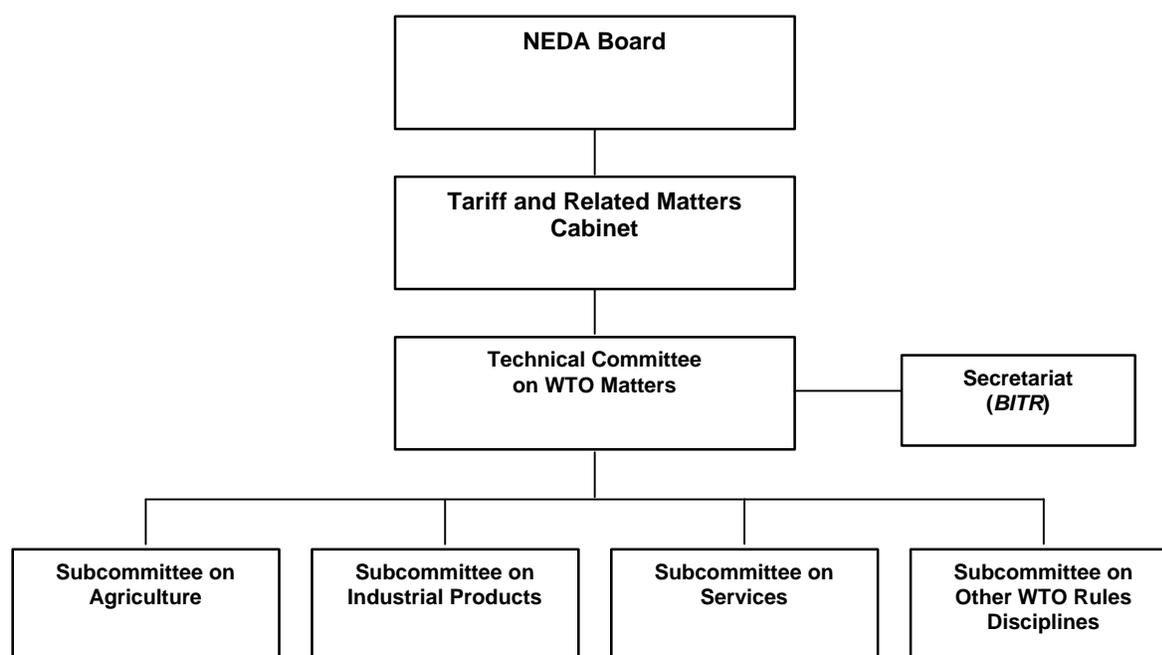
WAAC is composed of the DTI Secretary as Chair, a representative from the private sector appointed by the President as Co-Chair, and 8 other department secretaries, including that of Foreign Affairs and Agriculture. The Director-General of NEDA, the Press Secretary, the Central Bank Governor, and the 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.

The Arroyo administration at the end of 2002 had in effect abolished the WAAC as its functions and mandates were merged or transferred to the DTI's Bureau of Trade and International Relations.

### **The Process of WTO Decision-Making**

Under the Estrada administration, a decision-making process on WTO issues was developed. It involved four levels (see Figure 12). At the bottom are four subcommittees, namely the Subcommittee on Agriculture, which is chaired by the Department of Agriculture and also includes Task Force WAAR (WTO Agreement on Agriculture Renegotiations) that is chaired by the Department of Agriculture and includes 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 the National Economic and Development Authority; and the Subcommittee on Other WTO Rules and Disciplines chaired by the Bureau of International Trade Relations of the DTI.

*Figure 9: Decision-making on WTO matters*



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, plus the senior officials from the DFA and seven other agencies, WAAC, OP-Office of the Executive Secretary, DAR, and the Tariff Commission as members. The DTI-Bureau of International Trade Relations 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 Chairman, with the NEDA Director-General as Co-Chairman. Its members are the Executive Secretary, the Secretaries of the DFA, DA, DOTC, DENR, DBM, DOF, the BSP Governor, and the Chairman of the Tariff Commission. The Secretary of Agrarian Reform and Secretary of Labor and Employment 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 recommends to the President a continuous rationalization program for the country's tariff structure.

From the level of the TRM Cabinet, policy is brought to the NEDA Board. The NEDA Board 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, DPWH, DBM, DOLE, and DILG. Subsequently added were the Secretaries of DOH, DFA, and DAR in 1988; Secretary of DOST in 1989; Secretary of DOTC in 1990; Secretary of Energy in 1992; and the BSP Deputy Governor in 1993.

Interagency policy coordination, however, has not been as simple as it seems. According to the Director 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 own area 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, 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 (interview with Kabigting: May 2004).

Clearly, the country's membership in the WTO and APEC as well as the demands of democratization has emphasized the need for more and better coordination in policy formulation and implementation within and among 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 policy-making since the country's redemocratization. The interagency

councils and committees have been established by the President in order to address various national concerns has already been 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.

The other more agency-specific changes and responses are documented below, in the following order: Department of Trade and Industry, Department of Agriculture, and Department of Foreign Affairs.

### **A. 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 studied.

#### **The Development of a Department**

Reorganized by former President Corazon C. Aquino in 1987 through Executive Order No. 133 (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 designed for the expansion and diversification of domestic and foreign trade. EO 133 specifically states that "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 line operating units (comprised of national service centers, regional offices, and line corporate agencies and government entities) that comprise the department. Below is the list of the offices in the DTI Proper as well as the Attached Agencies and Corporations:

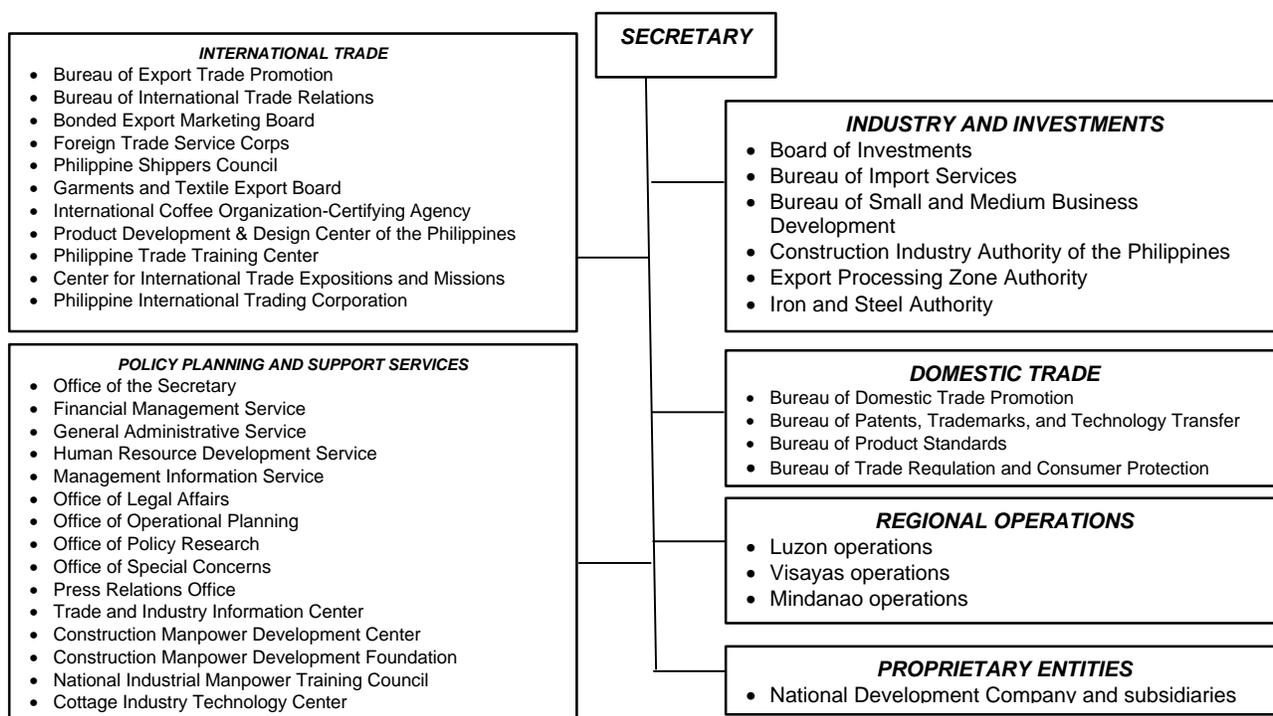
*Table 5: DTI Bureaus, Attached Agencies, Attached Corporations (EO133, s. 1987)*

<i><b>DTI Proper / Head Office</b></i>	<i><b>Attached Agencies</b></i>	<i><b>Attached Corporations</b></i>
<ul style="list-style-type: none"> <li>•Bureau of Domestic Trade Promotion (BDTP)</li> <li>•Bureau of Export Trade Promotion (BETP)</li> <li>•Bureau of Import Services (BIS)</li> <li>•Bureau of International Trade Relations (BITR)</li> <li>•Bureau of Patents, Trademarks, and Technology Transfer (BPTTT)</li> </ul>	<ul style="list-style-type: none"> <li>• Board of Investments (BOI)</li> <li>• Bonded Export Marketing Board (BEMB)</li> <li>• Construction Industry Authority of the Philippines (CIAP)</li> <li>• Construction Manpower</li> </ul>	<ul style="list-style-type: none"> <li>• Center for International Trade Expositions and Missions (CITEM)</li> <li>• Center for Labor Relations Assistance (CLARA)</li> <li>• Cottage Industry Technology Center (CITC)</li> </ul>

<ul style="list-style-type: none"> <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>• 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>• Export Processing Zone Authority (EPZA)</li> <li>• Philippine International Trading Corporation (PITC)</li> </ul>
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These units were grouped into five, each headed by an Undersecretary and Assistant Secretary, namely the Policy Planning and Support Services Group, Industry and Investments Group, Domestic Trade Group, International Trade Group, and the Regional Operations Group. This in part reflects the government-wide trend of expansion earning the moniker “bloated” during the Aquino administration.

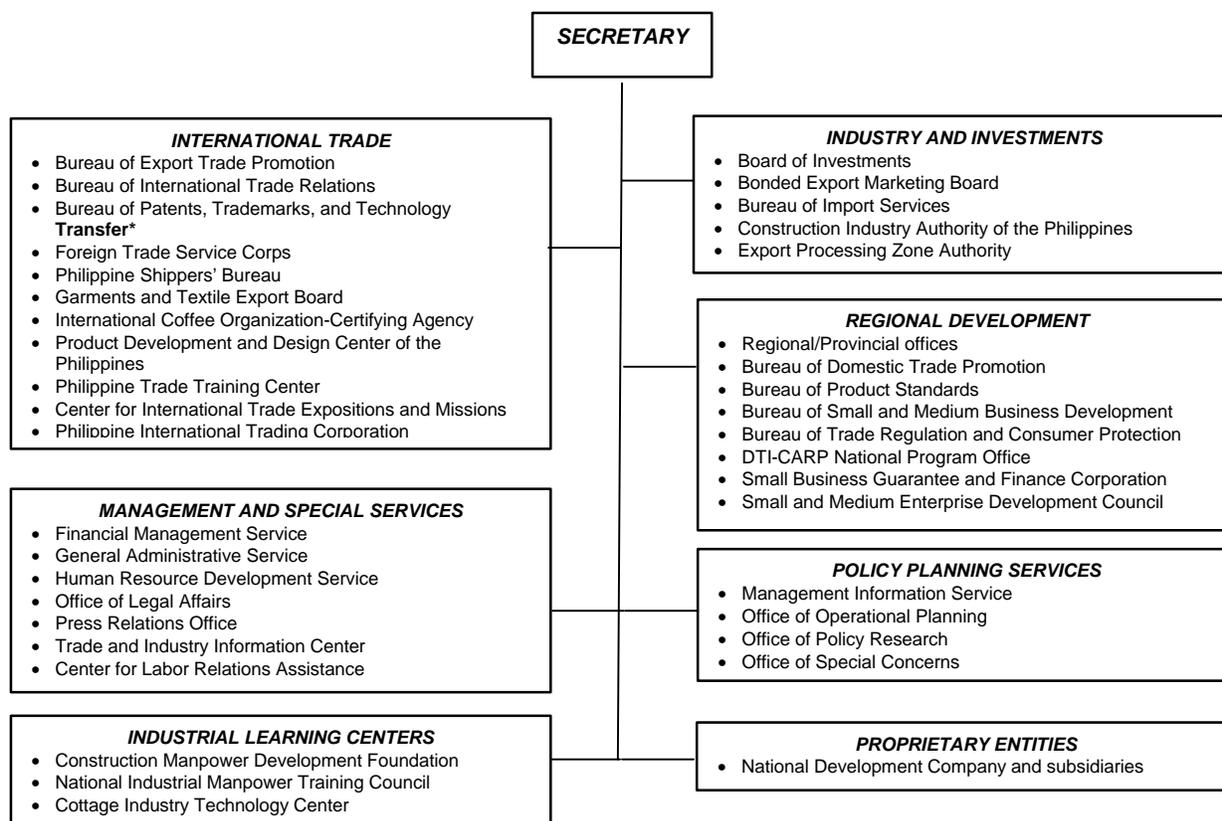
Figure 10: DTI Organizational Structure, 1987



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

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

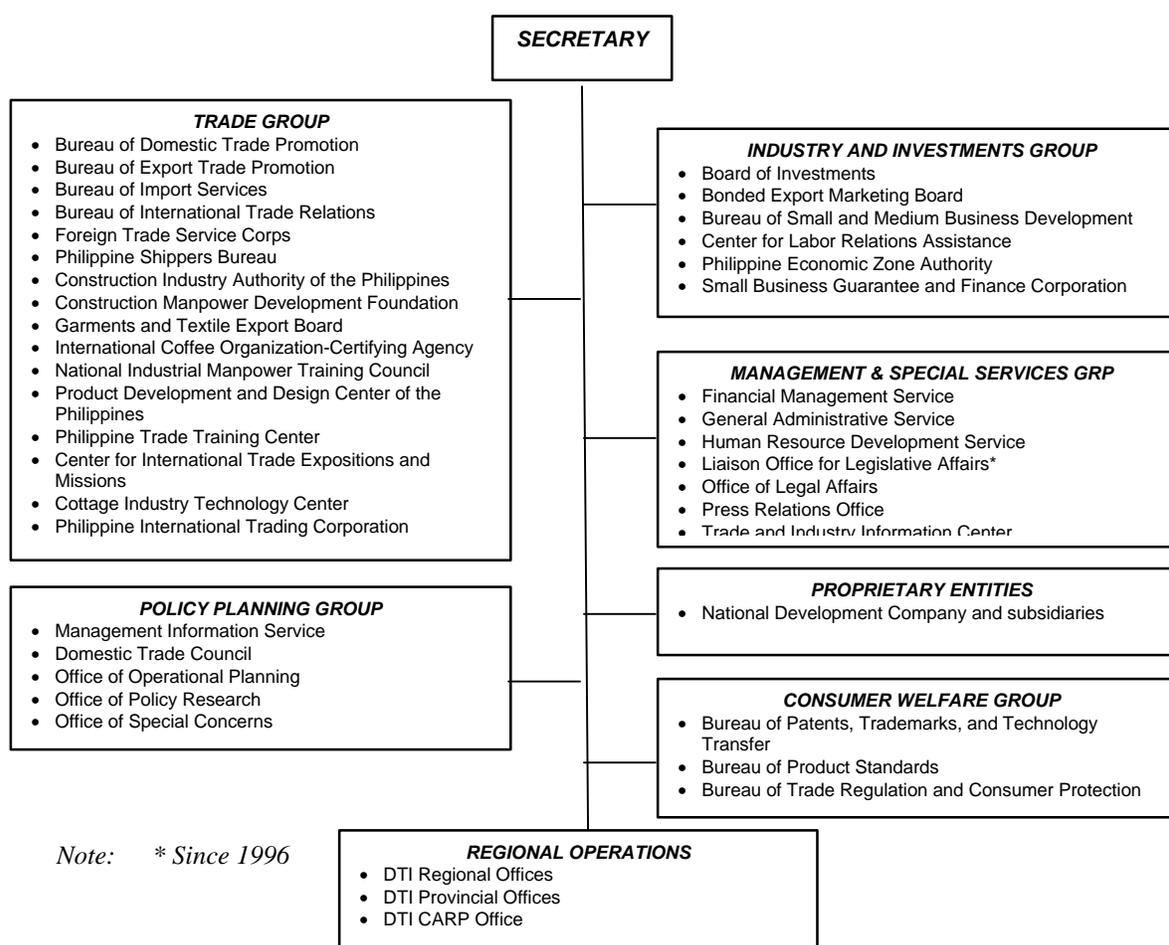
Figure 11: DTI Organizational Structure, 1992-1994



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

In an effort to refocus their orientation to the citizens as customers, the emphasis made by the DTI on the welfare of Filipino consumers led to the formation of the Consumer Welfare Group in 1995. This led to the addition of one Undersecretary and Assistant Secretary, increasing the total number of each to four. This was also the year the Philippines became a member to the World Trade Organization.

