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Editor's Note

In the open-system strategy for studying complex organizations, scholars agree that all variables influencing an organization cannot be fully known. What this suggests is that uncertainties are to be expected. According to the scholar James D. Thompson in his *Organizations for Action* (1967), the complex organization is made up of interdependent parts, making up a whole, which in turn is interdependent with larger environment. Robert Denhardt (2008) says that while an organization strives to develop and evolve amidst uncertainties, the goal is towards attaining balance.

This issue of the journal shows how complex public organizations attempt to influence or may be influenced by the macro sociopolitical and economic environment that they are in. Urbanization and globalization are contexts within which public administration systems and the interdependent sub-organizations that make up these systems are currently in a constant flux, and which these systems need to grapple with to maintain homeostasis. The articles in this issue illustrate structures and processes of public administration systems at different scales and geographical levels—from frameworks, indices, organizational arrangements to paradigms—that have come to evolve as these systems influence or are influenced by the larger environment.

Xialong Zou and Yan Li's article "Integrated Approach for Smart City Index Development: From Concept to Indicator Weighting" deals with a new concept known in governance and urban planning circles as "smart city." The authors argue that although several frameworks have been proposed to operationally identify and define the factors that make a city smart, a consensus has yet to be reached. This limitation served as impetus for the authors to propose their own framework and set of indicators for classifying smart cities. The indicators were first selected through a review of literature and later subjected to weighting and ranking with the help of experts on the field. The resulting integrated index is, interestingly, inclusive of aspects not necessarily ICT-related but crucial just the same to achieve smart urban living.

The administrative concept of regional development council (RDC) is revisited by Alicia Celestino in "Do the Regional Development Councils Matter in Promoting Regional Development? A Historical Evidence." The RDCs were established in the 1970s to facilitate and synchronize the development of Philippine regions. The goal of bringing economic progress in the regions, however, remains unrealized until today—thanks in part to the unfulfilled mission of the RDCs. Celestino points out that instead of harmonizing and directing development objectives and programs within administrative regions, the RDCs merely became an avenue to articulate development goals and wishes without the benefit of being funded and implemented. A variety of factors made it this way. Historical data show that foremost among these are the RDCs insufficiency of funding and competence and, closely related to that, the lack of legal powers to fulfill their mandate.

Enrico Basilio chronicles what he terms as the "waves of reform" in the Philippine port sector in "Eight Waves of Reform Initiatives in Philippine Port Administration and Governance." He identifies eight major initiatives that basically transformed the sector from a public enterprise into a largely private one most notably after the hegemony of neoliberal economics had taken hold in Philippine governance discourse from the 1980s onwards. The roles of and degree of power of the state in the management and development of this crucial public utility are reviewed and assessed. Basilio considers privatization of the port sector as constructive and necessary and argues for the tearing down of long-standing barriers that prevent the full implementation of the privatization program. He identifies, in particular, the dual nature of the Philippine Ports Authority (PPA) as a regulator and competitor to private port operators. In addition to a few other interventions, the author recommends correcting the existing port policy by amending the PPA charter.

In what is perhaps a rare occurrence in the pages of the PJPA, the widely-accepted notion and discourse of good governance is interrogated and challenged by Maria Victoria Raquiza in the Reflections corner of this issue. In "The Mainstream Discourse on Good Governance for Developing Countries: Issues and Challenges," the author traces the origins of good governance discourse prescribed and consequently taken as an antidote to underdevelopment in the Global South. Raquiza suggests that despite what its name connotes, good governance is steeped in a long and, in fact, still ongoing history of an unjust economic and social agenda set by the economic elite and enabled and legitimized by international funding institutions like the IMF-World Bank. Raquiza illustrates how the good governance paradigm that has been imposed on the developing nations in exchange for loans and foreign aid had served, to a large extent, more to improve the market for private capital than to prepare the social environment for a more inclusive and equitable economic growth.

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Integrated Approach for Smart City Index Development: From Concept to Indicator Weighting

Xialong Zou and Yan Li*

Smart city (SC) initiatives are the new megatrend in urban development. Several concepts and frameworks have been proposed to interpret what constitutes smart cities, but they have not yet reached universal acceptance. This study aims to propose a new conceptual framework for smart cities with an integrated index for better understanding and practical implementation of SC projects. The conceptual framework is proposed after reviewing SC literature under policy analytical method. Based on the framework, an index consisting of six domains, 18 aspects and 36 supporting indicators is proposed. The analytical hierarchy process (AHP) was applied for indicators weighting for prioritization or key performance indicator (KPI) selections. This study would contribute to more insights in understanding smart cites and their evaluation for policymakers, academia, urban managers and practitioners.

Keywords: *smart city, urban development, smart city framework, analytical hierarchy process*

Several megatrends of urban development models have emerged in recent history as responses to an array of geosocial challenges brought by technology-led productivity boost and population increase. Garden city, ecocity, and low-carbon city are examples of these megatrends addressing urban challenges of their respective times (Zou & Li, 2014; 2015a). More recently, the concept of a smart city (SC) also emerged alongside the rapid advancements in information and communication technology (ICT).

But despite its global phenomenal scale, a concise definition for smart city with a universal consensus is yet to be distilled. This is reflected in the diversity of definitions and interpretations of previous megatrends, i.e., ecocity and low-carbon city. Nevertheless, several researches and studies have been conducted with regard to the conceptualization of smart city.

This article presents a review of literature to obtain insights on what constitutes a "smart city" and its common features. Based on this, a generalized conceptual framework for smart cities is proposed.

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As an important component for analysis, evaluation, and realization of smart city concepts, an indicator system or index has also not been fully addressed (Lombardi, 2011). Although some smart city indicators or indices already exist, they simply focus either on the ranking of cities within a certain region (e.g., European Smart City Index) or tend to measure certain aspects or evaluating performance within cities (Caragliu, Del Bo, & Nijkamp, 2011; Giffinger et al., 2007; Kylili & Fokaides, 2015). The notion that an index or indicator system should be coupled with conceptual design has not yet been fully explored under the smart city context. For this reason, this article also offers a smart city index for better understanding and implementation of smart cities. This SC index is also further developed by supplementing it with a weighting mechanism for indicators that can guide the decisionmakers and key stakeholders in prioritizing, measuring and evaluating SC projects and programs. The analytical hierarchy process (AHP) is adopted for this purpose.

This article, in general, demonstrates the key processes in developing an integrated index for smart cities from the initial concept proposal to index selection and composition and, finally, indicator weighting. It begins with an in-depth literature review of smart city concepts, indicator systems and AHP method for indicator weighting. It continues with the introduction of the methods applied for SC concept analysis and the presentation of the proposed SC conceptual framework, indicator selection and index composition, and AHP analysis for indicator weighting. This is followed by the presentation of results of the weighting of the SC indicators and a short discussion on the limitations of the study. Finally, a summary of the findings is stated before the conclusions of the study.

Literature Review

Smart city concepts and frameworks

The notion of a smart city is not novel (Shelton, Zook, & Wiig, 2015, p. 2). It originated from the new urbanism movement in North America back in the 1980s, when the overall objective was to improve the urban environment and life through the promotion of communal ideas and limitation of urban sprawl (Vanolo, 2013). In the 1990s, the United States (US) government upgraded it to a smart growth movement that involved different stakeholders for boosting local real estate markets while improving environmental conditions (Zelda, 2009). The term “intelligent city” was later brought up under the rise of the information technology (IT) industry where the focus was to connect the urban sphere with ICT infrastructure (Komninos, 2009; Zelda, 2009). Eventually, this terminology was converged and sometimes used interchangeably with the phrase “smart city.”

