

論 文

## Decentralization and Inclusive Governance: Experiences from the Philippines and Indonesia

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### Abstract

Released from dictatorial governments, the Philippines and Indonesia encountered a strong clamor from the international community and local leaders, for distribution and sharing of political and administrative powers. Towards this end, local autonomy was installed in the Philippines through the enactment of the Local Government Code in 1991. A decade later, Indonesia, in a 'Big Bang', mandated by Law 22 and Law 25 launched decentralization. The transfer of powers from the central to local authorities was designed to ensure effective, efficient and equitable delivery of public goods and services. It was also intended to encourage transparent and accountable local authorities and promote inclusive governance.

A frequent inquiry raised is how successful is decentralization in the two countries. Has it nourished inclusive governance? The paper joins the chorus of studies concluding that the results are mixed. There are gains in local government administrative modernization; selective engagement of civil society and business sector in governance but overall, deficient in areas of inclusive governance.

Inclusive governance is enshrined in a decentralized polity. It guarantees the rights of electorates to vote and be voted. It involves the citizenry in different sphere of decision-making. In an inclusive governance regime, local politicians respond to the needs of citizenry with policies and judicious allocation of resources. Then, they are translated by local bureaucrats in terms of public goods and services, delivered in a transparent, professional, non-partisan and accountable manner.

Inclusive governance remains a deficit in the decentralization process. Local councils that are venues for citizen participation in

governance are mostly not functional. Political dynasties that have captured electoral exercises and have narrowed the participation of competent people to gain political leadership have grown, both in numbers and strength. Several elements of decentralization have also been used by opportunistic political leaders for their own gain: more revenues led to more opportunities for misuse of funds and more discretionary powers encouraged accommodation of favored individuals and groups.

Amidst the externalities of decentralization, the way forward in both countries is authentic local autonomy. Towards this end, the challenge is fine-tuning decentralization by making a reasonable and clear sharing of power between and among different levels of government, business sector and civil society. Decentralization should also be viewed from a systems perspective and to be successful, parallel reforms should be undertaken in the electoral process, political parties, civil service system, social power structure and integrity and accountability mechanism. In doing so, the potential of decentralization to promote inclusive governance is higher.

## I. Background

After the downfall of the dictator regimes, the Philippines and Indonesia adopted decentralization policy, aimed to build self-reliant and self-governing communities. The Local Government Code of 1991 and the 1999 Regional Autonomy Laws (22 and 25) provided the framework for the decentralization in the Philippines and Indonesia, respectively. Decentralization included not only the transfer of political and fiscal powers but also national personnel and facilities. Local government units (LGUs) became also accountable for the delivery of services. The “Big Bang” decentralization reform in Indonesia was done immediately after the fall of the new order and promoted the transfer of more functions and services and fiscal resources. Another feature of the decentralization scheme in Indonesia is the inclusion of system of regular and direct competitive local election, which has been placed in the Philippines since early 1900s. In both countries, decentralization was also recognized as a strategy to grant certain degree of autonomy to special regions so that special

problems, like metropolitan service delivery, secession or internal conflict or regional disparity, could be addressed.

Unlike the decentralization laws in Indonesia, the Local Government Code of the Philippines remains intact, in spite of the clamors for amendments (specifically in the sharing of internal revenue allotments). In Indonesia, both laws were amended in 2004.<sup>1</sup> Law 22 was amended by Law 32 which conferred new administrative and political powers to district and city administrations and Law 25 was amended by Law 33 which promotes fiscal balance between Jakarta and the regions. This was undertaken by giving sub-provincial government additional revenue raising powers, specifically retention of after tax revenues generated in their territorial jurisdiction. Presently, 30% of the national budget has been transferred to LGUs and 35% directly come from the central government, making 65% of the total national expenditure spent by LGUs.<sup>2</sup>

## II. Objectives and Organization of the Paper

The results of the decentralization have been mixed: there are good practices and island of excellence as well as failures and shortcomings. In joining this continuing discourse on the results of decentralization, this article discusses the gains and deficit of decentralization, particularly its impact in nourishing inclusive governance. In the discussion, the paper is guided by the following assumptions: first, gains in decentralization are mostly innovations and best practices in local government management. The best practices are usually innovations in public sector management (usually focus of 'lakbay aral' or 'studi banding') whose sustainability is threatened when there is a change in the local chief executive.

Secondly, the paper claims that decentralization in both countries failed to institutionalize inclusive governance, as local development councils, where citizen (s) can participate in governance, do exist but are not functional. Third, because elective positions and political parties have been captured and/or hijacked by political elites, local strongmen and/or political dynasty, this article believed that the intention to create inclusive governance (where political power is widely shared, in a pluralistic manner) was aborted. What emerged is extractive local governance<sup>3</sup> where power and resources are

concentrated in the hands of a few who utilized them to create institutions and processes to sustain their political power.

Lastly, this paper recognizes the inspirations provided by the decentralization to the flourishing civil society organizations and movements. They are manned by responsible citizens who have taken the initiative to organize and confront issues affecting themselves or their communities. In a limited way, they have provided the avenues to enable citizens to express their voice and provided the countervailing forces to elite captured local governance. They are building blocks to inclusive governance.