Figure 12: DTI Organizational Structure, 1995-1998

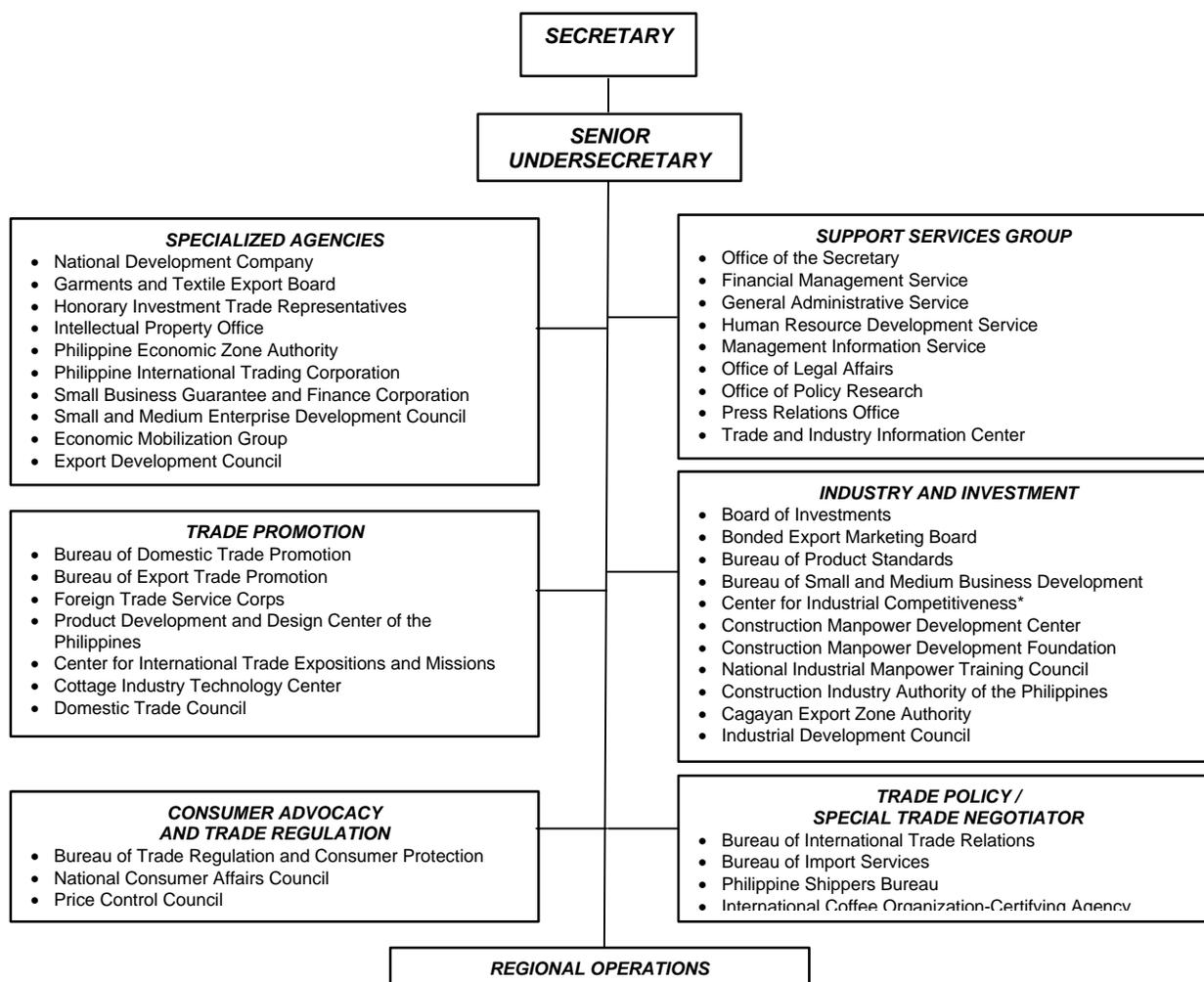


In 1998 as the Philippine government recognized the increasing importance of information technology and intellectual property and the urgent need to address these. In response to the Philippine commitment to the WTO Agreement on Trade-Related Intellectual Property Rights (WTO-TRIPS Agreement), the Philippine Congress enacted Republic Act No. 8293, also known as the Intellectual Property Code of the Philippines. This established the Intellectual Property Office (IPO) under the office of the Executive Secretary which replaced the Bureau of Patents, Trademarks, and Technology Transfer (BPTTT) under the DTI beginning on January 1, 1998. The BPTTT was eventually abolished.

Of importance is the creation of the Honorary Investment and Trade Representatives (HITR) International Network through Executive Order 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 is composed of individuals with impeccable business and professional reputation who do not receive any salary, allowance, or remuneration from the government except a token sum of one peso per year. 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, through Executive Order No. 124 issued by former 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 trade as a special trade negotiator. This then brought the number of undersecretaries back to five. However, the Office of the Senior Undersecretary/Special Trade Negotiator in Geneva, was only operational for a year and was abolished in 2000. Former Securities and Exchange Commission Chairperson Lilia R. Bautista occupied the office.

Figure 13: DTI Organizational Structure, 1999



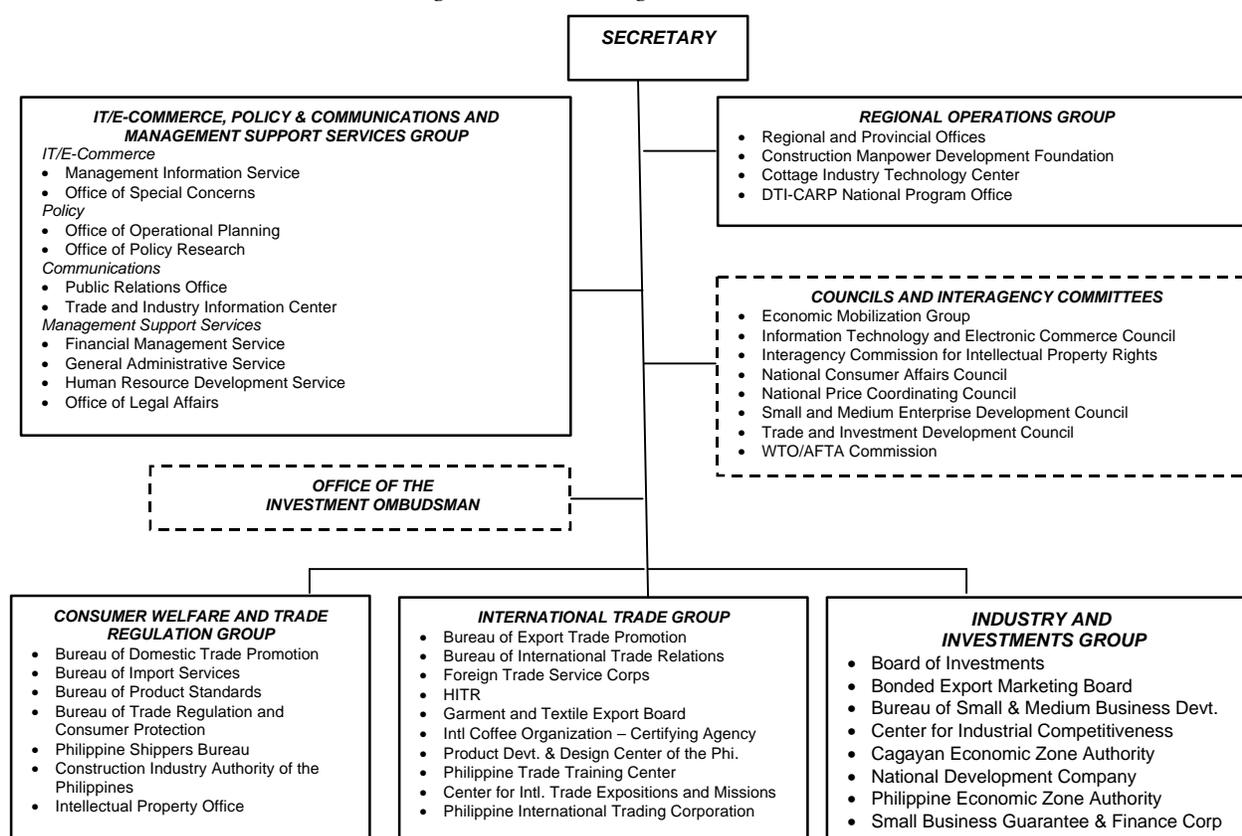
Note: \* Formerly the Center for Labor Relations Assistance

This restructuring resulted to the subdivision of the previously existing Trade Group into smaller groups. One of these was the Trade Policy / Special Trade Negotiator (TP/STN) group, which included the Bureau of International Trade Relations, Bureau of Import Services, International Coffee Organization-Certifying Agency, and the Philippine Shippers’ Bureau. The

other group was the Trade Promotion (TP) 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. Furthermore, two new groupings were created: the Specialized Agencies (SA) and the Consumer Advocacy and Trade Regulation (CATR) groups. Also significant in 1999 was the creation of the position of the Undersecretary for WTO matters, which is concurrently held by the Undersecretary of the International Trade Group (Department of Budget and Management: 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. Also, the Office of the Investment Ombudsman (OIO) was designated as an attached office to the DTI (EO 224, series of 2000). The OIO was created 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).

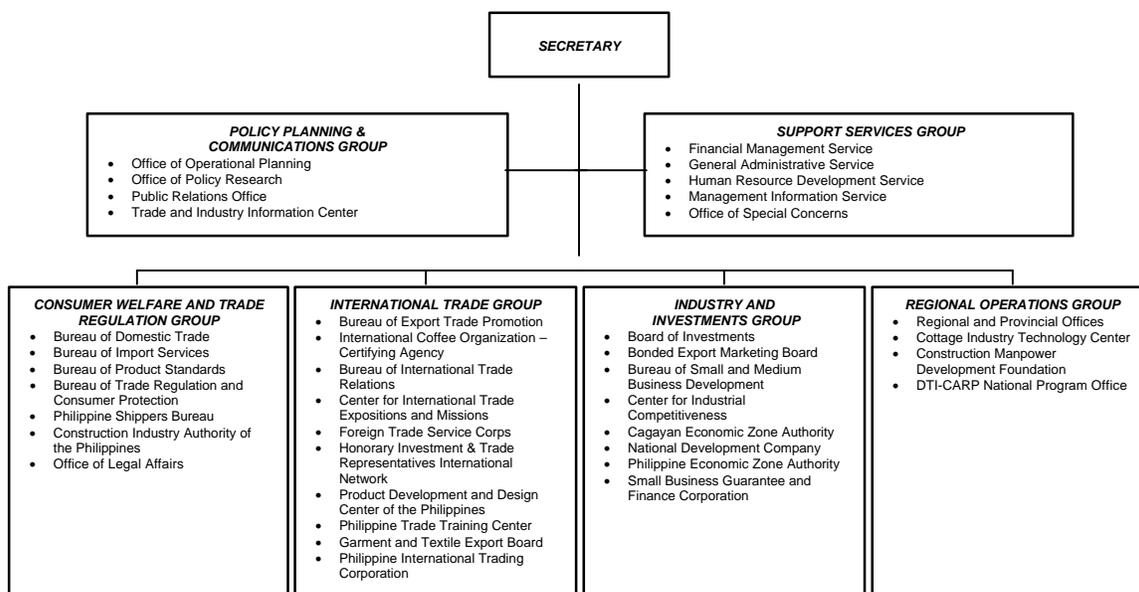
Figure 14: DTI Organizational Structure, 2000



In 2002, the IT/E-Commerce, Policy & Communications, and Management Support Services Group was divided into two: the IT, Policy Planning, & Communications Group and the Support Services Group. Currently, 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: DTI Organizational Structure, 2002



### Intra-Departmental Coordination

Coordination between the different DTI bureaus has taken a significantly new form in recent years. As part of his advocacy for a seamless organization in the DTI, former Secretary Manuel Mar A. Roxas II introduced the **matrix approach** to the department, through the creation of business development teams (DTI Department Order No. 97: 2001). 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 in order to increase money flows to it (Roxas: 2002). Ten revenue streams or focused product groups have been 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. (<http://www.dti.gov.ph/contentment/9/16/447.jsp>).

Through the matrix approach, the DTI aimed to facilitate the conduct of doing business. Producers or investors communicate 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 been effective in reducing transactions costs to local and foreign producers and investors (interview with Pacheco: April 2004).

### **Additional Organizational Restructuring**

It is important to note that in recent years, there have been efforts to restructure the organization of DTI bureaus in order 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 Department of Budget and Management, the DTI bureaus mentioned have been operating under a different structure within the constraints posed 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. Among these, the functions of the Import Strategy and Import Monitoring divisions have been redefined.

With the enactment of the laws on countervailing duties and against anti-dumping, the Import Strategy Division has been tasked to implement and strengthen these measures, formulate relevant administrative/legal procedures related to detection of unfair trade measures, be proactive in identifying products susceptible to dumping, provide technical assistance/consultation with local industries on their data needs to sustain anti-dumping cases, conduct preliminary investigation of anti-dumping cases, provide technical support to the Undersecretary/Secretary in the Special Committee on anti-dumping, and provide assistance to the Department of Finance and Tariff Commission on price verification of products covered by anti-dumping cases.

In addition, the Import Monitoring Division has been directed to gather and monitor the Home Consumption Values in relation to anti-dumping and countervailing measures and export values for endorsement to the Bureau of Customs for publication/updating, monitor quantities/values of liberalized and selected "sensitive" items, alert the private sector on dubious transactions and unfair trade practices, serve as a data link with SGS/data sharing with Bureau of Customs published value and Bangko Sentral ng Pilipinas through Letters of Credit and other modes of payment such as self-funded, represent the DTI in the BOC-SGS Appeals Committee on hearing regarding clean report of findings, assist importers/exporters/customs brokers on their query pertaining to export values which is the basis of valuation, provide information on export values as requested by the industries and other government agencies, provide assistance to foreign supplier for possible business opportunity, and disseminate information to create clients' awareness on importation rules/regulations and procedures.  
(<http://www.apeccp.org.tw/doc/Philippines/Organization/phorg3.html>).

Aside from the redefinition of the functions of the two divisions mentioned, two units have been created – the Trade Policing Unit and the Anti-Economic Crimes Unit – to ensure fair trade practices. The Trade Policing Unit 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 on sensitive products which exhibited import surge.

On the other hand, the Anti Eco-Crime Unit handles administrative functions of the Inter-Agency Committee on economic crimes pursuant to Administrative Order No. 201, and is designated to monitor import transactions to minimize the occurrence of fraudulent importations, detect smuggling, circumvention or non-compliance of import guidelines and tax evasion through post shipment surveillance of imported goods, convene periodically the members of the Task force, Oversight committee and members of the Inter-Agency committee on economic crime to determine the effective approach in dealing with the issues related to the objectives of Administrative Order 201, draft and finalize policies to recommend for implementation to the IAC-EC, derived from information gathered, collated and analyzed by the Secretariat of the Committee, conduct a regional information campaign 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.  
(<http://www.apecp.org.tw/doc/Philippines/Organization/phorg3.html>).

Another significant restructuring has been undertaken in the Board of Investments (BOI) in January 2003. The reorganization resulted to the formation of four operating groups. These are, first, the *Investment Promotions Group* which is tasked to generate investments and improve the image of the country as a viable investment destination through the formulation and implementation of investment promotion strategy for synchronized investment promotion efforts including the generation of investment opportunities, conduct of inbound and outbound missions, enhancement of investor servicing including the facilitation of investor's transactions and requirements and the implementation of special projects and other investment promotion related activities.