Mirroring the lack of universally accepted definitions for ecocity and low-carbon city, the concept of smart city exists in different contexts and elicits various interpretations. Through a rigorous review of literature (including some frequently-cited conference papers and international organizations' reports), the article identifies two streams of work for smart city concepts and interpretations. One stream focuses on the various uses and applications of ICT for improving the quality of life (QoL) in cities (Chourabi et al., 2012; Cosgrave, Arbuthnot, & Tryfonas, 2013; Schuurman, Baccarne, & De Marez, 2012). The other emphasizes the broader dimensions of urbanization, such as infrastructure, energy, governance, economic, and social aspects (Angelidou, 2014; Lazaroiu & Roscia, 2012; Neirotti, De Marco, Cagliano, Mangano, & Scorrano, 2014; Perboli, De Marco, Perfetti, & Marone, 2014).

Parallel to the work of academia, the industrial sectors have also been actively engaged in smart city project development. International players like IBM, Cisco Systems, Siemens AG, and Hitachi Group have all come up with their solutions for helping the local stakeholders to realize their smart city goals—from specific technology products to the whole package of making a community "smart."

As a new megatrend that follows ecocity and low-carbon city, there have been approximately 143 designated or self-proclaimed smart city projects (Lee, Hancock, & Hu, 2014). However, some of the projects have multiple titles. An example is Masdar City, which is known to the world as eco, low-carbon and smart. Other famous smart cities include Songdo in South Korea; Taoyuan in Taiwan; Barcelona, Amsterdam, and Berlin in continental Europe; Manchester, Edinburgh and Bath in the UK; California, San Diego and San Francisco in the United States; and Ottawa and Quebec in Canada (Albino, Berardi, & Dangelico, 2015, pp. 13-14).

Smart city indicators/index

When it comes to the measurement and evaluation of smart cities, a number of methods, indicators, and indices have been established or proposed. A smart city ranking was conducted by Giffinger et al. (2007) to compare medium-sized cities in Europe. The framework provides useful insights into the later development of smart city measurements with an index of six characters consisting of 31 factors with a total of 74 subsequent indicators. Another smart city model was proposed by Lazaroiu and Roscia (2012) with four criteria (smart economy, smart environment, smart energy and mobility, and smart governance), where fuzzy logic was applied to calculate the weights of the enlisted indicators as a supplement to indicator systems applied in smart city ranking. Their results indicate that the smart city is particularly influenced by sustainable, innovative, and safe public transportation (Lazaroiu and Roscia (2012, p. 330). However, they fail to illustrate the affiliating criteria into which the indicators should be categorized.

Idowu and Bari (2012) proposed a generic development framework that can help develop and deploy services in a smart city. A recently-published report by Barranco et al. (2015) commissioned by the EU offers a broader framework to evaluate and assess the urban developments with time series and geographical features of urban areas. Analytical models have been conducted by Patrizia Lombardi, Giordano, Farouh, and Yousef (2012) for measuring the performance of smart cities in general, which offers insights to policymaking with identified indicators. The individual evaluation model has been proposed by Lv (2012) for assessing the smart city development of Tianjin city as a specific case study.

Other rankings such as the Global Power City Index (created by the Japanese Institute for Urban Strategies), the Smarter Cities Ranking (conducted by the Natural Resources Defense Council of US) and a host of other organizations like the Smart Cities Council, business groups, and individuals have proposed different ways of measuring or evaluating cities with selected goals and targets.

Weighting of indicators by AHP

Indicators are used widely in various aspects and domains and for different stakeholders, particularly in the process of decisionmaking (United Nations, 2007). Indicators need to be placed into conceptual frameworks in order to have a clear focus and objectives for measurement. Some commonly employed frameworks for indicators include driving force-state-response frameworks, issue- or theme-based frameworks, capital frameworks, and accounting frameworks. Among these, issue-or theme-based frameworks are more commonly adopted for sustainability indicator development due to their ability to link indicators to policy process and targets and for their flexibility in adjusting to new priorities and policy targets (United Nations, 2007). Oftentimes, these indicator frameworks offer categorical inclusiveness or theme-based directives for the decisionmakers without offering prioritizing sequences. However, the daily execution of policies often requires the prioritization of indicators for easier implementation. Thus, a weighting mechanism is needed to complement the frameworks.

The analytical hierarchy process (AHP) was first developed by Saaty (1980) as a multiple criteria decisionmaking tool. It is a methodology based on an Eigen value approach to the pair-wise comparisons, to calibrate a numeric scale for the measurement of both quantitative and qualitative performance (Vaidya & Kumar, 2004). It has been widely applied in numerous fields, such as software development (Kengpol & O'Brien, 2001; Lai, Wong, & Cheung, 2002) and project management (Harbi, 2001) as selection tools; supply chain evaluation (Akarte, 2001), hierarchy composition (Fogliatto & Albin, 2001), process and quality assessment (Cagno, Caron, & Perego, 2001; Forgionne & Kohli, 2001) as evaluation tools; cost & benefit analysis (Chin, Chiu, & Tummala, 1999; Tummala, Chin, & Ho, 1997); allocations (Badri, 1999; Ramanathan & Ganesh, 1995); planning & development; and many other fields including prioritization and ranking, decisionmaking, and forecasting (Vaidya & Kumar, 2004, pp. 12-16).

AHP is also widely adopted for indicator weighting and evaluations. Tong et al. (2012) proposed an AHP-based water conservation indicator system for the textile industry in China. Bozbura and Beskese (2007) used AHP to prioritize indicators for measuring organizational capitals. Indicators of other sectors include construction, transportation, tourism, and environment (Awasthi & Omrani, 2009; Kil, Lee, Kim, Li, & Newman, 2016; Wang, Li, Zhen, & Zhang, 2016; Z. H. Zou, Yun, & Sun, 2006). Although the AHP-based method has also been used for city performance evaluation (Kourtit, Macharis, & Nijkamp, 2014), there is not yet any specifically customized AHP application in indicator weighting for smart cities.

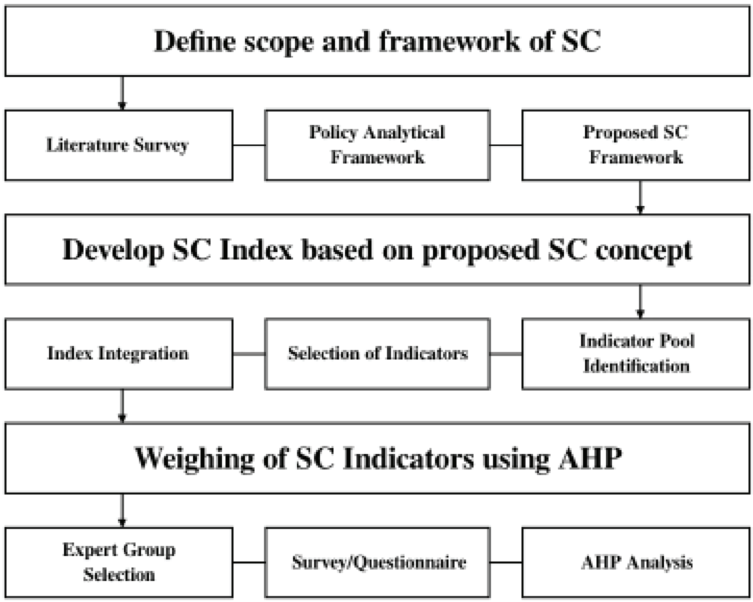
Methodology

Three major steps were followed for developing the proposed smart city index. Each major step is further divided into three sub-steps and discussed in detail later. The first step defines the scope and establish a working conceptual framework for smart cities. This was done by conducting a survey of the mainstream definitions or concepts of smart cities and analyzing them under a policy analysis framework. An integrated and inclusive concept for a smart city based on the analysis of commonalities presented in the literature is then proposed (See Figure 1).