The paper is organized into four parts. After the background, the next part discusses gains in decentralization, particularly in the innovative and best practices in local government management. The third part focuses on decentralization and inclusive governance (or extractive governance); including a discussion of the status of local development committees or special bodies; local strongmen and political dynasty; countervailing civil society initiatives and features of decentralization that became conducive to political elite captures. A concluding note is presented in the last part.

### III. Innovations in Local Government Administration and Service Delivery in a Devolved Regime

In both countries, several local authorities have improved local governance and public service delivery system. Local legislation in the Philippines promoted innovations in revenue generation, local investment, environmental management and social services and also localized national legislations as Solid Waste Management Act, Anti-Violence against Women and Children Act, Environmental Code, and the Senior Citizens Act. Information technology for legislative tracking, cataloguing, and computerization of records has been gaining popular in the local legislation.

Harmonization of the planning function was undertaken by making Comprehensive Development Plan (CDP), Comprehensive Land Use Plan (CLUP), Local Development Investment Plan (LDIP) and Annual Investment Plan (AIP) as the required local plans. However, only fully staffed local authorities can comply with this mandate; other LGUs either outsource services or simply do not undertake planning. Poor data base is also another

reason why other LGUs are having a hard time undertaking planning. Furthermore, monitoring and evaluation of development plans are usually neglected.

The internal revenue allotment remains a major source of revenue. Revenues generated from local sources remain to be 11% for provinces, 29% for cities and 14% for municipalities. So far only four cities have generated 38 to 50% from local sources.<sup>4</sup> Non-tax revenues contribute only a little and revenue collection efficiency is low. In Indonesia, less progress was also found in revenue generation but tremendous increased in local expenditures were noted. Innovations in financial management have been undertaken in accounting and auditing system; budget process and procurement system. For human resource development a number of local authorities have created Human Resource Management Office and conducted capacity development programs.

Health care services in the Philippines is provided by LGUs. National health programs implemented by LGUs are supported by the central government with equipment, supplies and allowance for local staff. Health insurance is provided to constituents. Some LGUs charge minimal user's fees for health services, to sustain its delivery. Some cities operate tertiary hospitals, but find it hard to maintain. Local health workers are entitled to allowance as part of the Magna Carta for Health Workers. Some LGUs cannot afford to provide 100% of the incentive pay, thus their health workers are not motivated and health services are compromised.

Although education is a national government concern, rich LGUs have created local colleges/universities. They are governed by board of directors appointed by the mayor. Central government provides oversight functions and lesser supervision, thus the quality of services depend on the standard set by the local authorities. Other LGUs provide technical and vocational schools or programs to enhance the skills of the youth for gainful employment.

The regional autonomy in Indonesia transferred 26 functions to local authorities. They include public works, health, education and culture, agriculture, transportation, industry and trade, investment, environment, land, cooperatives, labor, and general affairs. Improvements in service delivery were noted in maternal and child health care service delivery.<sup>5</sup> The health services are now available in all regions and are relatively cheaper than the

private providers. Mobile health units are made available to service remote areas. But private doctors are preferred as they offer quality and specialized services. Public health services would need more health specialists and re-orientation towards more participatory approach.

In the area of education, local authorities are implementing the basic nine-year compulsory education. Specialized teachers are lacking and in remote areas both teachers and school buildings are not adequate. School fees increased since decentralization was implemented. To upgrade education services, mobile libraries, dormitories and school buses were made available. Participation of civil society in school management was also introduced. Civil registry service was also devolved and to improve the processing of documents, local authorities established facilities at the sub-district and village levels and senior citizen, were issued lifetime identification card to enjoy their benefits. Streamlining of business licensing is common in both countries. In Indonesia, the adoption is not yet nationwide as in the Philippines. Lack of facilities and equipment hinder nationwide adoption of business one-stop shop (BOSS) or integrated licensing agencies.<sup>6</sup>

While decentralization enhanced the provision of services, elite captures of the delivery system generally exists. Political elites decide service provisions for their advantage and not for common good. The practice illustrating elite captures include: the choice of the conditional cash transfer beneficiaries; selection of the members of the board of directors; eligibility of students in colleges/universities operated by local authorities; granting of health insurance during the re-election time of the incumbent local officials; and exemption from hospital fees and amnesty from real property taxes when local election is approaching, among others. There are, however, good examples<sup>7</sup>: road and electricity projects at the village level (desa) are reflective of the preferences of the majority of the inhabitants. Priority projects listed in Badab Perwakilan Desa are fitted between the needs of the villagers. Usually, there are no conflicts in the types of projects identified, but elite captures usually come in deciding where to locate the road project (usually favoring political elites).

In the Philippines and in Indonesia, innovations and improvements in local government administration and service delivery were introduced relatively in the early stage of the decentralization process (compared to accountability and corruption control). This is partly due to development

assistance for decentralization that was concentrated on: (1) tools for budgeting, accounting, and expenditure control; (2) information flows through computers, (3) rational methods of program/project scheduling, monitoring, and implementation; (4) rationalizing organization and procedures; and (5) mobilizing paraprofessionals to implement projects and programs and deliver services. Later, other approaches included: (1) strengthening local bureaucracies as social institutions, and (2) strengthening accountability and corruption control.