Second is the *Technical Services Group* which provides support services to the Board and its clientele through the enhancement of management processes, efficient dispensation of incentives, design and implementation of information systems, rendering of legal support on investment-related issues, and conduct of human resource development programs.

Third is the *Industry Development Group* which prepares the annual Investment Priorities Plan; formulates policies and develops programs/business plans/roadmaps that will hasten and sustain the development of key industry and service sectors with emphasis on human resources development, technology acquisition, industry linking and commercialization; monitors and coordinates with relevant units/agencies/institutions in the implementation of the above 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.

Fourth is the *Project Assessment Group* which is in-charge of evaluating, registering, supervising, monitoring and giving project assistance to registered firms; aims to give total investor satisfaction from the time the investor seeks registration, through the infancy stage of operations, and up to the time that the firms are fully operational; becomes fully accountable in all aspects of project registration, supervision and monitoring of all registered projects, including those based in the regions (Office Order No. 1, BOI Re-engineering 2, January 2003; BOI Operating Groups <http://www.boi.gov.ph/groups.html>; interview with Taruc: May 2004).

## **Legislative Context**

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

Republic Act No. 6977 (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 Republic Act No. 8289 in 1997.

Republic Act No. 7394 (RA 7394), also known as the *Consumer Act of 1992*, issued on April 13, 1992 empowered the DTI, together with the DA and the Department Of Health to enforce quality control and safety of consumer products. RA 7394 also created the National Consumer Affairs Council, which is tasked to manage and coordinate the effectiveness of consumer programs. The Council is composed of the DTI, formerly DECS now the Department of Education (DepEd), DOH, Department of Agriculture (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.

Republic Act No. 7581 (RA 7581), otherwise known as the *Price Act of 1992*, designated the DTI, DA, DOH, and the Department of Environment and Natural Resources (DENR) as its 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 National Economic and Development Authority or 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.

Republic Act No. 8762 (RA 8762), otherwise known as the *Retail Trade Liberalization Act of 2000*, signed into law on February 15, 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.

Republic Act No. 8792 (RA 8792), also known as the *Electronic Commerce Act of 2000*, signed into law on June 14, 2000 provides for the authority of the DTI to direct and supervise the promotion and development of electronic commerce – one of the main drivers speeding up international economic integration -- in the country with relevant government agencies.

## **Other Policy Responses to WTO Participation**

The Philippines was one of the first signatories to the World Trade Organization. To put into concrete effect this participation in the multilateral body, major legislative initiatives have been passed to comply with the Agreements on Anti-Dumping Measures, Subsidies,

Countervailing Measures, and Safeguards. These laws are fall-back mechanisms to give some sort of safety net to domestic industries as the country opens up fully to global competition.

Republic Act No. 8752 (RA 8752), otherwise known as the *Anti-Dumping Act of 1999*, provides for the strengthening of substantive and procedural remedies available to domestic enterprises in order to protect them from unfair foreign competition and trade practices. The DTI, in the case of nonagricultural 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.

Republic Act No. 8751 (RA 8751), otherwise known as the *Countervailing Duty Act of 1999* provides protection to a domestic industry which is being injured, or is likely to be injured, 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 Bureau of Customs.

Republic Act No. 8800 (RA 8800), or the *Safeguards Measures Act*, contains measures to protect local manufacturers from trade practices that are seen as unfair. Signed into law on July 19, 2000, it provides relief to domestic industries when sudden increases in imports adversely affects local industries. Under the law, government can levy a higher tariff on imports of agricultural products once they breach a certain volume or price, protecting local farmers growing the same products. The DTI, in the case of nonagricultural goods, or the DA, in the case of agricultural products, are tasked to administer the safeguards measures legislation.

Republic Act No. 8293 (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-Trade Related Aspects of Intellectual Property Rights (WTO-TRIPS) Agreement. Approved on June 6, 1997 and taking effect on January 1, 1998, the Intellectual Property Code streamlines the administrative procedures of registering patents, trademarks and copyright, liberalizes the registration on the transfer of technology, and enhances the enforcement of intellectual property rights in the Philippines. The law also created the Intellectual Property Office, which exercises original jurisdiction over certain administrative 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 collaboration between agencies, as well the participation of the private sector and civil society in crafting and implementing policies to respond to new demands brought about by globalization. Apart from the regroupings of the staff bureaus and department line operating units, the DTI has also served

as chair and/or member of various interagency councils and committees created by the President of the Philippines.

A look at the composition of the different interagency bodies in which the DTI has been a member of shows the extent of the inclusion of private/nongovernmental actors in government policy-making (refer to Table of Interagency Councils). It is noticeable that the numbers of private/nongovernmental members in the interagency councils are significant, even numbering as many as the members from the government (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 is also increased (as in the case of the Export Development Council). Important as well is the designation of a private/civil society sector representative as Vice-Chair or Co-Chair in many of the interagency councils (in the Information Technology and Electronic Commerce Promotion Council, for example).

In 1991, Executive Order No. 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 (EO 499, series of 1991). The EIDC, later renamed the Export Development Council (EDC) was mandated to give guidance and coherence to export and investment activities in the country. Republic Act 7844, also known as the Export Development Act of 1994, strengthened and institutionalized the EDC. Under RA 7844, 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, Executive Order No. 380 created the *Industrial Development Council* (IDC) in order to sustain the economic growth rate of the country towards the attainment of the status of a Newly-Industrializing Country by the year 2000 (EO 380, series of 1996). Among other functions, the IDC shall recommend an Industrial Development Plan, which is to be made compatible with the Philippine Export Development Plan and the Medium-Term Philippine Development Plan.

In 1998, Executive Order No. 58 created the *Domestic Trade Development Council* (DTDC) in order 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 (EO 58, series of 1998). The DTDC and IDC were merged in 2000 by Executive Order No. 225 and created the *Trade and Industry Development Council* (TIDC) (EO 225, series of 2000). 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 towards global competitiveness.

In 1999, Executive Order No. 155 addressed 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 by providing advise, guidance, and information on various

laws, rules, and regulations governing investment and the conduct of business in the country; by serving as the “ombudsman” of investors and act as a complaints and action center; by assisting in identifying investment opportunities; by facilitating the processing of all investment-related requirements by concerned agencies; and by improving time and quality standards for processing of investment-related papers in government agencies (EO 155, series of 1999).

The OSAC was placed under the direct supervision of the DTI Secretary. Furthermore, Executive Order No. 180 (EO 180, series of 1999) amended EO 155 and created the *Office of the Investment Ombudsman* (OIO) in the Board of Investments. The OIO acts as a Complaints and Action Center for Investment and act 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* (QROSAC).

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 as the *Economic Mobilization Group* (EMG)). At present, the EMG has thirty members: eighteen from government (with the DTI Secretary as Co-Chair) and twelve from the private sector (including two representatives from the labor sector).

Moreover, Executive Order No. 193 created the *Economic Coordinating Council* on January 6, 2000 in order to continuously improve 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 entered into in the WTO, APEC, and ASEAN (EO 193, series of 2000). The ECC is composed of the President as Chairman, the Finance Secretary as Vice-Chairman, and, as members, the Executive Secretary, DTI Secretary, Secretary of Budget and Management, DA Secretary, NEDA Director-General, and the Chairman 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.

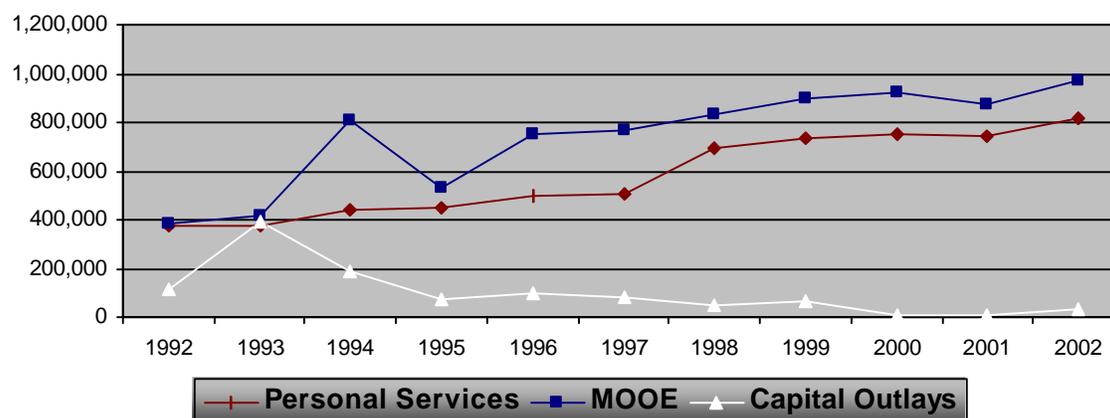
The increasing indispensability of information technology in the promotion of electronic commerce and the concurrent necessity of protecting intellectual property also led to another EO. In 1993, Executive Order No. 60 created the *Presidential Inter-Agency Committee on Intellectual Property Rights* (IAC-IPR) to coordinate government efforts in safeguarding and combating violations of intellectual property rights (EO 60, series of 1993). In 1994, Executive Order No. 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, series of 1994). EO 190 was amended in 1998 by Executive Order No. 469, which made the Secretary of the Department of Science and Technology its Chair and the DTI Secretary as member (EO 469, series of 1998), and in 1999 by Executive Order No. 125 (EO 125, series of 1999), which revitalized the NITC as the government’s highest planning and policy advisory board on IT matters.

In relation to this, Executive Order No. 468 created the *Electronic Commerce Promotion Council* (ECPC) (EO 468, series of 1998). The ECPC is tasked 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 (NPS) for the Promotion of Electronic Commerce in the Country, which shall be made consistent with 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* (ITECC) by virtue of Executive Order No. 264 (EO 264, series of 2000).

### **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. 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 the following table and figures.

*Figure 16: DTI Budget, 1992-2002  
(in thousand pesos)*



What is noticeable is that DTI does not follow the national government trend of personal services as the largest individual share, but it does reflect the 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 is given to personnel for their salaries (Personal Services), while a minimal percentage goes to capital expenditures (Capital Outlays).

It is important to take note that while there have been nominal increases in the total budget of the DTI, as well as in the budget for personnel, maintenance and other operating expenses, and capital outlays, the DTI's budget has not significantly increased in real terms. Given the additional mandates to it 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 functions in spite of the rigidity in the growth of financial resources.

Recently, for example, the DTI had to reduce the number of foreign commercial posts down to twenty-six, in order to rationalize resources and focus on the Philippines's priority markets. The commercial posts closed down were located in

- Japan (Fukuoka)
- Saudi Arabia (Jeddah)
- Israel (Tel Aviv)
- South Africa (Johannesburg)
- United States (Seattle, Chicago, and 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).

(Foreign Trade Services Corps Document; interview with. Iletto: May 2004).

**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 do not have the money to bring a Filipino producer around a country and introduce him to foreign nationals with whom they can do business with.

Nonetheless, the same informant also pointed out that the members of the Honorary Investment and Trade Representatives international network have been helpful in promoting the Philippines as an investment destination (interview with Iletto: May 2004.).

Another case is that of the Bureau of International Trade Relations. The BITR Director emphasized the need to have adequate financial resources, because they have to regularly attend and participate in international and regional trade conferences (interview with Kabigting: May 2004).

In addition, one key informant emphasized 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. In other countries, they 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 (interview with Reyes: March 2004.)

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

The Business Name Registration System (<http://www.bnrs.dti.gov.ph/bnrspub/>) is one of the principal front-line services of the DTI, whose main objective is to facilitate the registry of business names. Through the system, any one 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 (<http://tradelinephil.dti.gov.ph/betp/dti2.main>), on the other hand, is an information system maintained by the Bureau of Export Trade Promotion that provides such data as statistics on Philippine exports and imports, listings of exporters and suppliers as well as 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 service to the customer and facilitating transactions, with the end goal of oiling the gears of global competition.

*Human Resource Requirements.* Turning to human resource requirements, the personnel complement of the DTI since 1998 is presented in the following tables<sup>1</sup>:

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<sup>1</sup> The personnel complement for the DTI prior to 1998 is unavailable from the DTI Personnel Division. Data from 1992 to 1997 was available from the Office for Planning and Administration, Civil Service Commission through Ms. Cristina Buenaventura of the Research and Statistics Division. However, the data is incomplete and not categorized, thus cannot be used as a basis for interpreting the changes in the personnel complement of the DTI.

Figure 17: 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>

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 and the number has been declining or has not increased significantly ever since its reorganization in 1987 (interview with Pedro: December 2003).

Nonetheless, there are two important exceptions to this trend – on one hand, the decline in the number of filled plantilla positions in the DTI Proper/Head Office from 1998 to 1999 and, on the other, 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 Bureau of Patents, Trademarks,

and Technology Transfer by the Intellectual Property Office created through the Intellectual Property Code of the Philippines (RA8293). The BPTTT was then part of the Consumer Welfare Group but was abolished by RA 8293, and 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 for such bodies were normally “borrowed” from existing offices in the DTI (interview with Pedro: December 2003). 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 recently created. No new plantilla positions were created for these. Instead, each brand manager is “borrowed” from other units within the DTI. Hence, the brand manager for giftwares & holiday decors and food products comes from the Bureau of Export Trade Promotion; for IT services, microelectronics, marine products, motor vehicle parts & components from the Board of Investments; for organic & natural products and home furnishing from the Center for International Trade Expositions and Missions, for construction materials from the Construction Industry Authority of the Philippines, and for wearables from the Philippine International Trading Corporation ([http://tradelinephil.dti.gov.ph/betp/bus\\_dev](http://tradelinephil.dti.gov.ph/betp/bus_dev)).

However, this does not mean that the DTI has not wanted or needed additional personnel. The same key informant mentioned that they have frequently made requests to have additional plantilla positions, or for them to hire more people and fill the unfilled plantilla positions, to the Department of Budget and Management. But their requests have often been turned down due to budgetary constraints (interview with Pedro: December 2003).

***Human Resources Development.*** Given this difficulty in hiring new and better-trained personnel, the DTI has turned to training existing personnel and human resource development. In the Bureau of Export Trade Promotion (BETP), for example, activities have been conducted in order to reorient the mindsets of its personnel and upgrade their skills. The Director of the BETP remarked that it is very important to retrain the existing personnel of the DTI amidst a more competitive and global marketplace. More personnel are not necessarily needed, but better competency in tasks is very important (interview with Cala: April 2004).

Furthermore, the DTI has been putting emphasis on the continuous professionalization of the process of recruitment, selection, and placement of the human resource requirements of the DTI. The latest DTI Revised Merit Selection Plan (DTI Department Order No. 58, series of 2002) prescribes for a Personnel Selection Board per DTI Group in order to ensure consistency and professionalism in the selection of personnel, while Department Order No. 85 (DO85), series of 2002, provides for a DTI Human Resource Development Program. DO85, in particular, mandates each DTI employee to attend forty hours of training annually (20 hours for general competencies, 10 hours for technical competencies, and 10 hours for personal development) and has set aside twelve million pesos for the program.

The Director of the Human Resource Development Services (HRDS) of DTI says that the task of the HRDS is to guarantee that the applicants meet the requirements of the Civil Service Commission as regards government employment. In case a specific bureau or unit of the DTI has a particular qualification requirement for its personnel needs, the request is made by that unit concerned to the HRDS for the latter's guidance in hiring (interviews with Baua and Safranica: December: 2003.) The Bureau of International Trade Relations, 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.

## **B. THE DEPARTMENT OF AGRICULTURE**

The Department of Agriculture (DA) is the country's primary agency concerned with promoting agricultural growth and development. It was created under a Presidential Proclamation in June 23 1898 under the name 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 by February 28, 1986, it was once again named Department of Agriculture under Secretary Ramon V. Mitra.

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

Given the country's economic landscape, DA therefore plays a vital macro and microeconomic role for the country's development. Specifically, 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 infrastructures, (4) increase the incomes of farmers and fisher folks, and (5) to ensure that sufficient food 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, DA has undergone numerous changes brought about by certain developments in the country. One of the most significant is the decentralization efforts undertaken in 1991 with the passage of the Local Government Code which deconcentrates certain agricultural functions to the local government units. Another factor is the strengthening of global forces, like the World Trade Organization-General Agreement on Tariffs and Trade (WTO-GATT) and the Asia Pacific Economic Cooperation (APEC).