For the second step, the authors developed a customized SC index based on their proposed smart city concept. The potential indicator pools for selection were first identified based on reference and availability. An initial selection of indicators according to the proposed conceptual framework with links to references, data availability, and operatablility or manageability was then conducted. This was followed by the integration of the selected indicators into a complete SC index.

Weighting of the customized smart city index using AHP comprise the third step. Experts and professionals specializing on the four domains (themes) identified in the SC framework were surveyed to measure the degree of importance of the proposed indicators. The responses were then analyzed using the AHP framework to come up with a weighted SC index.

Figure 1. Integrated Approach for SC Concept framework, its SC Index and Weighting of Indicators

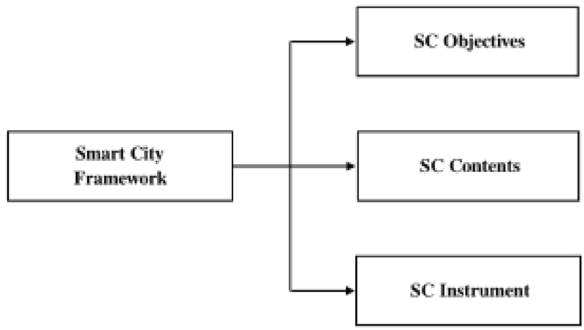


Smart City Conceptual Framework

Smart city initiatives are the realization of an urban political agenda or policy. It can therefore be further analyzed and assessed. Hall (1993) regarded policy as consisting of goals, techniques or instruments, and settings. Bennett (2009) further classified policy components into policy goals, contents, instruments, outcomes, and styles. Additional components, such as policy concepts, attitudes, and administrative structures have also been proposed (Dolowitz, 1997; Larmour, 2002; Pierson, 1997). Liu and Qin (2016) systematically analyzed Chinese low-carbon city initiatives in the manufacturing, transportation, and building sectors by deconstructing the low-carbon frameworks into goals, contents, and instruments.

This article adopts Liu and Qin's low-carbon city analytical framework for smart city analysis as shown in Figure 2. Smart city concepts are classified into three components, namely, smart city objectives, smart city contents, and smart city instruments. SC objectives refer to the goals and objectives that are pursued within this concept or policy initiative. SC contents include the major domains, themes and categories to be included in the establishment of smart cities. SC instruments pertain to the means or method to realize the objectives and goals of smart cities.

Figure 2. Analytical frameworks for smart city concepts



Through a qualitative topological analysis of 23 frequently-cited smart city concepts (Zou & Li, 2015b) under the analytical framework of goals, contents and instruments, the authors arrive at the following conclusions:

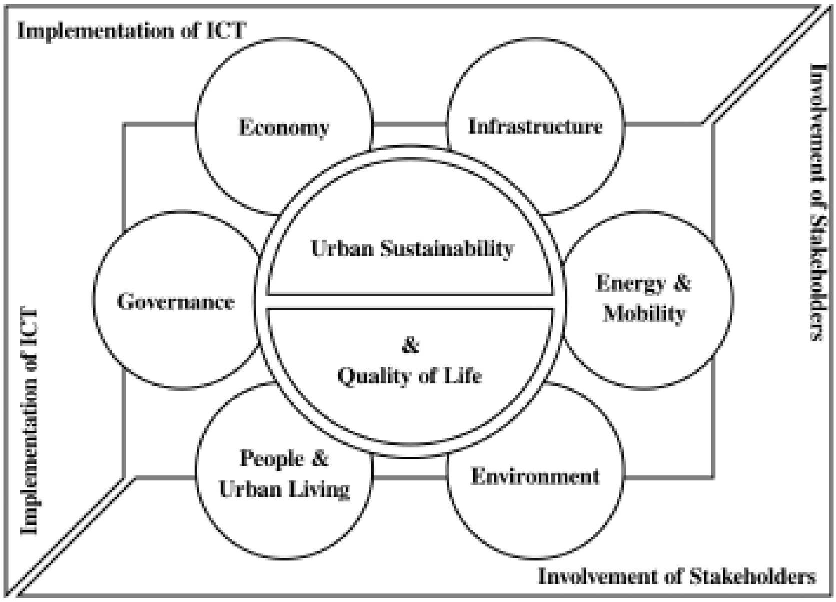
- There are two most common objectives or goals that are pursued by smart cities. One focuses on improving quality of life, while the other pursues sustainable urban development.

- Several themes or sectors are frequently mentioned by many sources. Despite differences in the exact terms, these themes or sectors can be classified into hard domains and soft domains. Soft domains entail sectors such as governance, human lives, urban living, and economic and social conditions while the hard domains encompass infrastructure, energy, mobility and traffic, and ambient environment, among others.

- There are two major instruments for realizing the SC goals and objectives: the implementation of technology and the involvement of stakeholders.

Based on these, the authors come up with a conceptual framework for what constitutes a smart city: it is a city that pursues the two-fold goal of improving the quality of life of its inhabitants while realizing urban sustainability. Major contents of a smart city include both hard and soft urban domains, such as governance, people and urban living, economy, infrastructure, energy and mobility, and environment. Furthermore, a smart city is one where there is active involvement of its stakeholders in the implementation its programs using ICTs (See Figure 3).

Figure 3. Conceptual Framework for Smart City



Smart city index (Indicator selection)

A customized SC Index with six domains consisting of 18 aspects and 36 corresponding indicators was then developed based on the proposed conceptual framework. This was done by identifying the indicator source pools from which relevant indicators were chosen based on relevance, data availability, suitability, and conveniences in operations. Preference is given to the indicator pool that is most relevant and applicable.

Two categories of indicator pools were identified, namely, international and regional. The international category index entails either a large scope of target groups or broad implementation potentials, such as SC indicators proposed by Lazaroiu and Roscia (2012) and the Smart City Council and the Global City Index. The regional category, meanwhile, narrows down the scope and implementation boundaries and is applicable to particular regions. Examples are Giffinger et al.'s (2007) SC European Index, which is tailored for countries in the European Union and the Asian Green City Index developed by the International Geographical Union to evaluate megacities in Asia. The Institute for Global Environment Strategies (IGES), a national think tank in Japan, also proposed general sustainability indicators for its country.

For the selection of indicators, the authors conducted workshop-discussions with different stakeholders and representatives in a conference sponsored by a local environmental non-government organization (NGO) in Kitakyushu City in Japan. Representatives from academia, local communities, industries, and local organizations were presented with the proposed SC concept and asked what are the key aspects or topics that they are most concerned with under each category. The responses were then summarized and categorized into 16 commonly expressed aspects or themes under the proposed six domains. A total of 36 indicators were selected (with an average of six indicators under each domain) for the proposed SC index (See Table 1).

Two major factors were considered for determining the number of indicators to be included. One is manageability and the other one is the evaluation method of AHP for the later weighting stage, due to pair-wise comparisons by expert groups.