Generally, the provision of decentralized service delivery in both countries is hampered by several barriers. Confusion about the sharing and division of power, resources and accountability between the national and subnational levels exist. In both countries, some ministries have continued to deliver services and implement programs and projects that compete directly or run parallel with devolved functions. Moreover, they imposed added functions without additional funds (unfunded mandates). In Indonesia, the concerned service delivery ministries are the Ministry of National Education, Ministry of Religious Affairs, Ministry of Health, and Ministry of Environment. Three ministries have oversight responsibilities for decentralization. The Ministry of Finance is concerned with transfer of funds and National Planning Development Agency (Bappenas) is promoting involvement of the citizenry and local initiatives in centralized planning. In the Philippines, the Local Government Code, specifically provided in section 17, that “the national government or the next higher level of local government unit may provide or augment the basic services and facilities assigned to a lower level of local government unit when such services or facilities are not made available or, if made available, are inadequate to meet the requirements of its inhabitants.”<sup>8</sup> Misinterpretation of this provision leads to the duplication of services.

The promotion of civic engagement, participatory mechanisms, transparency and accountability are relatively new to local authorities. Elective officials are usually selective in promoting civic engagement. Citizens (as rights bearer) are not exerting efforts to demand for more and better services. In Indonesia, majority of the adult still maintain the authoritarian (Orde Baru) mindset and citizens have low expectations of government services. In the Philippines, generally, the citizenry are contended with the quantity and quality of available services, usually delivered by politicians

to create patronage. The demanding for services is done the ‘Asian way’ (preference for social harmony rather than confrontational and dissent and obedience, loyalty and respect towards authority, like government authority).<sup>9</sup> Willingness to take action outside the box is just emerging. Technical capacities to perform functions formerly undertaken by national agencies, are limited. Some functions need special skills and facilities, not commonly found in local government units.

#### IV. Stumbling Blocks to Inclusive Governance and Perpetuation of Extractive Governance

Inclusive governance seeks to engage the widest possible variety and mix of stakeholders in managing public affairs. It is a hallmark of decentralization. In both countries, inclusive governance was not achieved. Firstly, local councils designed as avenues for citizen participation in decision-making are not functional. Secondly, extractive governance flourished where old and new dynastic politicians captured local election and elective positions, at the expense of the others. Lastly, the prevalence of corruption shifted to the local level.

##### **1. Non-functionality of Local Councils**

In both countries, the decentralization framework provided for the organization of local councils. The councils are designed to engage civil society and the private sector in development planning, procurement, health, education, nutrition, agriculture, environmental sanitation, peace and order, infrastructure, disaster management and information disclosure. In the Philippines, there are 26 local special bodies and the Local Development Council is tasked to prepare, monitor and evaluate development plans, programs and projects. At least 25% of the membership of the Council should be representative of civil society organization.<sup>10</sup> But they should be accredited by the local legislative body, to be a member. Accreditation takes time and generally, civil society organizations (CSOs) allied with local officials in power are easily accredited. When ‘friendly’ Civil Society Organizations (CSOs) do not exist, political elites organize CSOs; designate their relatives as head and accredit them to be members of the local development council. Civic

engagement is limited to CSOs who are not 'hostile' but are 'team players'. In so doing, authentic participation is hindered and the council is captured by political elites. Consequently, the results of the work of the council, i.e., local development plans, are not reflective of the needs and aspirations of the communities.

Generally, local councils are not functional due to several factors. Usually, the local chief executive (LCE) who chairs the council does not call regular meetings. The secretariat of the council at times does not take the initiative to call meetings and depend mostly from the instruction of the LCEs. The member of some council are too many that calling meetings demand resources which low income LGUs cannot afford. But, there are times when they are convened due to urgency as when minutes of the meeting and signature of members are necessary to comply with requirements for fund release.

Another window for inclusive governance is local sectoral representation in the local legislative council. This is mandated in the Philippine Constitution and in the Local Government Code. One sectoral representative from women sector, another from workers and one from any sector (i.e., urban poor, indigenous cultural communities, disabled persons) should be part of the local legislative council. But its implementation has been postponed by the enactment of Republic Act No. 7878 that demands for the enactment of an enabling law to operationalize sectoral representation. CSO membership in local special bodies and sectoral representation in local legislative council are intended to enhance inclusive governance, although current practices have limited their potentials.

In Indonesia, local councils were also organized to engage citizens in responding to regional needs. An Education Council and Local Health Council are organized in cities and municipalities. City Council for Environment and Council for Labor Minimum Wage are created in East Java to answer the needs of the region. Following the enactment of the Public Information Disclosure Law in 2008, Public Information Council was created in some provinces in Indonesia. As in the Philippines, the functionality of the local council as a forum for the articulation of citizen's needs and demands is weak. Consequently, the promotion of inclusive governance was not fulfilled through the local councils.