These two global organizations, with their commitment into fostering a free trade environment, has 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 the commitments that the country has with them.

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

Given these changes brought about by a redemocratizing context, and the importance that the WTO and APEC has placed upon agriculture, it is only imperative to analyze how DA, as an institution, has been affected by our country's membership to these organizations. To analyze how the country's commitments to the WTO and APEC has affected the DA, this paper aims to describe and explain the bureaucratic changes within the department based on its (1) organizational structure (2) output, through policies, (3) budgetary and personnel requirements.

### **WTO and APEC**

Both APEC and the WTO are aimed at creating 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 was included in the Uruguay Round Final Act to facilitate trade in the sector. This became the blueprint for agricultural trade for member countries both of APEC and the WTO.

The main goal of this 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" (Agreement on Agriculture: 1994). Specifically, it is aimed at achieving binding commitments in market access; domestic support; export competition; and sanitary and phytosanitary issues.

In terms of market access, it requires all members to replace non-quantitative restrictions with tariffs and to further reduce existing tariffs by 36% within six years for developed countries and 24% within ten years for developing countries. It also requires countries to reduce export subsidies within the same timetable.

In addition to market access, the Agreement on Agriculture also outlines safeguard measures to protect countries from unfair trade practices. It calls for countries to create countervailing measures, safeguard measures, and anti-dumping investigations for domestic support. Such domestic support measures, which have minimal impact on trade, are allowed insofar as they are in accordance with WTO commitments. The legal framework for this has already been discussed in the previous section on the Department of Trade and Industry.

Lastly, it also requires countries to harmonize sanitary and phytosanitary measures to ensure food safety and 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 with APEC in agriculture because of the flexibility of its agreements. The Early Voluntary Sectoral Liberalization (EVSL) 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' commitments to APEC simply mirrors its commitments to the WTO.

### **Organizational Structure**

The DA is governed at two levels, namely the national and local levels. 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 level and regional offices, and attached commodity-based agencies.

In January 30, 1987, President Corazon Aquino signed Executive Order (EO) No. 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 (OSEC), each headed by an Undersecretary (USEC) and a corresponding Assistant Secretary (ASEC).

These five groups consist of Regional Operations, Staff Operations, Policy and Planning, Livestock and Attached Agencies, and Special Concerns. Major changes under this EO also include the creation of the Bureau of Agricultural Research (BAR), 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 commodity agencies that were merged include the Philippine Agricultural Training Council, Philippine Training Center for Rural Development, and the Bureau of Agricultural Extension into the Agricultural Training Center (ATI). The National Tobacco Administration (NTA) was also created in the same manner.

However, there are recommendations given under this EO that were not followed. This includes the transformation of agencies such as Bureau of Plant Industry (BPI), Bureau of Animal Industry (BAI), Bureau of Fisheries and Aquatic Resources (BFAR), and the Bureau of Soils and Water Management (BSWM) from line agencies to staff agencies. The agencies still retained line functions such as research and technical regulation, and they still maintained the ability 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 was a 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.

The DA has also been tasked to be the chair of the Task Force WAAR, or the WTO Agreement on Agriculture Renegotiations. Again, it is important to remember that many of these councils are tripartite in composition (including many members from the private sector and civil society), and necessitates more interaction of DA with the other line and staff agencies of government. The responses to WTO/APEC then have given DA more contact points with the other bureaucracies, as well as other stakeholders.

### **DA and the Local Government Code**

Under R.A. 7160 of the “Local Government Code of 1991,” the DA was again reorganized to devolving certain powers to the Local Government Units (LGU). There are three levels of governance in the local level, namely the provincial, municipal, and the baranggay levels, which are headed by selected officials as stipulated by the R.A. 7160. Based on this, the following functions of the Department of Agriculture will be devolved to the provincial, municipal, and baranggay levels:

*Table 6: Devolved Agricultural Functions*

<b>Provincial</b>	<b>Municipal/City Level</b>	<b>Baranggay</b>
<ol style="list-style-type: none"> <li>1. Extension and on-site research services and facilities</li> <li>2. Assistance in the organization of farmer’s and fisherman coops and other organizations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Extension and on-site research services and facilities.</li> <li>2. Quality control of copra.</li> <li>3. Improvement or development of local distribution channels</li> <li>4. Communal and other small-scale irrigation</li> <li>5. Water and soil resource utilization and conservation projects</li> <li>6. Enforcement of fishery laws in municipal waters including conservation programs</li> </ol>	<ol style="list-style-type: none"> <li>1. Distribution of planting materials</li> <li>2. Operations of farm produce buying stations.</li> </ol>

*Source David (n.d.)*

Because of this reorientation of functions, certain agencies of the department were deemed to have had functions overlapping with the local government. These include the Philippine Coconut Authority (PCA), Sugar Regulatory Administration (SRA), Fiber Industry Development Authority (FIDA), 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 Government.

During this time, the DA's undersecretaries and assistant secretaries were also trimmed down to only 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 (BAS), Planning and Monitoring Service (PMS), ACPC, National Nutrition Council (NNC), QuedanCor, Special Concerns Office, Computer Services, and International Agricultural Development Council coordinating Office (IADCCD).

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 6 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 (then renamed as USec. 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. Among these three undersecretaries, the one assigned to Livestock, Fisheries, Staff Operations, and Attached Agencies has the heaviest workload, having to take care of the most number of functional and commodity based concerns.

As the country has committed to trade liberalization, and in response to the need to modernize and make the sector globally competitive, R.A. 8435 or the Agriculture and Fisheries Modernization Act (AFMA), and R.A. 8550 (the Philippine Fisheries Code) and R.A. 8178 (the Agricultural Tarrification Act) were passed into law. These legislations brought about a number of changes in the DA's organizational set-up.

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 Agriculture Competitiveness Fund (ACEF) Office. Among these new offices and agencies, however, the MAV Secretariat and the ACEF Office were only created by virtue of administrative orders within the DA. These two offices, although created by virtue of AFMA, were actually meant to provide services in response to the Agricultural Tariffication Act. BAFPS, on the other hand, was created to set and implement standards for fresh, primary-and -secondary- processed agricultural and fishery products.

The Philippine Fisheries Code called for the creation of an undersecretary for Fisheries and Aquatic Resources to attend to the need of the Fishing Industry. In addition, the Bureau of Fisheries and Aquatic Resources (BFAR), which was transformed into a Staff Agency through EO 116, was then reconstituted as a Line Agency placing it under the USEC for Fisheries and Aquatic Resources. This made BFAR 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 all responses to either the redemocratizing impetus of decentralization, or the commitments to global institutions. In rein order to accommodate these legislations, an Agriculture Bureaucracy Restructuring Plan (ABRP) was drafted under then Secretary Montemayor to reorganize the country's agricultural bureaucracy and make it more responsive to changes in the environment. Based on the recommendations in the ABRP, EO No. 338 was signed into law by then President Estrada on January 10, 2001. Under this new plan, five undersecretaries, six assistant secretaries, and the Inspectorate General and Department Spokesperson, both of which also have the title of assistant secretaries (bringing the total to eight) were created.

The undersecretaries are: Extension, LGU Support and Extension; Research and Development; Fisheries Regulation; Policy, Planning, and Project Development; and Finance and Administration. These are also the five functional lines of the department. Each one (except for Policy and Planning) shall be assisted by their respective assistant secretaries, while the assistant secretaries for Regional Executive Directors, Corporate Affairs, Inspectorate General, and the Department Spokesperson shall all be placed under direct supervision of the Office of the Secretary.

However, because of unexpected change in administration vents in the succeeding months after the EO was signed, the plans were not fully implemented. Hence, offices such as the TRO, MAV Secretariat, and ACEF Office, still remain as interim offices within the department (see appendix 3).

### **Legislative Environment for Agriculture**

The Department of Agriculture, during the time of President Corazon Aquino adopted a nationalized approach to agriculture (E.O. No. 116, 1986). During this time, government policy towards 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 see fit.

Since the country's membership to the WTO, however, our commitments have led to numerous legislations and policy changes regarding the agricultural sector. According to the WTO's Agreement on Agriculture, the Philippines entered binding commitments regarding market access, domestic support, export competition, and sanitary and phytosanitary measures.

One of the major policy changes, which resulted from the WTO agreement, is the tariffication of the agricultural sector. The Philippines, under the WTO, has agreed to replace all quantitative import restrictions on all agricultural products, except for rice, with tariffs through the enactment of R.A. No. 8178 in March 27, 1996, also known as the Agricultural Tariffication Act, in accordance with Section 5 of the Agreement on Agriculture under the WTO.

As a result, 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 its “Minimum Access Volume ” (MAV).<sup>1</sup> In 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.

R.A. 8178 is the first among the many legislations resulting from the WTO. Under the WTO’s Agreement on Agriculture, however, special treatment is given to developing countries like the Philippines. One of which is the exemption of rice, as the country’s staple food, from the tariffication. Thus, the National Food Authority (NFA) retains the initial right to import rice.

In addition to the MAV Mechanism and the tariffication of the agricultural sector, this law also created the Agricultural Competitiveness Fund (ACEF), which will be composed of proceeds from the importation of agricultural products through the MAV Mechanism. This fund, which shall be included in the national treasury, will be used for the implementation of different infrastructure projects, research and development, and other activities to provide support and assistance to the agricultural sector.

Furthermore, the law also led to the revision of the powers of the National Food Authority (NFA) regarding importation. As a result, the powers of the NFA under the National Grains Authority Act was limited to the importation of rice alone, removing its ability 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 is R.A. 8435, also known as the Agriculture and Fisheries Modernization Act (AFMA), signed into law on December 22, 1997. The act was intended to modernize the sector to become a technology-based industry in order to improve the quality of Philippine agriculture and make them competitive worldwide. 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, where the country’s medium and long term Agricultural and Fisheries Modernization Plans (AFMPs) will be based

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<sup>1</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.”

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 non-farm 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 of 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 6 years. According to this provision, fifty percent (50%) of these funds should be appropriated for capital outlays – irrigation (30%), post-harvest facilities (10%), and other infrastructure (10%).

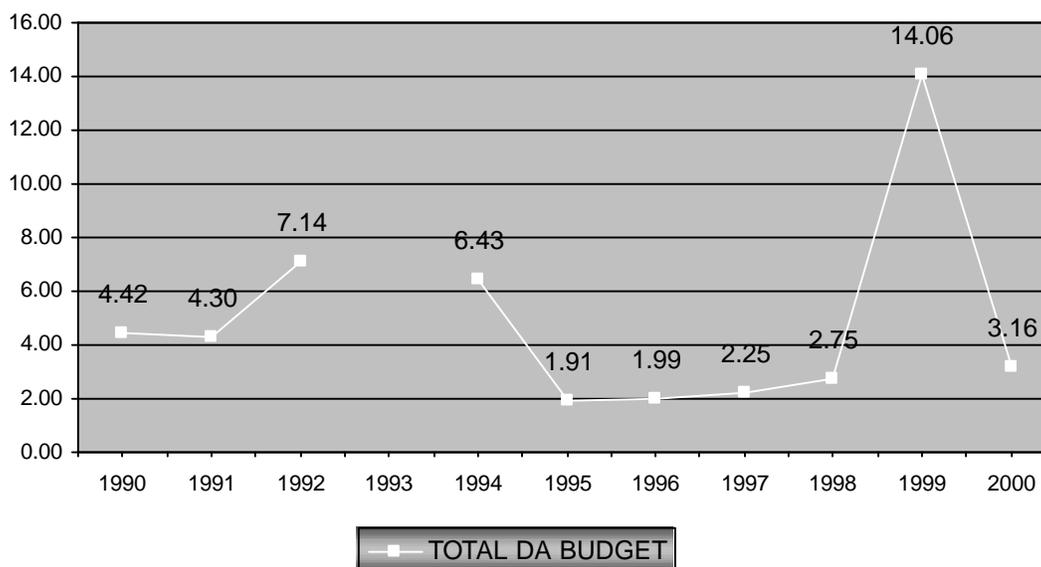
Through the AFMA, the department also adopted the *Ginintuang Masaganang Ani* (GMA) Program, which became the banner program for agricultural development of the DA and replaced the previous administration's "Masaganang Ani Program". The main goal of the GMA program is to achieve food security for the country both in terms of the supply and accessibility of food for Filipinos through capability building, and improving the productivity of farmers and fisher folk, thereby increasing their incomes in the process as well, and acknowledging the redemocratizing context, providing for the increased participation of all stakeholders. The products included under this project are rice, corn, fisheries, sugarcane, coconut, and other high value commercial crops.

The WTO also led to the creation of laws that are meant to protect the country's agricultural sector such as the "Countervailing Measures Act", the "Anti-Dumping Act" and "Safeguard Measures Act" previously discussed. The DA takes the lead as mandated by these different laws when the products concerned are agricultural in nature.

### **Budgetary Requirements**

The Department of Agriculture, being one of the country's biggest bureaucracies has one of the biggest budgets in the national government as well. From 1990 until 2002, the DA's budget grew annually by 14%. This table does not indicate the significant amounts allotted for the implementation of the GATT-related Measures Fund in 1995 and the implementation of AFMA in 1999 with the Agricultural and Fisheries Modernization Fund. These two responses are of course by virtue of the country's commitments to protecting the agricultural sector from the negative impact of global competition (for the former) and modernizing the agricultural sector to be globally competitive (for the latter).

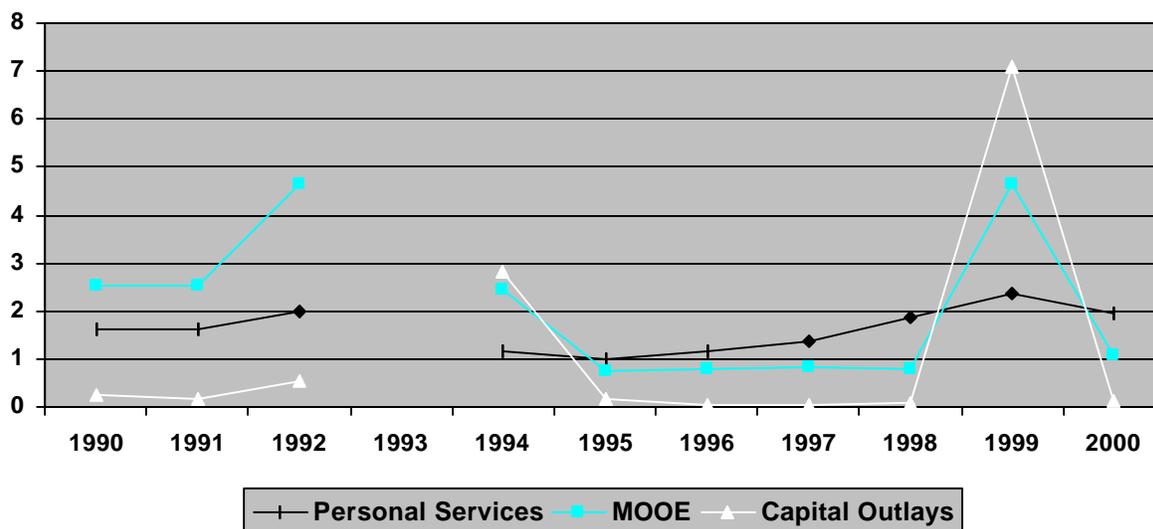
*Figure 18: DA Total Appropriations (1990-2000)  
In billion pesos*



*Note: no data for 1993*

With the passage of the 1991 Local Government Code (LGC) into law, there was a subsequent decrease in the budget. There was a lag in the budgetary allocation for one year, and the decrease can be seen when comparing 1992 (7.14 billion pesos) with the latest figures of 2000 (3.16 billion pesos). The next table shows the distribution of the budget according to the three major items of personal services, maintenance and other operating expenditures (MOOE) and capital outlay. This is where the effect of the LGC can be seen, as it arrested the growth of salaries (personal services).