Table 1. Proposed Smart City Index

Dimensions	*Aspects (themes)*	*Indicator and measurement*
Governance	Transparency & Management	• Perception of transparency of bureaucracy • Perception of fight against corruption • Monitoring environmental performance
	Civil participation	• City representatives per resident • Female city representatives • Public participation in environmental decisionmaking
Economy	Innovation	• % of budget of local government allocated for environment • Research and development (R&D) expenditure in % of gross domestic product (GDP)
	Sustainable development	• Use of electricity per GDP • Use of water per GDP
	Labor & Capital	• Gross city product per capita • Number of households below poverty line
People & Urban living	Human health	• Number of doctors per 1000 population • Number of hospitals per 1000 population
	Institutional & Social capacity	• Number of environment staff in city government per 1000 population • % of industries in compliance with emission control regulations • % of vehicles compliant with emission control regulations • Adult literacy rate
Infrastructure	Buildings	• Energy consumption of residential buildings • Energy-efficient building standards
	Land use	• Green space per capita
	Smart Grid	• Accessibility of smart grid

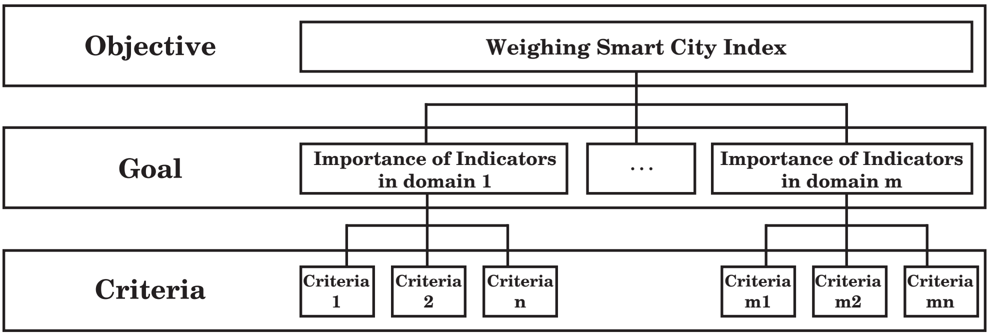
Energy & Mobility	Renewable energy	• Share of renewable energy in total energy use
	Energy efficiency	• CO2 per capita from energy use
	Sustainable	• Green mobility share • E-vehicle in commercial vehicle shares
Environment	Air quality	• SO2 concentration • TSP concentration
	Water availability	• % of population with access to adequate and clean water • Water renewable rate of the source
	Water quality	• Biochemical oxygen demand (BOD) concentration of inland water bodies • Chemical oxygen demand (COD) concentration of the coastal water
	Urban green	• % of green area in the total land use
	Waste & Waste water	• Per capital waste generation • % of total solid waste collected • % of total waste water treated

Weighting of smart city indicators using AHP

As already mentioned earlier, the AHP method is adopted in this article for the weighting of the SC indicators as evaluated and ranked by experts. The experts were chosen based on their fields of research and teaching specializations and years of experience of working either in academia or on projects related to urban planning and smart cities. Questionnaires were administered in person for some experts while those not available for face-to-face survey were asked to send in their responses via email. The authors targeted a survey sample of 60 experts, with an average input of 10 experts' weighting for each domain of the proposed index. A total of 48 valid feedbacks were collected for analysis.

According to the AHP methodology (Saaty, 1980), a decisionmaking problem can be generalized into three levels: objectives or goals for level 1; criteria for level 2; and alternative for level 3. In the case of this research, there is no alternative needed for selection purposes, only the evaluation for indicators. Therefore the AHP hierarchy was modified into a three-tier two level structure, with the overall objective being the weighting of SC index and the goal is to evaluate the importance of the indicators under each domain. The criteria under each goal, meanwhile, are the individual indicators (See Figure 4).

Figure 4. Customized AHP Hierarchy Structure



The respondents were asked to evaluate each indicator by pair-wise comparisons in a scale of importance from 1 to 9. 1 denotes an equal significance, 3 slightly higher, 5 moderately higher, 7 considerably more significant, and 9 most significant. A sample of the survey instrument is shown in Figure 5.

Figure 5. Survey Example for AHP Scales

Which indicator do you think is **more important** for
measuring a **City's Smartness**
in the aspect of **"Governance"**?
(Choose one at each row)

	Indicators (A)				vs	Indicators (B)			
1	Transparency of bureaucracy				vs	Fight against corruption			
	☐ 9	☐ 7	☐ 5	☐ 3	☐ 1	☐ 3	☐ 5	☐ 7	☐ 9
2	Transparency of bureaucracy				vs	Monitor its environmental performance			
	☐ 9	☐ 7	☐ 5	☐ 3	☐ 1	☐ 3	☐ 5	☐ 7	☐ 9
3	Transparency of bureaucracy				vs	City representative per (1000) resident			
	☐ 9	☐ 7	☐ 5	☐ 3	☐ 1	☐ 3	☐ 5	☐ 7	☐ 9
4	Transparency of bureaucracy				vs	Female city representatives per (1000) resident			
	☐ 9	☐ 7	☐ 5	☐ 3	☐ 1	☐ 3	☐ 5	☐ 7	☐ 9
5	Transparency of bureaucracy				vs	Public participation in environmental decisionmaking			
	☐ 9	☐ 7	☐ 5	☐ 3	☐ 1	☐ 3	☐ 5	☐ 7	☐ 9

Data collected via the survey were encoded and processed using the AHP calculator developed by Goepel (2013a), wherein key parameters are calculated and key indicators are displayed for analysis. Several key indicators were included for the purpose of coming up with the SC index ranking. These are (1) the weights for indicators based on raw geometric mean method (RGMM), (2) consistency ratio (CR), (3) aggregated weights (AW) for indicators, and (4) group consensus ratio (GCR).

After the calculating the CR of each participant's survey result, responses of four respondents were removed because they exceeded the CR threshold of 20%. This is in line with the position of Goepel (2013b) that only CRs within the range of 10% to 20% can be considered consistent for judgment.

Results and Discussion

Results of the AHP analysis of the participant' responses are shown in Tables 2a-2f. For the *Smart City Governance* domain (Table 2a), the most important indicators are *perception of transparency of bureaucracy* and *monitoring environmental performance*, both of which consist of an aggregated weight of 56.5% (32.3% + 24.2%). The indicator with the least weight under this domain is *female city representatives per 1000 residents*, which takes 5.5% of the total AW. The experts' opinions on this group, however, consented less than three quarters in ratio (67.7%), not the highest compared to other domains. This might be due to the rather qualitative nature of most indicators in this group and the ambiguous nature of *governance* itself.

Table 2a. Smart City Governance Domain Indicator Weights and Ranking

Indicators	*Aggre. Weights*	*Ranking*
Perception of transparency of bureaucracy	32.3%	1
Monitor its environmental performances	24.2%	2
Public participation in environmental decisionmaking	19.2%	3
Perception of fight against corruption	13.0%	4
City representatives per (1000) resident	6.4%	5
Female city representatives per (1000) resident	5.5%	6
Number of participants: 8	Group Consensus Ratio: 67.7%	

As is seen in Table 2b, for the *Economy* domain of smart cities, the group consensus ratio of 57.2% is even lower than that of the *governance* theme. It might appear to be counter-intuitive that quantified indicators in the economic sector would have more disparities in consensus. The top two indicators in this domain are *R&D expenditure in % GDP* and *use of electricity per GDP* with an AW of 22.8% and 20.4%, respectively. The least weighted indicator is *household below poverty line* with 11.4% AW. This might be due to the fact that most of the experts are currently working in a Japanese institute, a geographical setting where poverty is not an immediate concern. Additionally, each indicator received less deviated percentage in AW (11.4% to 22.8%). This suggests that all these highly quantifiable indicators are valued on similar levels of prioritization.