## **2. Growth and Fortification of Local Strongmen and Political Dynasty**

Another barrier to inclusive governance is the growth of political dynasties or strong men in both countries. Political dynasty is a family or alliance of families that control political authorities in and/or from the subnational to national level. They maintain inter-generational political power that enables husbands, wives, sons, daughters, fathers, mothers, granddaughters, grandsons, grandfathers, grandmothers, nieces, nephews and in-laws to remain in political power. They create a scenario where they have practically positioned members of the clan to different elective offices which should not happen in a representative democratic regime.” Dynastic politicians explain their existence from different perspectives. One is from the political legacy perspective which claims that the family members are qualified and have excellent record in public service. Another is from a family destiny perspective that asserts that there was a calling for their family to undertake public service. An added dimension is the family profession perspective that declares that the members of the clan are better prepared to take over. Another is the sustainability perspective that argues that political dynasty ensure the sustainability of governance as against short term engagement. Still, some would allege the political legitimacy/support view that declares that the winning candidates are voted by the electorates. Finally, others advance the legal perspective and argue that they are not violating any law, as there is no anti-political dynasty.

Political dynasties dominate politics in the Philippines and Indonesia.<sup>12</sup> It builds a scenario where the husband is the governor of the province while the wife seats as a member of the House of Representatives (representing one district); a son or daughter is a mayor and another is a member of the Provincial Board (Sangguniang Panlalawigan) and a grandson or granddaughter is a member of a Municipal Legislative Council (Sangguniang Pambayan) and another is the chair of the federation of youth sector (Kabataan Barangay). The same reality could be seen in Indonesia, particularly in the Provinces of Bantem, South Sulawesi, Central Kalimantan and Lampung. They are also present in the districts of Kutai Kartanegara District, East Kalimantan Province; Bantul District, Yogyakarta Province; Kediri District, East Java Province; Kendal District, Central Java Province; Indramayu

District, West Java Province; Bandung District, West Java Province; Central Lombok District, West Nusa Tenggara Province; Bontang City, East Kalimantan Provinsi and Sragen, Central Java Province.<sup>13</sup>

### **(i) Enabling Environment for Political Dynasty Building**

There are varying reasons or a combination of reasons that perpetuated the existence of political dynasties. One is the social power structure in both countries which is a fertile breeding ground for political dynasty. Communities and society as well as political organizations are organized based on social status or family or clan endowed with resources. The family system is extended and the members share the pride of being in political power. A seed capital for elective political position is the resources of the clan which ordinary people, professionals and middle class do not enjoy. Dynastic politicians trust their relatives who ensured their loyalty and solidarity in the preservation of political power. Furthermore, the clan has the tendency to dictate the career path of their members and usually towards political position/s in government.

The second reason is the failure of state regulation. The Philippines missed the opportunity to regulate political monopolies by limiting the term of office and barring political dynasty in the 1987 Constitution. Article II Section 26 of the Constitution affirms that “The State shall guarantee equal access to opportunities for public service, and prohibit political dynasties as may be defined by law.” A provision should have added, stating: “no outgoing elected official shall be succeeded to the same office by any person related to him/her to the third degree of consanguinity or affinity.”<sup>14</sup> This provision should have prohibited the spouse, brother or sister, or in-laws, children, or first cousins of the outgoing official to succeed him/her in the same office.

State capture generally refers to political elites (who are themselves lawmakers and dynastic politicians) shaping laws, policies and regulations of the state for their own advantage<sup>15</sup> is a third reason. This explains why anti-dynasty law has not been enacted in both countries. But even if there is a law, dynastic politicians can capture electoral exercise by acting as ‘king maker’; building and financing candidates, loyal to them, just to break their continuous presence in the position and be back as soon as they are eligible again.

Fourth reason is the capture of the state and this exists when dynastic

politicians are protected by the government of the day. The head of the state and his/her party used dynastic politicians to consolidate their power. This strategy started during the authoritarian regimes in both countries. More recently in the Philippines, the government of Arroyo allured political dynasties loyal to her with benefits and protection in exchange for loyalty and protection from the threat of people power. This strategy also contributed to the creation of private armies of dynastic politicians. In Indonesia the process of consolidating the political power during the new order gave birth to local mafias and bossism. Initially, dynastic politicians are capture of the state, but as they gain power, they captured the state (elite capture).

The fifth reason is that political parties are generally weak and failed to promote inclusive political participation. They were unsuccessful in recruiting competent candidates; financing party activities; and organizing and managing the party.<sup>16</sup> They have not undertaken a conscious effort to build professional political leaders. They remained dominated by political dynasties that can switch alliance on the basis of convenience and not on ideological commitment and development perspective.

The sixth reason is the enormous cost in running for elective position that provides advantage to dynastic politicians. Generally, it prevents progressive candidates to try the electoral arena. If ever, they run and win, they remain in lower level positions. Sometimes they are invited by the dynastic politicians to make their party appear progressive. Their political growth, however, is controlled by the dynastic politician.

The seventh reason is the absence of a vibrant and healthy citizenry, community and civil society that demands for political meritocracy. Responsible citizenry, voting wisely and able to resist selling their right to suffrage is just slowly emerging. The last reason is the absence of a strong professional public service manned by highly qualified and politically neutral bureaucrats who can influence the thinking of dynastic politicians in providing non-partisan public service.

## **(ii) Contributions of Decentralization to Political Dynasty Building**

In both countries, decentralization expanded the revenue raising powers of LGUs. Dynastic politicians thus gain access to more resources which could be used to advance their political agenda. Although budget allocation is done

through 'sound' planning and budgeting, politicians are still able to ensure funding of their political agenda or preferences. Infrastructure projects constructed in the localities usually bear a big sign (with the picture of the politician), telling the constituencies that this project is initiated by him or her (although funding comes from the people's taxes). This kind of publicity or promotion gives the incumbent politicians advantage, as name recall during election.