*Figure 19: DA Budget According to Economic Classification  
In billion pesos*

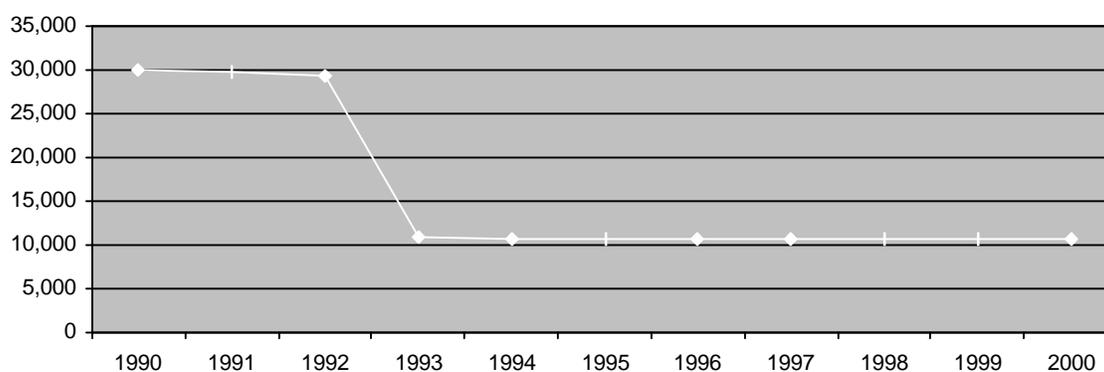


Similar to DTI, and unlike national government, the DA has a much bigger allocation for maintenance and other operating expenses. This, along with capital outlays, accounted for the huge increases in 1994 and 1999. The salaries have remained fairly stable, even before decentralization was implemented. This may be accounted for adjustments in salaries of existing personnel, and for new hiring. 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 Local Government Code can best be illustrated by looking at the number of employees that the DA has prior to and after decentralization. Prior to 1991 (the year of implementation) DA employees numbered slightly over 30,000. After decentralization, this figure was pared down by 2/3, to 10,653 employees. This movement is reflected in the subsequent increase in the total employment in local governments, as discussed in the previous chapter.

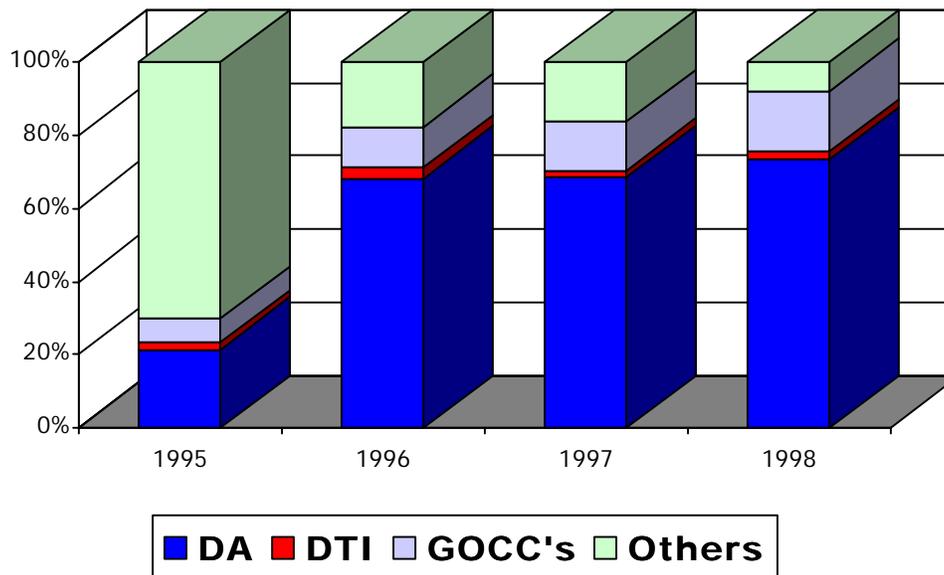
*Figure 20: Number of DA Personnel*



### **The GATT-Related Adjustment Measures Fund (GAMF)**

In order to assist the country's industries and safeguard 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 was appropriated to the DA, DTI and DFA, as well as some other affected agencies. This fund was initially targeted to be at P128-billion, but only P82.6-billion was eventually allocated.

Figure 24: Distribution of GATT-Related Adjustment Measures Fund



**TOTAL GAMF (1995) – P32-billion**

**TOTAL GAMF (1998) – 16-billion**

Source: WAAC 2001

For the DA, the fund was principally geared towards the development of different farm-to-market roads, irrigation systems, research and development, and other infrastructure projects to help the country's farmers. Initially starting small at only 21%, DA ultimately took the bulk of GMAF, averaging 57.9% of the total appropriations for the entire period.

A big part of the allotment that went to GOCC's actually went to agricultural-related corporations such as the National Food Authority, the Philippine Coconut Authority, the Sugar Regulatory Commission, and the Philippine Rice Research Institute. Unfortunately, according to DA, these funds were not given in full. Five years after its implementation, the DA admitted that only 50% of the actual amount was released to them, with only a fraction of its sum used for actual capital outlays. Reasons for such lie in the country's budget deficit wherein it was even difficult for the government to fund the DA's regular budget.

As a result, GATT-Related Measures Fund 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 (GAA) until 2001. Under Chapter XXXVI of the said document, the Agriculture and Fisheries Modernization Program (AFMP) was given an allocation of Php14,155,475,000 to carry out this special project as compared to the DA's total budget (excluding AFMP), which amounts to only Php3,167,130,000. The following year, AFMP's allocation further increased to Php 19,486,567,000 while the DA's budget increased to Php 4,194,053,000. AFMP's budget then went down to Php 16,300,793,000 in 2003, as well as the DA's budget, which went down to Php 2,059,886,000.

Clearly, in all three aspects of organizational structure, policy formulation and legislation, as well as resource requirements, the changes in the Department of Agriculture are explicitly due to the redemocratizing context as manifested in decentralization process, as well as the resultant commitments to the liberalization and globalization of the economy. This is particularly true for the agricultural sector. These are all supported by policy pronouncements from the different administrations, as well as reflected in budgetary allocations (such as the GAMF and the AFMF).

### **C. THE DEPARTMENT OF FOREIGN AFFAIRS**

The agency with the mandate to conduct foreign policy in the Philippines is the Department of Foreign Affairs (DFA). As such, it has been dealing with the issues of globalization long before the debate became heated. 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' 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 ([www.dfa.gov.ph](http://www.dfa.gov.ph)).

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 seventies, the DFA, renamed 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 internal gatherings and conferences, particularly that of the United Nations Conference on Trade and Development (UNCTAD), the International Monetary Fund (IMF), as well as the World Bank.

With the passage of the new Constitution and the Administrative Code in 1987, the Ministry was renamed the Department of Foreign Affairs. On July 24, 1987, President Aquino issued Executive Order 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.” E.O. 239 then laid the groundwork for the Philippines' 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 (ODA), 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 Asia-Pacific Conference (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 or R.A. No. 7157. Revising R.A. No. 708, the act sought to professionalize the Foreign Service Corps and upgrade the quality of Philippine diplomacy. This Act was to reorganize and strengthen the Philippine Foreign Service in order to: (a) upgrade the qualifications of it's the

foreign service officers; (b) strengthen their capability to conduct studies, analyses and evaluation of events to serve as guidelines for policy formulation; (c) ensure broad representation of the Philippine society in the foreign service; (d) institute improvements in the selection and training of personnel; (e) provide that promotions in the Service be based on merit; (f) guarantee security of tenure; (g) provide suitable salaries and benefits to attract the best people for the tasks; (h) provide a comprehensive and flexible framework for the administration of the foreign service consistent with the modern practices of the field; and (i) consolidate into one act all provisions of the law relating to the administration of the foreign service (RA 7157).

In addition, the Philippines became an active player in regional efforts to establish an ASEAN Free Trade Area (AFTA), following the signing of the Singapore declaration in January 1992. The DFA also sent a mission to the 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 to more tasks and mandates for what is traditionally one of the great departments of the State, Foreign Affairs. In November 1989, the Philippines became one of the founding members of the Asia-Pacific Conference (APEC) at Canberra, Australia. It has also been part of the Uruguay Round that created the World Trade Organization (WTO) in 1995. The increased participation in such fora has resulted to several changes in the DFA.

### **Organizational Structure**

The DFA has undergone several institutional changes in response to the changing times. Under the presidency of Marcos, the Department was renamed Ministry of Foreign Affairs. Executive Order (EO) No. 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: these were 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 E.O. 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 (these divisions 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 goals and

objectives in the promotion of exports, tourism, foreign investments, and even the protection of the interests of overseas workers. On the other hand, the Technical Secretariat for International Economic Relations was 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 Department of Foreign Affairs. 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 corresponding 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 or the OIEAD (refer to appendix 4 ).

The OIEAD was created by E.O. 239 in July 1987. 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.

In January 22, 1990, under Department Order No. 01-90, an Asia Pacific Economic Cooperation Policy Coordination Group was created. 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 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 Chairman to assist the group (see appendix 5).

Pursuant to RA No. 7157 and DO 39-91 & 02-92, the DFA's organizational structure was further changed. In 1992-1995, it added another undersecretary's office, which was the Office of Undersecretary for Economic, Science and Technology, Development Cooperation (OUESD), while retaining the two other undersecretary offices. D.O. No. 02-92, dated 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 (OPPC) 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 info requirements, became a unit under the Office of the Secretary.

The change from OIEAD to OUESD and its elevation to an undersecretary level office was more nominal than substantive in character. But this was to give symbolic importance to the office. It performed the same functions with the inclusion of multilateral negotiations (interview with Macaranas: 2004).

In May 14, 1992, under D.O. 018-92, the APEC Policy Coordination group was reconstituted with the Economic Undersecretary of Foreign Affairs as chairman. Members include the assistance secretary for policy planning and coordination, assistant secretary for ASPAC, assistant secretary for ASEAN, and any other office/division upon request to join the group. In June 1, 1992, office order No. 810-91 dated 18 October 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.

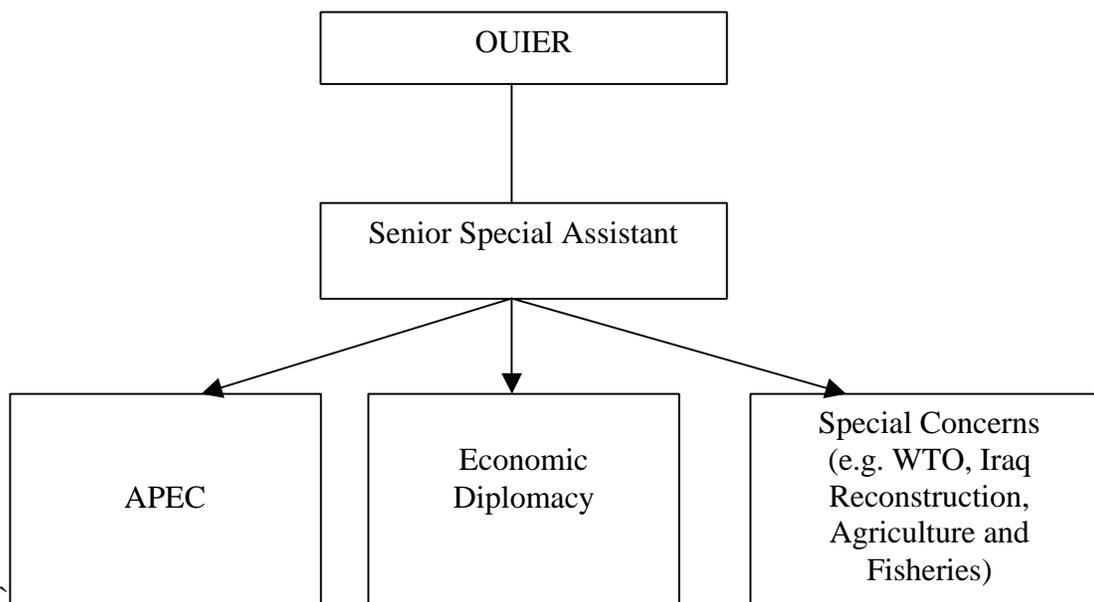
Accordingly, OUESD became responsible for (1) coordination of bilateral economic and development issues with offices concerned including other multilateral economic issues such as *inter alia* APEC; (2) functions of the offices of the assistant secretaries under the organizational structure before R.A. 7157 and their respective personnel who have not been absorbed into 11 offices; and (3) UNESCO and offices previously attached to the Office of the Secretary such as SOCCOM, technical Assistance Council and the Foreign information Council.

The organization further evolved. DFA retained the OUA and OUP and changed the OUESD to Office of Undersecretary for International Economic Relations (OUIER) through Department 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 to better define the role and responsibilities of the office (refer to appendix 6 for present organizational structure). As such it has become the major response of the DFA to the increasing importance of economic affairs in international relations, as manifested in the country's participation in WTO, APEC and AFTA.

***The Role of the Office of the Undersecretary for International Economic Relations.*** OUIER is primarily charged with implementing and coordinating the responsibilities and functions of the DFA relating to trade and investments, tourism, science and technology, the environment and sustainable development, official development cooperation, and other such concerns. It is to be the main coordinating office in the department with respect to furthering the national objectives of achieving the human development and training of all Filipinos as pursued in the international arena

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 actions in relation to their respective host governments. It furthermore provides policy directions and guidelines to Philippine Foreign Service establishments on 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 22: OUIER's Main Pillars*



Foremost among OUIER's functions is being 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.

The functions of OUIER with regard to APEC can be summed up in two parallel tracks: (1) OUIER deals on an inter-agency level to coordinate national positions for the Philippines on the various issues of APEC; (2) OUIER deals internationally with all APEC economies for the annual preparations for the Senior Officers' Meeting (SOM), the APEC Ministerial Meeting (AMM), and the APEC Economic Leaders' Meeting (AELM), and the implementation of decisions taken therein.

APEC has two aspects --- the substantive and the administrative, leading to the delineation of two divisions related to APEC. The Division on APEC Issues deals with the substantive preparations on Philippine national positions and the implementations of decisions taken at APEC meetings on all levels. This division needs the assistance of two principal assistants, the Division on the APEC National Secretariat deals with the administrative support services required in the coordination on the domestic inter-agency level and the international intra-APEC economy level.

And so OUIER leads the Philippine participation in the annual APEC Economic Leaders' Meeting (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 (in coordination with the DTI), SOM Committee on ECOTECH (ESC) (on which DFA is the lead agency), Economic Committee (in coordination with NEDA), and Budget and management Committee (BMC) (DFA as the lead agency). Working with the relevant government agencies, OUIER also ensures Philippine participation in CTI's 10 sub-committees and experts' groups, APEC's 11 working groups, one sub-group, and three SOM special Task Groups/Forces<sup>1</sup>.

The Technical Board on APEC Matters (TBAM) is overseen by the DFA. The chair is the senior official in the Philippines, usually the DFA OUIER undersecretary. The Vice chair is from the DTI BITR<sup>2</sup>.

OUIER's third pillar is the Office for Special Economic Concerns. It deals with a wide range of issues that include WTO, women issues, post-war reconstruction of Iraq, ASEM, etc. 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 (TRM) As per E.O. No. 230, dated July 22, 1987. It is chaired by the DTI Secretary and co-chaired by the director-general of NEDA, with the secretaries of DOF, DFA, DA, DENR, etc as members.

The TRM has a three-fold function: (1) to advise the President and the NEDA Boar 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 TRM is constituted into three levels – the cabinet Committee, the Technical Committees and the Sub-committees.

The Cabinet Committee is co-chaired by the DTI Secretary and NEDA Director-General. The DFA Secretary is a member, with Undersecretary of OUIER representing the Secretary. The TRM technical Committee is co-chaired by the Undersecretary of DTI and DDG NEDA. DFA here is a member, with OUIER representative attending meetings<sup>3</sup>. The Technical Committee on

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<sup>1</sup> Aside from annual summits, ministerial meetings, the following are APEC's relevant sub-committees 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, WTO Capacity Building Group  
Working Groups --- Agricultural Technical Cooperation, Energy, Fisheries, Human Resource Development, Industrial Science and Technology, Marine Resources Conservation, Small and Medium Enterprises, Telecommunications and Information, Tourism, Trade Promotion, Transportation, Sub-gorup, Micro-enterprises  
SOM Special Task Forces/Groups --- Counter-Terrorism Task Force, Gender Focal Point network, Electronic Commerce Steering Group

<sup>2</sup> Currently Mr. Ramon Vicente Kabigting

<sup>3</sup> The following Sub-committees assist the TRM Technical Committee, in all of which DA is a member, save for the Sub-Committee on Tariff and Non-tariff measures, with OUIER representatives attending meetings:

- Sub-committee on Trade and Investment Agreements which is further divided into Sub-groups – one on trade Agreements chaired by BITR-DTI, the other on investment Agreements chaired by BOI.