Table 2b. Smart City Economy domain indicator weights and ranking

Indicators	*Aggre. Weights*	*Ranking*
R&D expenditure in % of GDP	22.8%	1
Use of electricity per GDP	20.4%	2
% of budget of local government allocated for environment	19.6%	3
Gross city product per capita	13.5%	4
Use of water per GDP	13.3%	5
Household below poverty line	11.4%	6
Number of participants: 6	Group Consensus Ratio: 57.2%	

The second highest group consensus rate of 74% is obtained in the *People & Urban Living* domain. This indicates that it is easier to reach agreements on the importance of certain aspects concerning people and urban living. As shown in Table 2c, the AWs are highest in the indicators *number of doctors per 1000 population* and *adult literacy rate*.

The *number of hospitals per 1000 population* received the least AW at only 8.8%. This is surprising considering that a related indicator, *number of doctors per 1000 population*, received the highest rating in this domain. This might be due to a certain belief that people such as doctors play more important roles than physical infrastructures like hospitals.

Table 2c. Smart City People Urban Living domain indicator weights and ranking

Indicators	*Aggre. Weights*	*Ranking*
Number of doctors per 1000 population	25.8%	1
Adult literacy rate	25.2%	2
% of industries complied with emission control regulations	17.0%	3
% of vehicles complied with emission control regulations	13.3%	4
Number of environmental staffs in city government per 1000 population	9.3%	5
Number of hospitals per 1000 population	8.8%	6
Number of participants: 6	Group Consensus Ratio: 74.0%	

There are only four indicators each under the *SC Infrastructure* and *SC Energy & Mobility* domains. This should have inevitably led to a more concentrated AW values for each indicator. Surprisingly, however, most experts weighted *green spaces per capita* with 38.3% AW, which is much higher (almost

3 times) than that of the least weighted indicator, *energy-efficient building standards*, at only 14.7%. Similar cases also manifest in the *SC Energy & Mobility* domain. *Share of renewable energy in total energy use* and *CO2 per capital from energy use* received the highest AW at 46.8% and 24.9%, respectively. The least weighted indicators in both domains are *accessibility to smart grid* and *e-vehicle in commercial vehicle shares*. This somehow validates the proposition of this article's proposed SC conceptual framework, which is not simply and mainly focused on ICT but takes into account overall urban sustainability with ICT only as one major instrument. It could also indicate the premature applications of ICTs for e-vehicle on a commercial scale, which causes less preference in weighting by the experts.

Table 2d. Smart City Infrastructure domain indicator weights and ranking

Indicators	*Aggre. Weights*	*Ranking*
Green spaces per capita	38.3%	1
Accessibility of smart grid	26.3%	2
Energy consumption of residential buildings	20.7%	3
Energy-efficient building standards	14.7%	4
Number of participants: 6	Group Consensus Ratio: 68.0%	

Table 2e. Smart City Energy & Mobility domain indicator weights and ranking

Indicators	*Aggre. Weights*	*Ranking*
Share of renewable energy in total energy use	46.8%	1
CO2 per capita from energy use	24.9%	2
Green mobility share	14.1%	3
E-vehicle in commercial vehicle shares	14.1%	3
Number of participants: 8	Group Consensus Ratio: 79.1%	

There were originally 10 indicators for the *SC Environment* domain but some were combined with the others so that the total was trimmed down to six after consultation with the experts. *Percentage of population with access to adequate and clean water* and *Air quality (indicated by SO2, TSP)* criteria gained the bigger share of the AW totaling at 45.3% (25.5% + 19.4%). Other indicators related to waste generation and treatment received less AW in this domain.

These results reflect the physical situations of Japan, where most of the surveyed located. Japan is known for rigorous efforts in environmental protection and good quality of water and air compared to other countries in Asia like China, India, and Indonesia. It is also observed that Japan has a well-established waste separation and collection system already in place for both waste generation and treatment. Thus, the lower AW of waste related indicators is understandable.

Table 2f. Smart City Environment domain indicator weights and ranking

Indicators	*Weights*	*Ranking*
% of population with access to adequate and clean water	25.5%	1
Air quality (indicated by SO2, Total Suspended Particles)	19.4%	2
% of total waste water treated or recycled	17.8%	3
Water quality (measured by BOD, COD contents etc.)	15.8%	4
Per capital waste generation	11.1%	5
% of total municipal solid waste (MSW) collected & treated	10.5%	6
Number of participants: 8	Group Consensus Ratio: 57.6%	

It must be emphasized that this study has limitations. First, SC initiatives as reflections of urban development policy, should consider both the policymakers' opinions and those of other key stakeholders. In this article, the focus was on the academic interpretation of what constitutes a smart city by reviewing previous works. A more desirable approach is to refer also what the decisionmakers' opinions since they will be the ones to implement these plans in real life.

Regarding the selection of indicators, both the quantity and quality of indicators matter in the composition of index. There is not yet any single best method that would meet all the needs or requirements or fit perfectly to different geosocial or geopolitical settings. Therefore, it is necessary to define manageable scopes and proper system boundaries under clear objectives and frameworks. The proposed SC index in this article and its conceptual framework might not be compatible to the needs of other regions, sectors, or industries. That is why localization and customizing are needed for this work to be adaptable.

In terms of the weighting of indicators, the authors received feedback from the surveyed experts that misinterpretations are likely to occur given the lack of specific case settings. Even though they were presented or instructed with the defined concepts and objective of indicator weighting, the respondents might perceive the indicators very differently based on their own background and experience. This is also a reflection of the trickiness in quantification based on subjective judgments, which is part of the reason why the AHP was adopted for evaluation in this study.

Conclusion

Under the current megatrend of smart city as the newest urban development paradigm, despite its numerous interpretations, this study has contributed to an encapsulating framework of smart cities that consists of goals, contents and instruments. For better assessing different aspects of SC developments, the authors have proposed a coupling SC Index (indicator system) with 36 indicators that measures the 16 aspects or themes under the proposed six domains. The deployment of such an index would better facilitate and measure the realization of SC concept into reality with specific indicated qualities or quantities.

Furthermore, this study has applied AHP method for the weighting of our proposed index, where priorities would manifest for each indicator as the results of quantitative evaluation of experts' opinions and judgments. The weighting would be insightful and useful in many occasions, such as proposing key performance indicators (KPIs), when only a handful of indicators are needed instead of the whole index. And what priorities would be given upon conflicts or interferences of similar indicators or some other cases where further preferences or selection are needed within the index.

On an equally important note, this study has found that the adopted approach or methodology can be transformed into a more positive mechanism for tailor making or customizing urban development policies of similar nature. We have summarized this approach into the following steps (refer to Figure 1):

- Define scopes and propose framework for urban city package (could be eco or low-carbon or smart city). This could be achieved by either having a thorough literature review or commissioned inputs under a suitable chosen framework.

- Develop index or measurement indicator system based on proposed scopes and framework. First, to identify indicator source, then select indicators based on *smart* principles or customer needs, and finally integrate them into the index.