Another source of money is the Priority Development Assistance Funds (PDAP). Members of Philippine Legislature (congressman and senators) are entitled to PDAP. For the year 2011, several senators used their PDAP for infrastructure projects, like construction of water system, farm-to-market road, school building, among others. Elected to either House of Senate or House of Representatives, dynastic politicians have the advantage to access PDAP and implement priority projects.

Political machinery is important in building dynastic politicians. In a way, decentralization has strengthened the political machinery of elected dynastic politicians. In the Philippines, the *barangays* (urban and rural villages) are the basic political units of the country. The Local Government Code provided for the election of barangay officials (chair and council members), appointment of other officials (treasurer and secretary), and recruitment of volunteer workers (like barangay police, Barangay Health Worker and Barangay Nutrition Scholars). Political elites have captured this constellation of barangay officials and volunteers and have integrated them to their political machinery.

Furthermore, in every barangay, *Kabataang Barangay* (a youth village council) is created. The intent is to expose and involve the youth in nation building. The officials of the council are also elected. Most political dynasties have made use of the kabatang barangay leadership election as an entry of their grandchildren to politics. Although limited, both barangay council (village council) and Kabataang Barangay (village youth council) have revenue generating powers. They can request higher level governments for grants. The barangays get regular share from the internal revenue allotment of the national government. They also tap the Priority Development Assistance Funds (pork barrel funds of the congressmen and senators to finance their priority projects). Again, through the barangay youth council, dynastic politicians elected in the legislative branch can make use of the PDAP, and

include the youth as part of the political machinery.

Strengthening or capacity building of the village council is regularly done to make sure that the members are able to execute their functions. Capacity development is a requirement of the decentralization process. A popular form of capacity development is benchmarking or visiting best practices (*lakbay aral*) done by other local government units. They draw lessons from the best practices visited. Barangay officials and local bureaucrats are recipients of these *lakbay aral*. In some cases, however, political elites make use of *lakbay aral* as a forum for power consolidation. They sponsor or augment the budget of the LGUs to organize *lakbay aral* and there are instances when they allot some time to be with the group and take the opportunity to get their commitment.

With decentralization, LGUs can also create new offices. In most cases, an Office of the Public Information Officer is created, tasked to promote the programs, projects, and services of the LGUs. In doing so, maximum media coverage for officials is provided. A dynastic politician in power can make use of the Office of the Public Information Office for his/her advantage. Another popular office that is created is a local traffic bureau or public safety office. This office manned by traffic bureau enforces usually selected from the supporters of the politicians.

The local chief executives (LCEs) in the Philippines have operational and administrative control over the police force. Republic Act 6975 empowers them to select Provincial Director or Chief of Police and to discipline and suspend erring police officer. Although the Department of Interior and Local Government, through memorandum circular 2002-002, clarified that the powers of local government executives are on higher level supervision and control, issuing policies and guidelines to ensure public safety and maintain peace and order, in reality, the LCEs exercise operational supervision. To prevent LCEs from using the police force for their advantage during election, this memorandum further provided that 30 days before and after elections, supervision and control of the police will be under the Commission on Election. This is to avoid the use of police force for the advantage of incumbent officials who are running for public office.

### **(iii) What Is Wrong with Political Dynasty?**

In mapping the political dynasty in the House of Congress in the 15<sup>th</sup> Congress of Philippines, it was noted that (1) 70 percent of the 15<sup>th</sup> Philippine Congress is dynastic; meaning they are related to one or more members of the three previous Congresses and/or to at least one local government official, elected in the four previous elections; (2) there is no gender and age bias, as they are spread across different age groups and gender; (3) they tend to dominate major political parties and their shift from one to another can weaken the other; (4) in terms of wealth ownership, dynastic legislators have more possession than non-dynastic politicians; (5) if they win, they win overwhelmingly or by a greater margin; and (6) they are generally located in areas with higher poverty levels and inequalities (poverty incidence averages 24.15%; poverty gap is 6.18 per cent and poverty severity is 2.31%. Compared with the areas with non-dynastic legislators, poverty incidence is lower at 18.95%, poverty gap is 4.93% and poverty severity is 1.86%).<sup>17</sup> The poverty scenarios in areas with dynastic politicians are only patterns and no conclusive attribution has been established.

It is remarkable to note that Japan is another country with dynastic politicians (others are the United States of America, Mexico, Italy and India). A study was undertaken in Japan to determine the electoral outcomes and distributive benefits derived from dynastic politicians (using data from 1997 to 2007). The study combined the Citizen Candidate Model with the Legislative Bargaining Model. The findings of the study revealed the following<sup>18</sup> : (1) dynastic politicians enjoy legislative and electoral advantages over non-dynastic counterparts; (2) dynastic candidates enjoy a higher probability of winning and a higher vote share or greater margin than non-dynastic candidates and (3) most importantly, the areas represented by dynastic legislators receive a larger amount of discretionary grants than the areas represented by non-dynastic legislators, yet the increased transfers do not boost economic performance in the area. Rather, (4) prefectures face worse economic performance when represented by dynastic legislators. Perhaps, when the models are applied in the Philippines and Indonesia, they will generate similar results and will establish a direct relationship between dynastic politicians and prevalence of poverty and inequalities.