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 following Sub-committees, assist the Technical Committee on WTO Matters in all of which DFA is a member, with OUIER representative attending meetings: sub-committee on Services, chaired by NEDA, sub-committee on Agriculture, chaired by DA, sub-committee on industrial products, co-chaired by tariff Commission and BOI, sub-committee on other rules and disciplines chaired by BITR-DTI.

The Technical Committee on WTO Matters (TCWM) was created on August 19, 1999. The TCWM is chaired by the Senior Undersecretary of DTI with DA as co-chair and NEDA as vice-chair with the senior officials from various agencies, DFA including, as members. Its main function is to discuss and 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 Bureau of International Trade Relations (BITR). The TRM technical Committee has the following sub-committees: (1) Sub-committee 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) Sub-committee on Economic and Technical Cooperation Agreements which deals with the formulation of drafts on economic and technical cooperation agreements; Sub-committee on Shipping; (4) Sub-committee on Tariff and Non-Tariff Measures/Technical Working Group on Tariff Review. The DFA is a member on all four and chairs the Sub-committee on Economic and Technical Cooperation Agreements.

It is valuable to note that on February 6, 1998, the TRM Technical Committee endorsed to the TRM the dissolution on the Sub-Committee on UNCTAD Matters and International Commodity Producers Agreements since UNCTAD is no longer active as a negotiating forum for trade issues. "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 to coordinate directly with all other agencies in matters where an interagency representation is needed, e.g. ESCAP and UNIDO in the formulation of the Philippine positions" (DFA Document, Brief on the NEDQA Board Committee on tariff and Related matters).

From the evolution of the DFA organizational structure, as discussed above, we can see that it has become more and more task-specific and more open for inter-agency coordination. The 1986 organizational structure shows the DFA with two undersecretary offices, one for administration and another for policy. But it seems like 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 administration when it would seem that they would be more apt to be overseen by the Policy undersecretary. Also the office for international economic

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- Sub-committee on Economic and Technical Cooperation Agreements chaired by DFA, with the undersecretary of OUIER representing the Secretary.
  - Sub-committee on Shipping chaired by MARINA.
  - Sub-committee on tariff and Non-Tariff measures/technical Working Group on tariff Review, chaired by NEDA.

affairs and development and the office for cultural affairs were not part of any undersecretary offices, but rather they were separate offices under the Foreign Affairs secretary.

These issues were more or less resolved with 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, cultural matters.

Attempts for a separate line office for APEC and WTO were not successful. Among the various reasons that were mentioned by some DFA officials were the following: APEC was not big enough for an office; in the case of WTO, there was not enough capacity in DFA. Since a law has to be passed to make this separate line office a reality, there have been ongoing 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 were the creation of a separate office for regional organizations, similar to the ASEAN office. There are pending bills which propose omnibus amendments to R.A. 7157 to further strengthen career character of the diplomatic service by ensuring that only the most talented are recruited. The proposals also provide for the reorganization of the structure of the DFA, such as the addition of another undersecretary to the present three. It did not specify which office will have this elevation but it would most probably be the OLAMWA. Another is the proposal to promote the head of the FSI to an undersecretary level and have the title of director-general. The explanatory note says 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. (Senate S. No. 1417)." The changes are mostly in the upgrading of several offices that the legislators deem to be more and more significant in our changing times, like research and migrant worker affairs.

OUIER believes that the WTO should have a separate office for the rule-based trading system. On the other hand, Macaranas notes that there is no need for the creation of a specific APEC office. What the DFA needs are people well-versed in economics.

### **Human Resource Requirements**

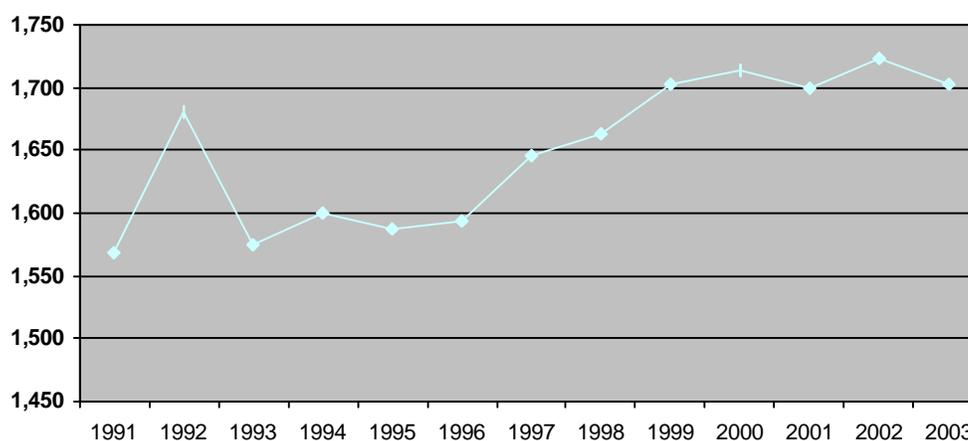
New qualifications for Foreign Service personnel stem from R.A. 7157 or the New Foreign Service Act of 1991. Among the provisions of this act is the creation of a Foreign Information Council (FIC) which will take charge of disseminating abroad information on Philippine economic and political developments.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

The DFA also conducted a review of 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 the 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 of manpower development.

**Staffing Pattern.** The DFA does not have as large a personnel complement compared to the DA or DTI as shown in the table below. There has been a steady increase in DFA personnel (here and abroad) from 1991 to 2003. In 1992 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 small number in 1993. Growth however has been slow and steady from 1995 to 2002, only reversing in 2003, which went back to 2001 levels.

*Figure 23: DFA Staffing Pattern*



**Coping with the New Demands.** At the onset of APEC, there were only a handful of officers working for APEC concerns in DFA. 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 (5) 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 the President Ramos, who then promised him full support. In the DFA, there was no office to support this task. But in 1994, a group of young officers from 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 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. DFA then resorts to letting present staff members absorb new tasks. Additional personnel are very costly and unpractical due to process constraints and budgetary limitations. What the DFA does is (1) to restructure the jobs of the present personnel and (2) increase inter- and intra-office coordination.

In a way, all government agencies are forced to do this restructuring, which is similar to what the DTI has done in terms of the matrix approach. The number of people that the agencies can hire is very much fixed by the budget, and is not demand-driven. The Department of Budget and Management (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. The acting director of the DFA personnel management division claims that there is no such thing as a tie-up between issues/work load and hiring. The increase/decrease in personnel is not dependent on work. (interview with Laluno: 2003)

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 work load is shifted from one office to the next depending on need. For example, even if there is an APEC office, it does not have the full complement of 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. (interview with Laluno: 2003)

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

Special qualifications related to 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 for foreign officers under APEC offices. It can be noted that in the present Office of the Undersecretary for International and Economic Relations (OUIER), the background of most people is in economics. But as one key informant states, having a degree in international economics is considered as a bonus, not a must. Officers note that the civil service or the DFA does not have any requirements pertaining to any specific degree for 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 the officials of more specialized training like the ones mentioned above. 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 the 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 since these two agencies have the technical capacity. The officers from the latter agencies know more about the details of trade liberalization, of the tariff schedules, or of the Philippine capacity in agricultural openness. However, when discussions are (or become) political in nature, then the DFA officers take the lead. Most of the DFA officials "learn along the way," when it comes to international economic relations and law. (interview with Mellejor: 2003)

But a few officers have taken the initiative to retrain and retool their skills on their own. A few from the OUIER staff have taken courses or obtained masters' degrees in economics and development management in local universities such as De La Salle University and the Asian Institute of Management. (interview with Macaranas: 2003)

***Human Resource Development.*** More and more, the DFA has been addressing this lack in economic and technical expertise. First, they have a systemic upgrading of training inside the department through the Foreign Service Institute (FSI). There is a basic course on international political economy in the Foreign Service Officer cadetship program. DFA also utilizes research institutions such as the Philippine Institute for Development Studies (PIDS) and the Philippine APEC Study Center Network (PASCN).

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 United Nations Development program (UNDP), WTO, and the ministries of trade of other countries. Examples of these are the Japan International Cooperation Agency (JICA)-sponsored seminar on the United Nations Conference on Trade and Development (UNCTAD), and the Economic Policy Management Training Program organized by the Center for Study and Research for International Development and co-sponsored by the French Ministry of Foreign Affairs and the World Bank. There are also locally-sponsored workshops, such as those by the DTI or NEDA. For example, in December of 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 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 effect. Officers may "cross-over" from bureau to the next to provide support or expertise, on an as-needed basis. The department is also allowed to hire contractual when the load is heavy, and the usually happens in passport issuances, not in APEC or WTO policy-making.

There must be some changes in the DFA for it to work 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, in WTO issues, there are only four people from the DFA tasked with handling this. Two are from the Office of the Undersecretary for International and Economic Relations (OUIER) and two are from the Office of United Nations and International Organizations (UNIO). Although the National Secretariat for APEC, OUIER's people for APEC are also loaded with other tasks outside APEC matters like Iraq Reconstruction issues.

The explosion of issues brought about by APEC and WTO that extends far beyond plain and 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 other issues aside from the traditional issues of security and migration.

The problem of getting more personnel lies in the general financial position of the government. About two years ago, the DFA filed a request in the Department of Budget and Management (DBM) requesting for new permanent items. The rationale for this request included the deepening of commercial ties and representation of the government to widening activities of regional and international economic, financial and sectoral venues that includes APEC and the WTO among others. They asked for around 105 new positions for the next 6 years, but the decision to hire was deferred due to the lack of funds. Thus, there is a felt need to hire more people to focus on these matters.

The increasing technicality of discussions in these international fora is now posing a question vis-à-vis DFA personnel skills and competencies. There is a normal change in personnel cycle for Foreign Service officers. They are mostly posted locally for three years, then are assigned for six years abroad. Hence it is hard for them to be the so-called “experts” in a particularly field, say international trade, when in the next year they might be posted to do consular work abroad. Although DFA officials say that the major problem with such an arrangement is 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 is the coordination between DFA and the other agencies that have the innate expertise – DTI for trade, and DA for agriculture as an example. This has led to an expansion in the interagency commitments that DFA has.

### **INTERAGENCY COMMITMENTS**

The tackling of APEC and WTO issues is shared by the DFA, DA, DTI and the NEDA. In the case of APEC, there is a clear division of task among the agencies. As mentioned, 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 in DA and DTI.

*APEC Concerns.* Consultations with the different government agencies happen in all levels in the Philippine APEC decision-making. As seen in the figure below, inter-agency meetings happen from the working group level, to the undersecretary’s, up to the ministers’ level before policies are submitted to the President, who is the chief architect of Philippine foreign policy.

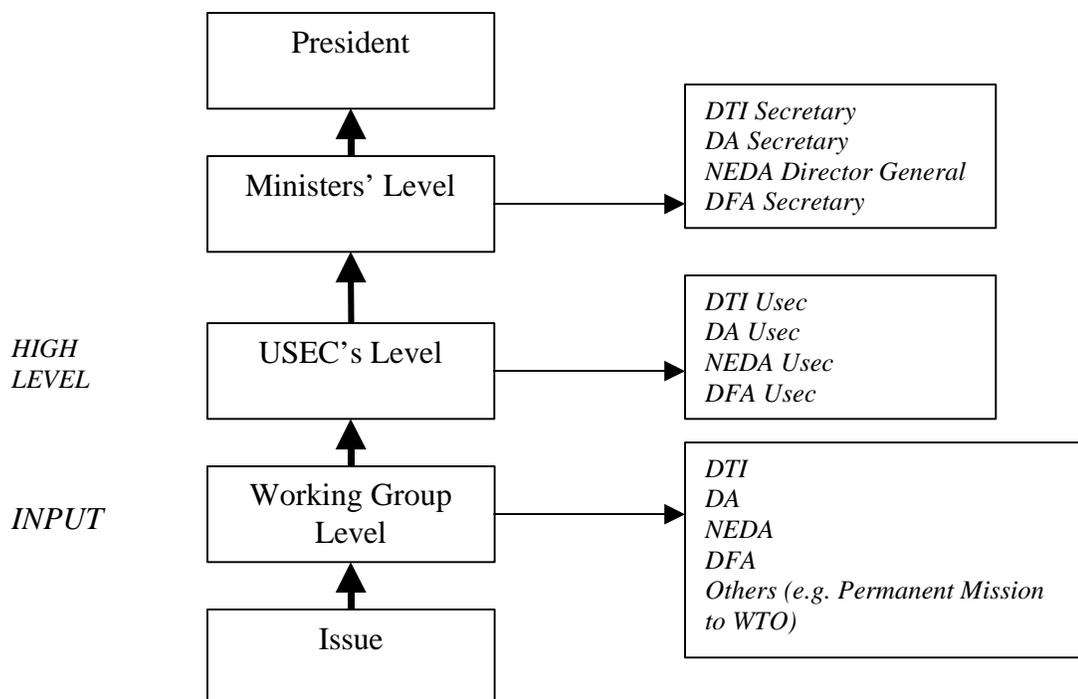


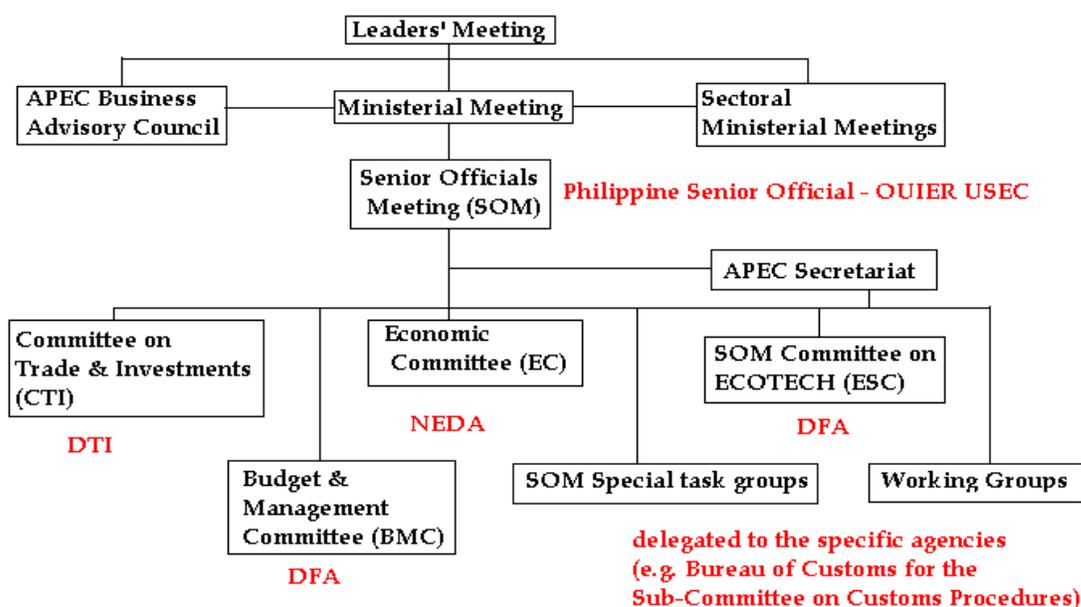
Figure 24: APEC National Secretariat

The crowning achievement of the Department of Foreign Affairs in 1996, which was the highly successful Philippine hosting of the Asia-Pacific Economic Cooperation (APEC) meetings in the country, which culminated in the APEC Economic Leader's Summit in November 1996. The DFA as Chairman of the APEC Ministerial Meeting in November 1996 steered critical discussions leading towards the successful adoption of the Manila Action Plan for APEC (MAPA), which outlined the detailed blueprint for the economies to follow to complete the aspired for trade and investment liberalization and facilitation, as well as, technical cooperation by years 2010 and 2020.