- Weighting or evaluating the proposed indicators using AHP (or other method). This can be found by identifying survey groups (experts or other stakeholders), and conducting survey or questionnaires, which will be later used for AHP analysis.

Lastly, this study tries to reiterate the importance of not having singular set of SC concept nor index but rather the locally-oriented criticality in developing smart cities and also advocates for the involvement of multiple stakeholders throughout the process.

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Do the Regional Development Councils Matter in Promoting Regional Development? A Historical Evidence

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As early as the 1970s, regional development has been adopted by the government as both a goal and strategy for national development. The regional development councils (RDCs) were created to play a critical role in the promotion of regional development. It has been almost five decades since their existence but regional disparities in the country still remain a reality putting to doubt their efficacy. In the light of the federalism debate which enkindled renewed interest in regional development, this article reviews the historical performance of the RDCs to aid policymakers in coming up with policy alternatives to the RDC system. What ails the RDCs? How can they be revitalized? These are some questions central to the assessment of their performance in promoting regional development.

Keywords: *decentralization, regionalization, regional development, administrative coordinating mechanisms, regional disparities, disjointed planning-budgeting*

The debate on whether or not to shift to a federal system of government has enkindled renewed interest in regional development. The country's federalism advocates believe that the federal system of government could be the solution to the wicked problem of uneven development among the regions. The group believes that federalism will alleviate poverty since economic and political resources will be devolved to the regions themselves and empower them to decide on their development priorities (Ayado, 2016; PDP, 2017; Generoso, 2018, as cited in Parocha, 2018, para. 2). The group argues that federalism is the way to go since inter-regional disparities remain despite the decentralized set up of the existing unitary system of government.

The other school of thought thinks otherwise. It is not in favor of federalism and is convinced that the unitary form of government is not the problem and that the Local Government Code of 1991, which decentralized governance, only needs strengthening to further empower the LGUs in the regions (Monsod as cited in Billones, 2016; Ocampo, 2016). Sicat (2005), on the other hand, believes that federalism does not guarantee progress. Whether or not the system of government is the solution to uneven development of the regions is not the thesis of this article. However, the debate between these two opposing schools of thought gives

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us a compelling reason to revisit the role of the regional development councils in regional development.

A country's performance in regional development is influenced by a number of interrelated factors, namely: (1) the technical skills, values, attitudes, and beliefs of individuals within the society; (2) the sociopolitical structure which serves as an environment within which individuals perform their roles as agents of change; (3) the availability or resources which generates innovative ideas and programs; and (4) the institutional machinery through which regional development planning and implementation takes place (Cheema, 1981, p. 4). The last factor consists of governmental—the national, regional, and subregional levels—and non-governmental institutions. This article focuses on the last factor, specifically on the role of the administrative machinery at the regional level, the RDCs as they relate with the government tiers above and below them.

Not much has been written about regional development and the RDCs in the past two decades (Pernia, 2015). In this light, this article seeks to review the performance of the RDCs in promoting regional development.

The RDCs were at the center of the regional development strategy adopted by the government. They were conceptualized as the administrative mechanism to orchestrate or coordinate all efforts and initiatives to promote socioeconomic development in the regions. Development planning[1] for the region is reposed in the hands of the RDCs.

It has been 45 years since the creation of the RDCs in the early 1970s but glaring regional inequalities remain a reality. In fact, of the 16 administrative regions in the country today, only three namely, the National Capital Region (NCR), Region IV-A (CALABARZON) and Region III (Central Luzon) have always been the major contributors to the country's gross domestic product (GDP). Together, they produce more than 60% of the country's GDP (Balisacan, Hill, & Piza, 2006).

In the absence of a comprehensive and updated study concerning the performance of the RDCs in promoting regional development, policymakers have no basis in making decisions as to the continued existence of RDCs. Is the role of the RDCs in development planning essential in promoting regional development? Do the RDCs need strengthening to enable them perform their mandate? Or, do they need to be abolished and replaced by another mechanism for regional development? This historical/literature review is an initiative towards enlightening policymakers on what to do with the RDCs. This review is an initial attempt towards developing a more comprehensive assessment on RDCs and regional development.

Objectives of the Study

In general, this article aims to bridge the knowledge gap between how the RDCs are supposed to perform or carry out their development planning functions and how they have actually been performing. Specifically, this study intends to:

1. Take stock of how the RDCs have been performing their coordinative role in development planning since their creation.

2. Identify the problems, issues, and constraints that they have encountered over the years.

3. Offer recommendations as to what logical steps to take concerning the RDCs.

Methodology and Structure of the Paper

This article is a qualitative assessment of the performance of RDCs in regional development. It assesses how the RDCs performed their function as mandated by the various laws (e.g., Letter of Implementation 22, Executive Order 325 series of 1996, 1987 Philippine Constitution). This review is based largely on existing secondary materials on the subject. Chronologically speaking, there is a dearth of materials on the RDCs from 2003 onwards. There were a few publications on regional development in the Philippines during the same period[2] but these did not include an assessment of the performance of the RDCs in regional development.

Supplementing the secondary sources is a study on the RDCs conducted by the Asia Foundation and the Australian Embassy in 2017.[3] The study made use of key informant interviews with NEDA Regional Office (NRO)/RDC officials and staff as well as key officials of selected line departments at the national government level, survey among regional offices of the national line departments, and validation forums among national and regional agency officials covered by the study. The study appraised the performance of the RDCs in promoting regional development by looking into the RDC-endorsed programs and projects of the different regional offices vis-à-vis those that have been approved and funded in the General Appropriations Act (GAA). This somehow gives an insight on the performance or degree of influence of the RDCs in securing budgets for the programs and projects of the regional offices that they have endorsed for funding.

This article is composed of three parts. The first part provides a conceptual framework for the study—a discussion on regional development and related concepts, regional development's journey in the country, and the legal framework for the RDCs. The second part is a chronological account of the evolution of RDCs focusing on the assessment of their performance including the issues and problems or challenges that they encountered along the way. The third part covers a discussion on the recommendations and opportunities that could make the RDCs more effective in fulfilling their mandate.

Regionalization, Regional Development, and Other Concepts

Experiences in Asian developing countries have shown that development becomes elusive when its means of achievement is highly centralized, i.e., development efforts such as development planning and implementation is mainly performed by the central government. Scholars took notice of the fact that "there is little evidence to suggest that the centralized approach to planning has a significant contribution to the promotion of growth" (Cheema, 1981, p. 2) Scandanavian countries like Denmark and Sweden also subscribe to decentralized development strategies by prescribing that the role of national government in regional development is to devolve or allow more decentralized strategy and decision making by regional bodies and, therefore, push the demands on their organization capacity and capability (Rakar & Tallberg, 2014, p. 11). Given these experiences, the imperative for decentralization became inevitable. Hence, the emergence of regionalization as a form of decentralized administration.

Regionalizing the government for administration happens when central governments decentralize to their field offices in the subnational levels like regions for a variety of reasons, such as bringing their services closer to end-users, making administration more efficient and less costly, and easing the burden or unloading the central government offices from their myriad of responsibilities, among others.

Regionalization can also be resorted to for the purpose of pursuing development or balancing growth or development among the regions. Regional development involves making or assigning the region as the hub for development planning and implementation. Globally, the region is usually defined or formed on the following bases: (1) biophysical, (2) political, and (3) socioeconomic (Glasson & Marshall, 2007).