#### **(iv) Decentralization of Corruption**

Innovation in government administration and service delivery, brought about by decentralization, has not eradicated corruption. The results of the survey on corruption in the Philippines, conducted by the Social Weather Station, revealed that from 2009 to 2012, the perception is that corruption cases shifted from the national government to local government units, particularly in the cities and municipalities and then provinces. The top offices where corruption is happening include Budget Office, Mayor's Office, Office of the Engineer, Office of the Treasurer and Business Permit and Licensing Office.<sup>19</sup>

This dismal state of corruption is happening in spite of the increase in the number of LGUs awarded with the Seal of Good Housekeeping (this seal is given to LGUs observing good planning, sound fiscal management, transparency and accountability and valuing performance information). This is in line with the Department of Interior and Local Government's (DILG) commitment to institutionalize transparency, accountability, participation and result-orientation in local governance. From July 2011 to Dec 23, 2011, the number of LGUs that have been given this seal jumped from 319 to 459. Corruption is also happening amidst the increase in the number of LGUs using Citizen Charter (illustration of the step-by-step provision of a service, including person responsible and requirements to get the service).

Decentralization and democratization in Indonesia is not free from corruption either. A popular sentiment is that new patterns of highly diffuse and decentralized corruption emerged in the form of predatory local officials, money politics and political gangsterism.<sup>20</sup> In both countries the 3Gs (guns, goons and gold) of extractive governance exist. The temptations to resort to the politics of money (gold) and political violence (goons and guns) to secure elective position are high. This is shown by the number of election related killings; the number of private armies existing and the number of complaints against vote buying. In Indonesia the KKN (corruption, collusion and nepotism) syndrome that used to happen only in Jakarta spread to the subnational and local levels.

## V. Countervailing The Stumbling Blocks: Civil Society Initiatives

While vulnerable to political elite captures and clientilism, decentralization has promoted the development of countervailing institutions, like NGOs, voluntary initiatives or organizations and community-based organizations. They have slowly taken the risk and improved their capacity to demand transparency and accountability. One such organization is the Concerned Citizens of Abra for Good Governance (CCAGG) in the Province of Abra, Philippines (located in northern Philippines). The CCAGG is a non-governmental organization whose primary task is to monitor government projects in the Province of Abra. The organizers took the opportunities created by the people power in 1986 and formed an organization to participate in the development programs of President Corazon Aquino administration. The organization got the approval of the National Economic and Development Authority (NEDA) to undertake program/project monitoring. Its members were likewise receiving training on project monitoring and evaluation. CCAGG documented the status of the reported completed projects. Through testimonies and pictures, the group was able to show that most of them were just beginning or under mid-way construction. The effort of CCAGG led to the investigation and conviction of eleven officials.

Today (26 years later), CCAGG has sustained its efforts in promoting good governance. Given its track record, the Commission on Audit (COA) partnered with CCAGG in “Enhancing the Public Accountability Program of the Philippine COA: Participatory Audit with Civic Society Organizations.”<sup>21</sup> Participatory audit was conducted in 23 road projects of the Department of Public Works and Highways and 10 soil conservation and watershed management programs of the Department of Environment and Natural Resources (DENR). Given its success, participatory audit was replicated in two other provinces, where two NGOs (the National Urban Poor Assembly in Camarines Norte and the Social Action Development Center in Mountain Province) were mobilized as partners. Participatory auditing was perceived to be more focused and efficient at the same time adhering to the principles of good governance.

In Indonesia, an NGO supported a community organization and the

*Lembaga Adat* (the traditional village council), in protecting their village near the National Park in Central Sulawesi from illegal logging by foreign capitalists. The NGO was engaged in park protection and was promoting income-generating agricultural activities and creating environmental awareness among the villagers. In the process, it organized the villagers who later on protested against illegal logging through demonstration in front of the People's Representative Assembly at the Regency level. In spite of heavy objections from their village headman, the group mobilized other village organizations and NGOs to join. In the same area, years later, another attempt was made to convert 300 hectares of forest land into agricultural land. Again, the NGO together with the village organization organized a workshop to discuss the issue. Through this undertaking, the group was able to impress upon the Director of the National Park that the conversion of the forest land is not practical, as it will affect the watershed, the park and religious belief of the villagers.<sup>22</sup>

Another example in Indonesia is the local economy watch undertaken by an NGO, the KPPOD. Since 2001, this NGO was conducting surveys and ranking districts in terms of economic governance and business climates or investment competitiveness. At first, 90 districts were covered and by 2007, the coverage has reached 243 districts, in 15 provinces. Through survey and ratings, some LGUs have become more transparent and have made business regulations and processes simple and more competitive. Regions that were ranked high in terms of lessening the cost of doing business attracted more investment. Eventually, other local authorities were streamlining their business processes to attract investors.