An Executive Committee was established to assist the National Organizing Committee composed of representatives of the secretary of the DFA, DTI DILG, DBM, DOST, chairman, Metro Manila Commission, Chairman, Subic Bay Metropolitan Authority, vice-chief of staff of the Armed Forces of the Philippines, general manager of the NAIA, and three representatives of the private sector. The APEC NOC was also tasked to coordinate and consult with the Philippine Council for ASEAN and APEC Cooperation (PCAAC), which was responsible for formulating the Philippine APEC positions.

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

Figure 25: Government Agencies in the APEC Structure



**WTO Concerns.** With regard to WTO issues, DFA's role is more complicated yet less visible. Unlike in APEC, where OUIER acts as the National Secretariat, 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, and ambassador, is a DFA employee, and hence submits all reports to the foreign ministry. The DFA disseminates the information to all relevant agencies including DTI and DA.

In preparation for Philippine participation in the WTO, on August 2, 1994, Executive Order No. 193 created the World Trade Organization and ASEAN Free Trade Advisory Commissions. This is in recognition of the need to create a WTO Advisory Commission in view of the far-reaching effects of the Uruguay Round Agreement under the WTO, the existence of the ASEAN Free Trade Area Commission, and to maximize the efficiency of both multi-sectoral commissions. (see discussion above on WTO-AFTA Advisory Commission).

After the creation of the Philippine permanent mission to the WTO, a different head of mission (permanent representative) now represents the country in WTO meetings. Aside from the permanent representative, the mission is supported by the appropriate and necessary administrative and technical staff. Moreover, the mission receives instructions, technical assistance and support from its home department, the DFA, the OUIER and the UNIO. The mission also receives assistance and support from the DTI, in particular the Bureau of International Trade Relations involved on Tariffs and Related Matters (CTRM) and the DA with regard to agricultural policy. A notable trait of the mission is that it also relies on the necessary 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 (E.O. 271, 2004). This again demonstrates how tripartite governance functions even at this level.

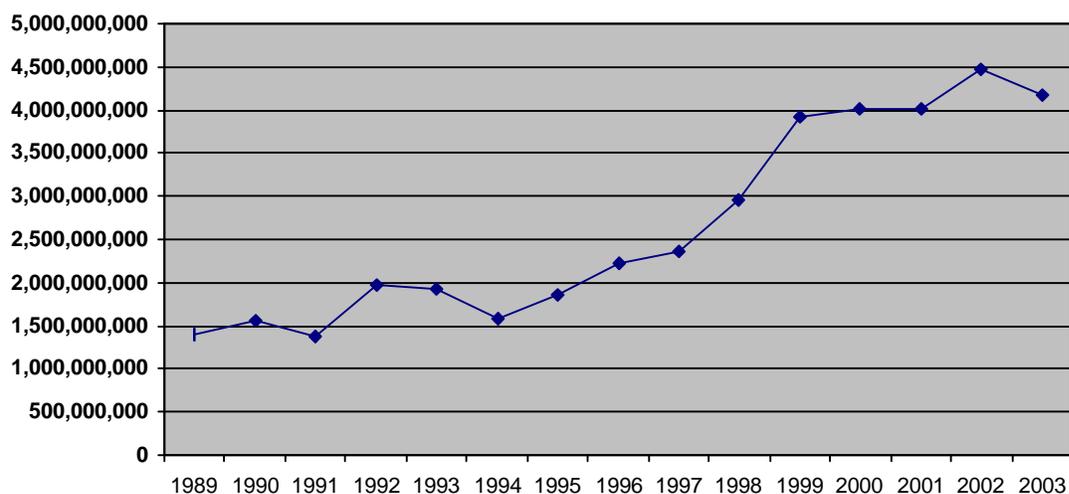
In terms of the local decision-making process, the Philippines has two different structures -- the TRM and the TCWM mentioned earlier. Both the TRM and the TCWM are chaired by the DTI Secretary with other agencies including the DFA as members. The sub-committees then are chaired by the agencies in charge (e.g. sub-committee on agriculture to DA) yet the DFA participates in all groups.

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

### **Budgetary Concerns**

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

*Figure 26: Total Appropriations of the DFA*



Disaggregated by the items of personal service, maintenance and other operating expenses (MOOE), and capital outlays, there has been no significant movements. Starting 1999 however, no provision was made for trade and promotion activities for DFA with 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, around 8 million Filipinos are abroad. The increased numbers of overseas Filipino workers (OFWs) has added a new major issue for the Foreign Service. The Philippine foreign service establishments now extend services to OFWs which range from conciliation, mediation, and negotiations with employers on complaints of workers; to provision of temporary shelters or homes for runaways, stranded or abandoned OFWs at the airport; and even visiting jails of host countries regularly to update, monitor and look after the welfare of Filipinos nationals. (DFA Report 1992)

During the 1980's and 1990's, Philippine embassies abroad 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 Riyadh in 1995. Moreover, FSOs 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 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'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 (from 1991-1995) was the event that pressured the government to take action on the ineffective servicing of needs of Filipinos overseas. This event stirred the anger throughout the Philippines due to perceived inefficiency and insensitivity of the government to the needs of the migrant workers. This event also led to the resignation of the labor and foreign affairs secretaries as well as the recall of the ambassador.

Thus, in 1995, the budget allocation in DFA for the Overseas Filipino Workers started with the passage and implementation of "Migrant Workers and Overseas Filipinos Act of 1995" (RA No. 8042). More and more funding is being provided for the support of what represents a vital sector of the Philippine economy. The initial funding was Php25-million in 1996, and was at Php90-million in 2003. In November 1991, the Commission on Filipinos Overseas was transferred under the DFA and the DFA created the Office of Legal Assistant for Migrant Worker's Affairs (OLAMWA). This came with the realization that migrant workers affairs cannot be ignored by the Foreign Service. However, the Commission is slated for abolition in the future due to the existence of the Philippine Overseas Employment Agency and Overseas

Workers' Welfare Association. There are also increasingly active civil society organizations that represent the various communities of overseas Filipinos.

*Passporting Services.* Due to the great numbers leaving the country in search of jobs or to migrate, there was pressure to improve the passporting services of DFA. Hence, in 2001, the DFA engaged the services of Pilipinas Teleserve, Inc. (PTI) to introduce a new service that will allow people to track the status of their passport renewal applications, "E-Trace", through a passport direct service in their mobile phones or through the internet. (This service is similarly done in the ordering of civil registry documents for 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 serve their customers better, the DFA embarked on another modernization project: the 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. Foremost in its aims is to modernize the issuance process. DFA records say that there are around 3,000 passport applicants a day and DFA has processed 1.5 million passports in 2003 alone. The utilization of such a system will reduce the number of processing days and to accommodate more applications. The MRPV also will introduce security features and ensure compliance with the international standards on travel documents. The program conforms to the standards set by the International Civil Aviation Organization (ICAO).

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 under RA 7718 or the BOT Law. The Philippine Passport Corporation, a special company created by winning bidder BCA International Cooperation, is going to implement the project. Although signed in 2001, the MRPV has been facing a lot of delays. But it is set to be implemented by 2005/2006 in all 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.

**CHAPTER V:  
SIGNIFICANT FINDINGS, CONCLUDING NOTES AND  
POLICY RECOMMENDATIONS**

The responses of the national bureaucracy, as well the three agencies under study – the Department of Trade and Industry, the Department of Agriculture and the Department of Foreign Affairs – are expectedly as varied as the different mandates that guide them. The following are some significant findings, key concepts, issues and concerns that have been identified:

1. The initiatives of bureaucratic reform, which started during Aquino’s administration and continued by the succeeding organizations, have mirrored to a large extent the prescriptions of New Public Management – 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 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 towards the clients.
3. Whether this was by chance, or a conscious adherence to NPM is not clear. Some works have 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 efforts is not easily reduced to one or two variables, much less allow us to draw a causal relationship among the different factors. However, in some cases, government has made explicit reference to globalization and redemocratization as the guiding principles behind these moves.
5. Major policies adopted by the government are attributable to commitments of the country to global institutional pressures of the World Trade Organization and the Asia Pacific Economic Cooperation. An example of this GATT-Related Adjustment Measures Fund and the passage of the Agricultural and Fisheries Modernization Act.
6. There are multiple interagency organizations that now exist due to need to adequately respond to the needs of 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 policy making. There is an institutionalized participation of these two sectors in the interagency 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 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 to a sub-optimal 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 to these global economic fora, DTI has been adapting its organizational structure. Foremost among these initiatives is the creation of business development teams in 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 made by different laws and executive fiats.
3. Given the new work load, there is no complementary increase in resources, whether financial or personnel. DTI then has resorted to retraining their 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 their 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 in 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 about global economic competition by instituting a four-year GATT-related adjustment measures fund, the bulk of which went to the DA and related GOCC’s. But as key informants in the agency mentioned, only half of the said amount was released, and of that amount, only a fraction was used for actual capital outlays – the investments that will 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 Fund Office.
4. However, these organizational and policy changes remain interim efforts as the political events that resulted to a change in administration have hampered 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. So much for the politics-administration dichotomy then.

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 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. 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 that deal with 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 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, beefed up on the international economic aspects. 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, DFA is now focusing on addressing the needs and demands of a growing migrant workers’ sector. This is manifested in the budgetary allocations, as well as initiatives to handle to huge volumes of passport requirements.

### **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 on the numbers 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, the 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 (last done in 1999) to determine the true size and capabilities of the bureaucracy. As it is, we might not even know enough to begin posing the right questions.
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 information would be the general performance of the local governments vis-à-vis the various administrative functions that were deconcentrated.
3. *On privatization:* the recent issues with the government-owned and controlled corporations should not deter from the fact that the privatization efforts of government have been successful. However, due to distortions emanating from the exemptions from

the Salary Standardization Law, 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 uncompetitive, which lead to demoralization. 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 top caliber salaries.

4. *On the use of information and communications technology (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 with the end view of assigning them to WTO/APEC-related concerns, or at least for those to be assigned in OUIER. This is to strengthen the dialogue between DFA and the other agencies involved. Meanwhile, existing officers must be trained in international economics and international political economy given the increasing importance of these issues in international relations. Given the increasing importance of these multilateral trade arrangements that the country is a member of, 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 terms of responding to global demands in agricultural concerns. A review of the existing commodity-based organizational structure must be made in order 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.

## ANNEX 1: TABLE OF INTERAGENCY COUNCILS

<i>Interagency Body</i>	<i>Composition</i>		<i>Functions</i>
	<i>Government</i>	<i>Non-Government / Private Sector</i>	
<p style="text-align: center;"><b>WTO/AFTA Advisory Council</b></p> <p style="text-align: center;">EO193 / Aug 2, 1994</p> <p>amended by EO322 / Apr 10, 1996 to include APEC concerns</p>	<ul style="list-style-type: none"> <li>• DTI Secretary <i>as Chair</i></li> <li>• DFA Secretary <i>as member</i></li> <li>• DOF Secretary <i>as member</i></li> <li>• DA Secretary <i>as member</i></li> <li>• DOTC Secretary <i>as member</i></li> <li>• DENR Secretary <i>as member</i></li> <li>• DOLE Secretary <i>as member</i></li> <li>• DAR Secretary <i>as member</i></li> <li>• NEDA Director-General <i>as member</i></li> <li>• Press Secretary <i>as member</i></li> <li>• BSP Governor <i>as member</i></li> <li>• PLLO Head <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>• Eleven (11) representatives from the private sector (representing industry, agriculture, labor, banking, export, academe, research, and consumers) <i>as members</i></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 AFTA</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>
<p style="text-align: center;"><b>Philippine Permanent Mission to the WTO</b></p> <p style="text-align: center;">EO271 / Jan 19, 2004</p>	<ul style="list-style-type: none"> <li>• Headed by a <i>Permanent Representative</i> (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 (QUIER) 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>	<p>- 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</p>	<ul style="list-style-type: none"> <li>- A distinct diplomatic 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 existing Philippine Mission to the UN and Other International Organizations 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>		
<p><b>Export and Investment Development Council</b></p> <p>EO499 / Dec 23, 1991</p> <p>amended by EO520 / May 29, 1992</p> <p>amended by EO24 / Oct 5, 1992</p> <p>amended by EO98 / Jun 10, 1993 renaming it as <b>Export Development Council</b></p> <p>amended by EO110 / Jul 13, 1993</p> <p>amended by EO180 / Jun 8, 1994</p>	<ul style="list-style-type: none"> <li>• DTI Secretary <i>as Chair</i></li> <li>• DOF Secretary <i>as Vice-Chair</i></li> <li>• NEDA Director-General <i>as member</i></li> <li>• BSP Governor <i>as member</i></li> <li>• Secretariat is based in DTI</li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DFA Secretary <i>as member</i></li> </ul> <p>Inclusion of:</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> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DA Secretary <i>as member</i></li> </ul> <p>Inclusion of:</p> <ul style="list-style-type: none"> <li>• DOST Secretary <i>as member</i></li> </ul>	<ul style="list-style-type: none"> <li>• Four (4) representatives from the private sector <i>as members</i></li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• Three (3) representatives from the private sector <i>as members</i> (7 in total)</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• One (1) representative from the private sector <i>as member</i> (8 in total)</li> </ul> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• One (1) representative from the private sector <i>as member</i> (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>

institutionalized by  
RA7844 / Dec 21, 1994

Inclusion of:

- DOLE Secretary *as member*

Removed:

- Presidential Assistant for Visayas *as member*
- Presidential Assistant for Mindanao *as member*

- One (1) representative from the private sector *as member* (10 in total)

Total of:

- One (1) representative from the private sector, to be appointed by the President, *as Vice-Chair*
- Eight (8) representatives from the private sector, the majority of whom shall be recommendees of the accredited organization, *as members*

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)

Revised Powers and Functions:

- 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
- Periodically review and assess the country's export and investment performance
- 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
- 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

Institutionalized Powers and Functions:

- 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
- Periodically review and assess the country's export performance, problems and prospects
- Identify the main bottlenecks, problem

			<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 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 from 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>  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</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 style="text-align: center;"><b>Trade and Industry Development Council</b></p> <p style="text-align: center;">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 concern 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 o 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</p> <p><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,</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>   <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> <ul style="list-style-type: none"> <li>- Direct any office, agency, or instrumentality of the government to expeditiously execute its functions to attain the objectives of this order</li> <li>- Exercise such other powers and perform such other duties as maybe required</li> <li>- 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</li> </ul>
<p><b>Inter-Agency Committee on Intellectual Property Rights</b> 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>	<ul style="list-style-type: none"> <li>- Recommend policies and coordinate policy-making process in the Executive branch of the government vis-à-vis protection and enforcement of intellectual property rights</li> <li>- 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</li> <li>- 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</li> <li>- Cause and direct the immediate investigation and speedy prosecution of</li> </ul>

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 non-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



<p>amended by EO125 / Jul 19, 1999</p>	<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>		<p>on IT policy and its various aspects</p> <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>
<p><b>Electronic Commerce Promotion Council</b>  EO468 / Feb 23, 1998</p>	<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> <p>Secretariat is based in DTI</p>	<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>

<p><b>Information Technology and Electronic Commerce Promotion Council</b></p> <p>EO264 / Jul 12, 2000</p> <p>amended by EO18 / May 25, 2001</p>	<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> <p>Secretariat is based in DTI</p> <p>Membership is reorganized as follows:</p> <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> <p>Secretariat shall be based at the PMS</p>	<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> <p>Addition of:</p> <ul style="list-style-type: none"> <li>• One (1) representative <i>as member</i> (7 members in total)</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>
<p><b>Small and Medium Enterprise Development Council</b></p>	<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>