The Philippines' administrative regions consisting of provinces/cities were delineated based on the aforementioned criteria. The regions' creation was based on: (1) physical characteristics or geographical features (i.e., mountain ranges, river basins etc.), (2) transportation/communication facilities, (3) cultural/ethnic factors, (4) land area and population, and (5) planning, administrative, and political factors (Cariño, 1991, p. 6).

Overview of Regional Development in the Philippines

Administrative decentralization in the guise of regionalization can be traced as far back as the 1950s when the country embarked on development administration to rebuild its economy. The Philippine Congress enacted in 1956 a landmark piece of legislation that ushered in regionalization—the Reorganization Plan 53-A, which was an output of the studies made by the Government Reorganization Survey Commission (Fabella, 1981). Reorganization Plan 53-A divided the country into eight administrative regions to deliver government services in a more efficient and economical manner.

In the 1960s, regionalization took more than just an administrative dimension but also assumed a developmental dimension with the creation of numerous regional development authorities (e.g., Mindanao Development Authority, Central Luzon-Cagayan Valley Authority, Bicol Development Company, other provincial authorities like the Northern Samar Development Authority among others) tasked to engage in viable self-sustaining projects to help develop the regions (Fabella, 1981). However, this initiative fizzled out due to political pressure, lack of financial resources, mismanagement, corruption, unrealistic functions, ambiguous objectives, and the failure of national agencies to coordinate and integrate projects of existing authorities (Calabia, 1990; Cariño, 1991).

Despite the failure of the regional development authorities, the faith of the government in regional development did not cease as clearly seen in the 1970s when the government formally adopted regional development both as a goal and strategy for national development. As a goal, regional development aims to narrow or minimize socioeconomic disparities among the regions while as a strategy, it is regarded as a tool to enhance overall development of the economy (Carino, 1991; Manasan & Mercado, 1999).

Formalizing the adoption of regional development both as a goal and strategy was the enactment of Presidential Decree No. 1 (PD 1), otherwise known as the Integrated Reorganization Plan (IRP), in September 1972. From the eight administrative regions in the 1950s, PD 1 raised it to 11 and then later on further increased to 13 (Manasan & Mercado, 1999; Fabella, 1981).

The IRP through Letter of Instruction (LOI) No. 10, s. 1972 dated 01 November 1972 also effected a radical change in development planning practice by abolishing multiple national government agencies performing planning functions and creating one central planning agency in the National Economic Development Authority (NEDA). Likewise, it provided for the creation of the RDCs that eventually came to life by virtue of LOI 22 dated 31 December 1972. These legal instruments laid the institutional framework for regional development.

The Regional Development Councils' Role in Regional Development: Past and Present

RDCs during Martial Law: Functions, structure, and performance

With PD 1 and its implementing guideline (LOI 22), the RDCs as the administrative structure for development planning in the regions were given specific functions and powers to enable them perform their mandate.

Functions and powers. Among the functions of the newly-born RDCs that directly relate to regional development pertained to their mandate to (1) translate national economic goals into more specific regional objectives to be reflected in the regional development plans and programs and (2) coordinate all planning activities of the line agencies of the national government in the region in relation to those of the local government units and the local planning boards (Secs. 5 (b) and (f) of the LOI 22).

Five years after, another presidential fiat, LOI 542 dated 20 May 1977, gave the RDCs more powers on development planning, e.g., direct the formulation of the integrated regional development plans to include the plans of the national government agencies, regional development bodies and local governments in the region; coordinate the implementation of development programs and projects in the region and establish a monitoring system thereof; and coordinate local planning activities in the region to ensure the consistency of local plans with the regional development plan.

LOI 542 endowed the RDCs additional powers and functions on programming and budgeting as well. The RDCs were given the authority to recommend to NEDA and the Budget Commission (now the Department of Budget and Management) a system of priorities in the allocation of budgetary resources among the programs/projects of the national government offices in the regions (the agency regional offices or AROs) in accordance with the regional development plan (RDP). Moreover, they were tasked to administer the share of the region from the regional development fund (RDF) provided under the national budget decree and such other funds from the national government or local governments for regional projects. This time, the RDCs were given a role in the allocation of the AROs' budget in line with the region's priorities as defined in the RDP. On top of this, the RDCs were given the power to decide what programs and projects should be funded from the region's RDF share.

In terms of the development planning role of the RDCs, EO 589 issued on 17 April 1980 gave them the mandate to prepare and adopt a regional development investment program (RDIP) to operationalize the RDP through the identification and development of programs and projects designed to accelerate regional development (Fabella, 1981; Alabanza, 1984). The RDIP is meant as a link between the plan and the budget. It is supposed to identify the funding sources of the priority programs and projects of the RDP.

Structure. The RDCs (or the Councils) are like extensions of the NEDA Board because they function as the highest policy coordinating body in the regions. However, unlike the NEDA Board where no elected officials sit as members, the RDCs' composition is a combination of professional/technical people (regional directors of the AROs) and elected local officials (governors and city mayors within the region) plus representatives of the private sector. An appointee of the President among the elected members or politicians chairs it with the NEDA Regional Office (NRO) director as the vice-chairman. The NRO serves as its technical arm and secretariat.

An executive committee (EC) and the NRO technical staff assist the RDC. The EC acts on matters that require immediate attention for and on behalf of the Council when the latter is not in session. It comprises of selected regional directors of the AROs, two representatives of the elected members of the Council and the director of the NRO who chairs the EC. The NRO technical staff serves as the research and implementing arm of the Council and provides day-to-day technical assistance to the executive committee. As the technical arm of the RDC, the NRO technical staff formulates regional plans, programs, policies and guidelines for the consideration of the Council; makes the necessary changes, amendments and revisions in the regional plans, programs, policies and guidelines, as may be desired by the Council, in order to improve and update them; assists the Council in the translation of national economic goals and policies into more specific regional objectives which shall be reflected in the regional plans prepared for the region; coordinates for the Council all planning and programming activities of local governments, local planning boards, and the AROs; and extends planning and other related forms of technical assistance to the local governments, local planning boards, and the AROs, and private entities, among others. The NRO technical staff is, therefore, crucial to the RDCs' existence and relevance as the major output of the latter (the RDP) depends on them.

Performance of the RDCs and issues and problems encountered. How did the RDCs fare in performing their role of orchestrating the direction of socioeconomic development in the region in its initial decade of existence?

Iglesias and Sicat (1976) and Lindy Morrel[4] (1978) made the initial assessments on the performance of RDCs. Iglesias and Sicat concluded that the RDCs during their first year and a half of existence were weak in their role as regional development coordinator primarily because of their lack of formal authority over the representatives of both the local government units (LGUs) and AROs comprising the Council. To substantiate this observation, Iglesias and Sicat (1976) pointed to the fact that the "local government units are administratively and in the real political sense under the control of the Department of Local Government and Community Development (now called the Department of the Interior and Local Government) in the areas of local planning and implementation of local projects" (pp. 125-126). They also pointed out that as far as the formulation of the development plans of the AROs in the region is concerned, the RDCs have no authority too on this matter since the regional offices are directly under the supervision and control of their mother offices at the central government level (Iglesias & Sicat, 1976, p. 125). Not only do the RDCs have no authority over local and regional RDC representatives in plan formulation, they also have little or no influence over implementation of programs and projects in the region. The most that the RDCs can do during this period was to integrate local and agency sectoral plans into the regional development plans. In other words, in the earliest years of the RDCs, regional development coordination can be described as superficial at best because the RDCs merely performed plan collation work to produce a regional development plan.