Another organization providing countervailing force in the Philippines is the City Coalitions for Transparent and Accountable Governance (CCTAGs). This organization is composed of representatives from the three pillars of governance: business, local government, and civil society. Through partnership with local business council (like the Mindanao Business Council), this organization has facilitated 13 city-level coalitions that became a forum for the articulation and monitoring of local government reforms in response to the needs of the business sector<sup>23</sup>. More pro-people policies and judicious allocation of resources were advocated. CCTAG was also instrumental in establishing localized counter-corruption score card and business one stop shop (BOSS).

Finally, by working and learning together, the different sectors develop the culture of sharing of expertise.

Decentralization in both countries inspired and encouraged the development of a vibrant local civil society network (although relatively slow and sometimes risky) but it should not end there, as civil society is just one pillar of inclusive governance. The space for inclusive governance in a decentralized regime should be further opened. Decentralization should make inclusive governance both a process and a goal.

## VI. Concluding Note: Transforming Decentralization From An Instrument Of Extractive Governance To Inclusive Governance

While decentralization provided incentives for the rise and fortification of political dynasties and opened more avenues for corruption, it inspired grassroots initiatives. These organizations and/or community initiatives came in varying forms, like advocacy; involvement in project planning, implementation, monitoring and evaluation; corruption control; resource conservation and protection; rescue operation; rehabilitation and development and even peace building. More and more critical engagement from the grassroots and/or community organizations are happening inspired by the general intent of decentralization, that is, to build self-governing and self-reliant communities.

Amidst the corruption and perpetuation of elite captures (externalities of decentralization), local autonomy remains popular in the Philippines. The Social Weather Station survey further revealed that respondents expected cities, municipalities and barangays (rather than national and provincial governments) to solve problems concerning the economy, social services, crime, infrastructure, government and governance. A similar survey in 2009 identified the national government as directly responsible to provide solutions to these concerns. Interest to participate in local governance is high.<sup>24</sup>

The direction in both countries is that there is no turning back to centralization. The way forward is a completion of the decentralization process. Towards this end, the challenges ahead include the need to redefine or fine-tune decentralization to make the sharing of power between higher and lower levels of authorities/competencies of government, business sector

and civil society a reality. Decentralization has been narrowly misinterpreted as the transfer of power from the central to local government, to ensure that services are effectively and efficiently delivered to the intended customers. But decentralization is much more than as it should promote also a free flow of lines of collaboration, integration and accountability, both vertical and horizontal. Further, this narrow view of decentralization deemphasizes the equity and empowerment (or promotion of inclusive governance) as a desired outcome of the process. Moreover, decentralization takes place in public governance and administration system (even in a broader socio-political system) and the reform in the whole system should simultaneously be done to effect a genuine decentralization. The completion of decentralization process should also incorporate reforms in the other socio-political sub-systems. These sub-systems cover election (including political party organizations), the civil service system; social power structure; and public integrity and accountability sub-system.

Electoral reforms need to focus on strengthening political parties, upholding strict compliance to the election code, and enactment and enforcement of anti-political dynasty law. There is a need to strengthen political parties to make them catalyst of inclusive governance and to prevent them from becoming a political party of dynastic politicians. This could be done through advocacy from media, civil society and academe. Development of political parties would entail the promotion of distinct party ideology, platform and culture; observance of political meritocracy and professionalization of members; enforcement of party discipline and regulation (including anti-political dynasty regulations). An incentive mechanism should be provided for political parties to be able to observe these elements. The incentive could be in a form of financial incentives from the national government. Major political parties should be encouraged to organize political foundations which will be professionally managed and will administer the priority development assistance fund given to the members of the house of congress and senate. The creation of regional political parties which are usually home of political dynasties should be discouraged or regulated.

Complementing decentralization is to uphold strict compliance with the election code. One relevant area is the policies governing election campaign finance. Penalties for the violation of election offenses (like penalties against

vote-buying and vote-selling; coercion; unlawful electioneering; appointment or promotion of employees during the election period; use of policemen, public funds and government properties during the election campaign period, among others) should be enforced. Weak enforcement of laws favors dynastic politicians and discourages potential and more competent people to enter the electoral arena.

In the Philippines, the enactment of an anti-political dynasty law should be facilitated. Although it will take time to enact one, as it is unconceivable to see dynastic politicians ratifying a law that will end the power of their clan, still advocating for one is important. Sectoral party representatives are championing it in the House of Congress and a couple of senators are doing it in the Senate, but again, the possibility to pass a law is slim in the near future. But the legal framework is not sufficient to control the power of dynastic politicians and thus, the socio-political structure in general should be also overhauled.

The present social and political power structure is conducive to the furtherance of political dynasties. Inclusive growth and inclusive governance should blend together to transform the social and political power structure more balance (promotion of social equality, equal access and ownership of economic resources). This implies that poverty reduction, asset reform and social protection initiatives (like conditional cash transfer, etc.) and early childhood development, among others, should be used as a transformation mechanism for a socio-political order conducive to decentralization and inclusive governance.