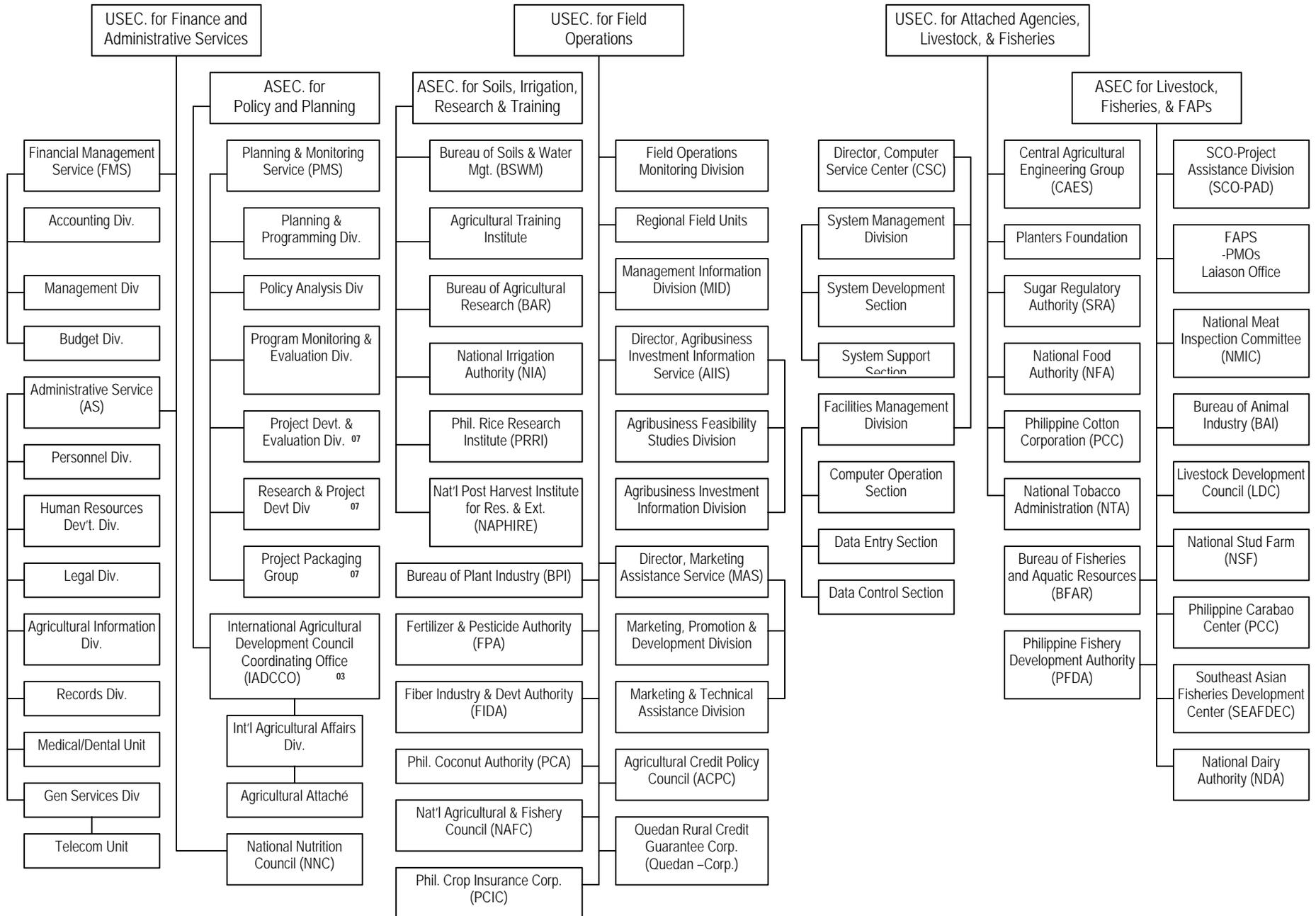
		<p>Rural Bankers' Association of the Philippines (RBAP); and the Bankers' Association of the Philippines (BAP) <i>as member</i></p>	<p>for small and medium enterprise development</p> <ul style="list-style-type: none"> <li>- Promote the productivity and viability of small and medium enterprises by way of directing and/or assisting relevant government agencies and institutions at the national, regional and provincial levels</li> <li>- 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</li> <li>- Assist in the establishment of modern industrial estates outside urban centers</li> <li>- Generally, to exercise all powers and functions necessary for the objectives and purposes of this Act.</li> </ul>
<p><b>National Consumer Affairs Council</b></p> <p>RA7394 / Apr 13, 1992</p>	<ul style="list-style-type: none"> <li>• DTI representative</li> <li>• DECS representative</li> <li>• DOH representative</li> <li>• DA representative</li> </ul> <p>Secretariat is based in DTI</p>	<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>	<ul style="list-style-type: none"> <li>- 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</li> <li>- Recommend new policies and legislation or amendments to existing ones</li> <li>- 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</li> <li>- Seek the assistance of government instrumentalities in the form of augmenting the need for personnel, facilities and other resources</li> <li>- 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</li> </ul>

			<p>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</p>
<p><b>Price Coordinating Council</b> RA7581 / May 27, 1992</p>	<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> <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</li> </ul>

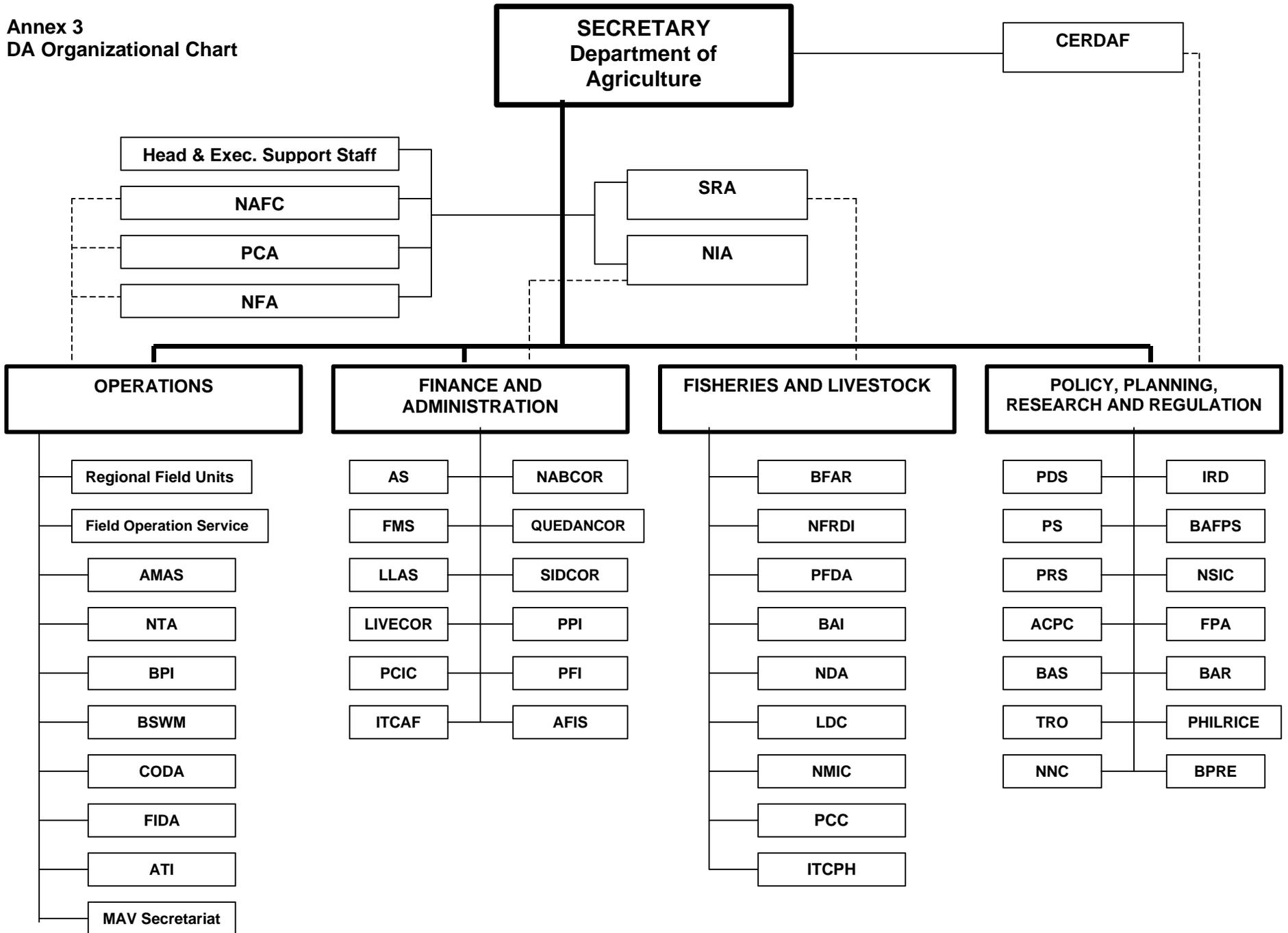
			to materially make dissemination of the information more effective, by television. It may also disseminate the information through posting in public markets, supermarkets and other public places
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# ANNEX 2: DA Organizational Chart

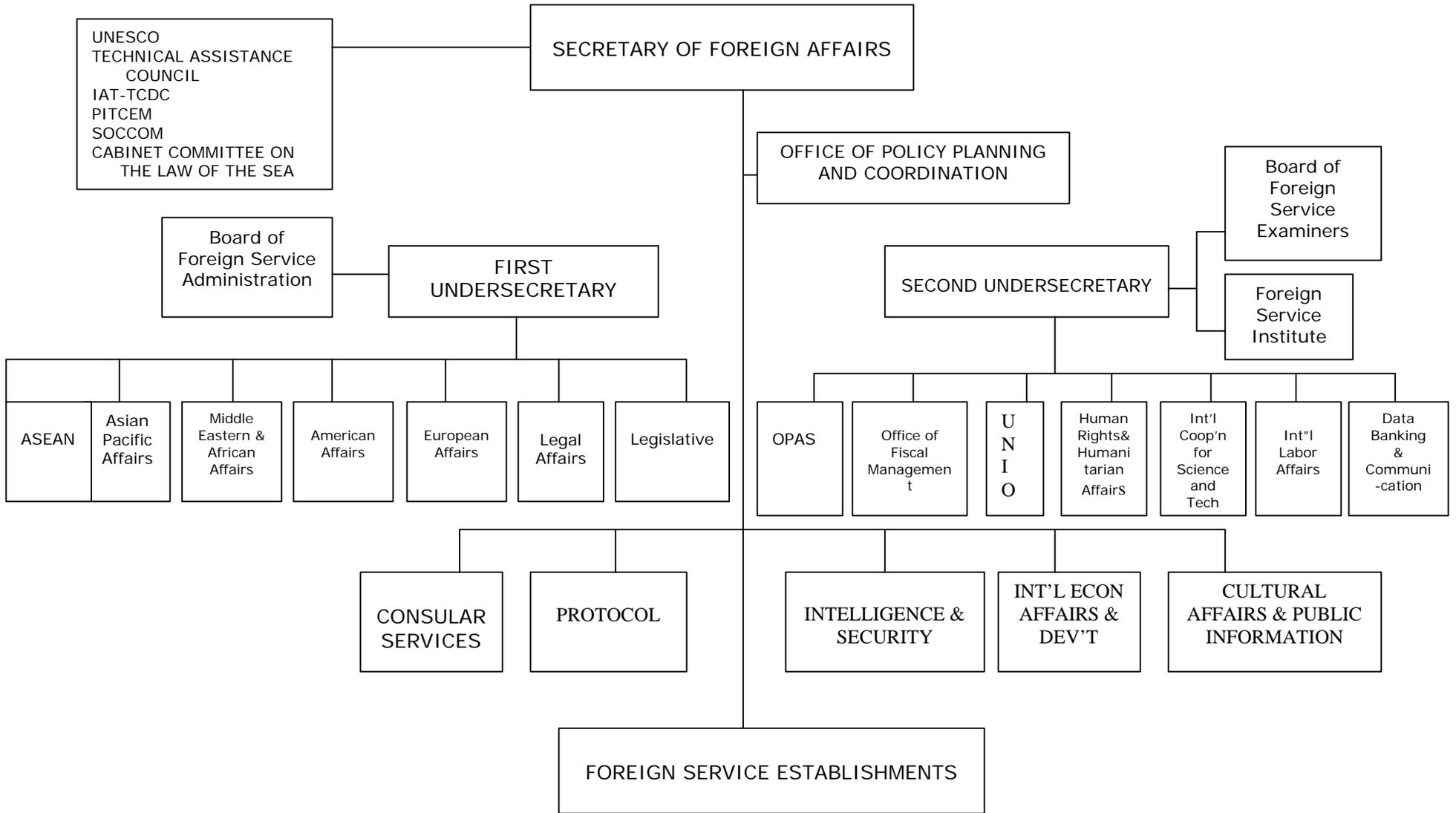
## SECRETARY



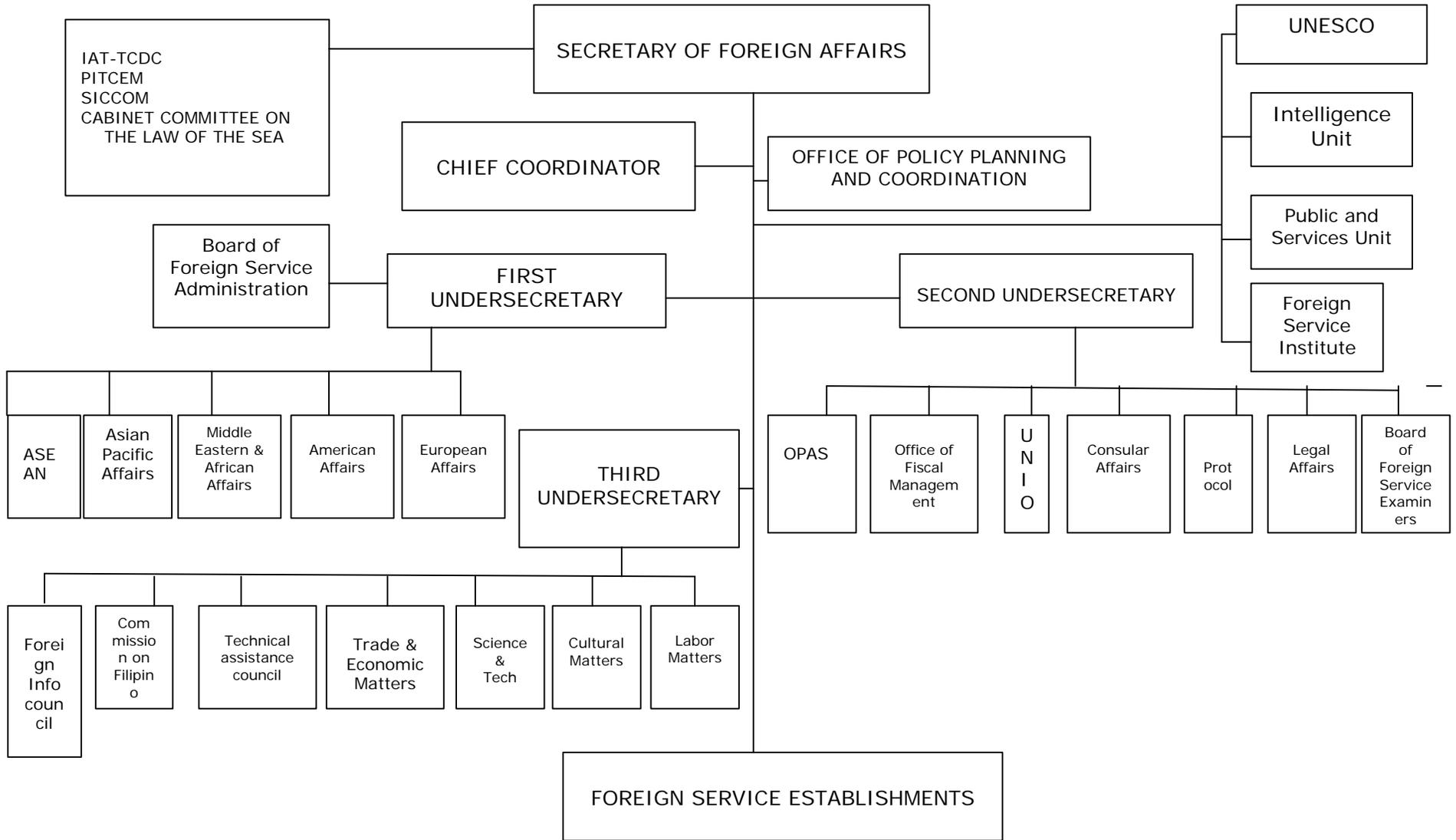
Annex 3  
DA Organizational Chart



### Annex 4: 1986 DFA Organizational Structure



### Appendix 5: 1991 DFA Organizational Structure



### Appendix 6: Present DFA Organizational Structure