Decentralization was not accompanied by the creation of public integrity and accountability values, safeguards to deter misuse of decentralized powers and resources. A range of tools have been introduced, like governance report card, citizen charter, e-procurement and seal of good housekeeping, but local authorities were undertaking them more as compliance with administrative processes rather than as building blocks towards accountable governance. A more determined effort to push integrity, accountability and anti-corruption strategies should be initiated together with any decentralization process. Aside from education, developing agency-wide public integrity promotion plan, formulating public integrity pact and introducing anti-corruption strategies, support should be provided to whistle blowers and improvement should be

done in the apprehension and conviction of corrupt local officials. In the same way, best (or good enough) practices on the promotion of local public integrity and accountability should be scaled up and popularized (one example is Naga City and the practices of the late Jessie Robredo, as a Mayor of Naga City and as Secretary of the Department of Interior and Local Government). The leagues of local government units (like the Leagues of Provinces; Leagues of Cities and Leagues of Municipalities) should also be mobilized as a mechanism in promoting public integrity and accountability (policing and rewarding their own ranks). Localizing the corruption perception index (undertaken by Transparency International) will also help promote integrity and accountability in a decentralized regime.

Local councils and sectoral representatives in the legislative body remain a potent strategy to expand and/or equalize political voice in local governance. The decentralization process should devolve effective power capacity to social groups and institutions, where local councils are a part. Councils should not be organized solely to recommend policies but should also be given power to make independent decisions and execute policies and programs. Budgetary support should also be provided to enable them to function effectively. The chair of the councils should not always be the local chief executives and the accreditation (to become member) should be transferred to a network of civil society organizations. The sectoral representatives (i.e., labor, women, or urban poor, etc.) in the local councils should not be abandoned, and rules and guides in their selection should be provided. Membership to the sector should be properly established and their representatives to the local legislative authorities should be appropriately elected.

Civil society and the third sector initiatives, private sector inventiveness and public private partnership (PPP) in the provision of public goods and inter-local government cooperation to solve common problems requiring common solutions have not been fully harnessed in the decentralization process. A strong political will to provide the enabling environment to make them work is needed.

Politicians come and go and the local bureaucracy (civil servants) provides continuity in delivering public goods and services and stability of government. Their security of tenure, political neutrality and professionalization should be ensured. In most cases, they become instruments of political elites (including

dynastic politicians) in promoting their political agenda at the expense of public service. Some politicians bring with them a management team undermining the organic staff and personnel. Appointive officials suspected of being not loyal are given limited or no role in the administration. In most instances, their decision-making power is limited (they get clearance from politicians before making decision). Although they are technically equipped, in some cases, they are not able to influence the decisions of the local chief executives. And still there are occasions when they cannot suggest innovations to local politicians. Strengthening their capability is therefore necessary (not through the old style training program). A career executive service for local bureaucrats is an option as well as strengthening their professional associations (like the association of local treasurers, association of municipal assessors, etc.). Making entry difficult (through rigid screening) and making compensation and package of incentives competitive will bring dignity to local civil servants. Ensuring that local government departments are organized in a lean and mean manner (to pay only a few but highly qualified personnel) would ensure judicious allocation of funds and efficient use of resources. A competitive or highly professionalized local bureaucracy (independent from extractive political interventions) could promote inclusive governance.

Dynastic politicians frequently claim that they stay in power as they are elected by their constituencies. Generally, they undertake political actions under the scrutiny of the public. They assert that they are re-elected and sustained their political position as their actions are approved and sanctioned by the people. Therefore the quality of governance is also determined by the worth of citizenship or electorates. Good or responsible citizenship breeds good governance (and good politicians). Thus, the quality of citizenship needs to be enhanced for inclusive governance and genuine decentralization. A new culture of responsible citizenship should be recreated as a pre-condition or along the process of decentralization. Responsible citizenship means people have the capacity to decide and act based on conviction or belief, not on the basis of imposition, intimidation or fear or obligation. Education and community engagement may enable responsible citizenry to reduce or minimize electoral captures by dynastic politicians.

In both countries the support for decentralization is still popular. In similar manner, international recognition for decentralization as a means

towards democratic good governance is still high. Decentralization has inspired the emergence of civil society and third sector initiatives; small scale public private partnership; service delivery through outsourcing; modernization of administrative processes and promotion of efficiency in delivery of services. Excellence in local governance has been exhibited by outstanding local authorities. At the same time, decentralization created externalities, as more opportunities for corruption emerged and better chances were opened for dynastic politicians to be fortified and sustained. This phenomenon leads to extractive or exclusive governance. The sentiments remain that there is no turning back to re-centralization but to move forward and complete the decentralization process and promote genuine local autonomy.

Decentralization has inspired and encouraged grassroots and/or civil society initiatives in both countries. There are numerous cases; some are documented and presented as case studies or anecdotes and still many are not. Several initiatives were issue-based while others grew and replicated. The bottom line, however, is that these types of initiatives have demonstrated how to counter political elites and clientelism, no matter how risky. Once appropriate policy framework and incentives have been provided, these countervailing efforts provide hope in completing an authentic decentralization process.

The decentralization process in both countries point to the fact that pursuing a genuine local autonomy is not merely a rational process of transferring powers from central to local (or national to sub-national) governments, but entails a combination of policy reform, renovation of the political party system, socio-political transformation, professionalization of the bureaucracy, supporting grassroots initiatives and civic engagement and building responsible citizenry. Reforms in all fronts of the system will enable to unleash decentralization from captures of dynastic politicians and from informal network of patronage and social domination. Decentralization then will be truly an instrument of inclusive governance.

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