This lackluster initial outcome of the performance of RDCs can be traced to its lack of political power to wield its development coordination mandate. The RDCs were not able to compel the government agencies in the regions to collaborate in development planning exercise because the latter are not accountable to them but to their mother agencies or oversight agencies which are technically outside the RDC framework. Given this situation, development planning harmonization would not really happen; the RDCs were not empowered by the law that created them to exercise authority over the agencies they are supposed to supervise/ coordinate in the harmonization of development efforts.

Morrell (1978), on the other hand, disclosed that the RDCs were able to integrate the programs of the AROs but were not so successful in including the subregional development programs into the regional plan because inputs from the local governments were minimal (p. 102). This implies that the RDCs were unable to mainstream or articulate local government perspective into the regional plan, making the development plan lopsided or biased in favor of the AROs' perspective that mirrors the perceived priorities of their departments or the central government. In this case, regional development coordination at the level of plan formulation is again not evident. This situation is, however, understandable considering the newness or inexperience of the RDCs. It must be mentioned though that the major players in the RDCs such as NROs underwent capacity building training programs[5] in the 1970s to equip them skills and knowledge in regional development coordination. While the inexperience of the RDCs cannot be denied as a probable reason of the above cited case, the shortcomings of the LGUs planning bodies must also be pointed out as a bigger reason why the local government perspective in development planning was absent in the regional development plan. The institutional capacity of the local planning bodies was still undeveloped during this period. Hence, LGU participation in development planning at the regional level was minimal if not absent.

Morrell (1978, pp. 100-101) identified a number of issues and problems that affected their ability to coordinate regional development efforts. Among these are the following:

(1) Insufficient administrative authority

The RDC chairperson can hardly control the attendance of regional directors in RDC meetings. Representatives of some regional directors who attended the meetings had no authority to make decisions concerning the commitments of their agencies. Again, this is because of the lack of legal authority given to the RDCs to enforce mandatory participation among the stakeholders in the whole exercise of the development planning process in the regions.

(2) Relatively weak subregional coordination

The RDCs have no authority over the local development councils (provincial/city/municipal development councils) and their link with these is described as fragile and vague. Hence, subregional coordination is not carried out. Similarly, this boils down to the lack of legal authority on the part of the RDCs to enforce subregional coordination. Nowhere in the laws that created and supposed to strengthen them can we find powers given to them to direct or command the local bodies to comply with the enforcement of their mandate. Furthermore, there were no punitive measures or sanctions that were identified for those who do not cooperate with them.

(3) Limited scope of the regional development fund

While the national government allotted Php 30 million RDF for RDC projects which directly benefit more than one LGU, there were limitations in the manner by which this fund could be availed of. For instance, a counterpart fund of 50% of the RDF was required for the LGUs in the area where the RDF-funded project would be located. Low income class local government units could not afford to raise this counterpart fund even if their projects were viable ones. The counterpart fund scheme instead served as an obstacle to the implementation of local development projects.

(4) Inadequate participation from the private sector

The lack of or inadequate participation from the private sector was observed by the RDC in Region VIII-Eastern Visayas. This is unfortunate because "infusing more participation from private groups into the regional planning process is particularly important in programs requiring private initiative such as in business and/or industrial enterprises" (Morrell, 1987, p. 101).

A case study done in the early 1980s measured the Cagayan Valley (Region II) RDC's regional development coordination capacity using variables such as coordination through exchange of information, negotiation and control (Brillantes, 1980). The case study disclosed that RDC members did not have common goals—the politicians or local chief executives were province-oriented while the heads of the regional offices are sector-oriented. This divergence of orientation in terms of development goals undermined the development coordinating role of the RDC. Compounding this problem was the finding that this specific RDC did not exercise its authority or power to coordinate although its chairman, a governor, had a strong and commanding personality (Brillantes, 1980).

Brillantes (1980) also pointed out that the leadership (chairmanship) of the RDC was problematic. Brillantes believed that the work of the RDC chair is a full-time job, hence, making an elected official (governor or mayor) to chair the Council is "not advisable because his attention is divided between the region's welfare and his LGU's welfare" (p. 82). In other words, the political head of the RDC was torn between two forces: a macro perspective for the entire region and a parochial perspective. This perspective leads one to ponder whether the RDCs should be reorganized as far as the chairmanship position is concerned. Should a non-politician (e.g., a technocrat) be made to lead the RDC instead? If this was the case, would this lead to objective or apolitical decisions on the welfare of the entire region?

The studies by Iglesias and Sicat (1980), Morrel (1978), and Brillantes (1980) depict a not so promising picture of the RDCs—they were seen to be weak in their role to coordinate regional development efforts. In the aspect of plan formulation particularly the preparation of plans by the regional offices and the LGUs, the RDCs appear to have little influence on both parties because these entities prepare their plans independently from the RDC framework. All the RDCs could do was to collate these independently prepared plans into the regional development plan thereby negating the intention to make local plans consistent with the region's. But not everything can be blamed on the weaknesses of the RDCs as coordinative mechanism in development planning but more so on the fact that they were not clothed with political (policy) and legal powers to enable them to perform this mandate.

In spite of the fact that they were not given powers commensurate to their mandate, there were also victories made by the RDCs during the Martial Law years. One, they were able to introduce the potentials of regional coordination in the pursuit of a more balanced development by providing a forum where different development concerns and priorities of the stakeholders can be talked out, reconciled, and harmonized to come up with a more representative development plan for the region. For the first time in history, a convergence effort among the subnational levels of government and administration was introduced with the creation of the RDCs. In a country where centralization has been the norm for ages, the government through the RDCs recognized the need to involve subnational levels in the development dialogue.

Post-Martial Law RDCs (1986 to present): Functions, structure, and performance

The failure of the RDCs to perform their role of orchestrating the promotion of regional development during the 1970s to mid-1980s propelled the administration of President Corazon Aquino, which rose to power in February 1986, to institute reforms strengthening them. Foremost, the existence of the RDCs was enshrined in no less than the highest law of the land—Article X, Section 14 of the 1987 Philippine Constitution, to wit:

> The President shall provide for Regional Development Councils or other similar bodies composed of local government officials, regional heads of departments and other government offices, and representatives from non-government organizations within the regions, for purposes of administrative decentralization, to strengthen the autonomy of the units therein, and to accelerate the economic and social growth and development of the units in the region.

This also affirms the commitment of the new administration to regional development with the RDCs at the center of this commitment. Further, it recognized the non-government organizations (NGO) as an important partner of the RDCs. People's participation has been encouraged in line with the decentralization and redemocratization thrust of the Aquino administration.

Structure and Functions. Following this constitutional mandate, a series of Presidential executive orders reorganizing the RDCs came forth. The following presidential directives introduced some changes in the organizational structure and functions:

- Executive Order 308, series of 1987, provided for the creation of a regional consultative assembly (RCA) to serve as a consultative body to advise, assist, support, and cooperate with the RDC. The RCA is actually an expanded version of the RDC whose total membership includes a quarter of NGO representatives and other representatives from the private sector and academe who may be invited by the Council.

- Executive Order 318, series of 1988, further expanded the membership of the RDC to include mayors of municipalities designated as provincial capitals of provinces where there are no chartered cities. It also ordered the RDC to include a Co-Chairman to be appointed by the President from among the nominees of the Council.

- Executive Order 366, series of 1989, created the regional development assembly (RDA) in lieu of the RCA, comprising of all the governors and city mayors in the region plus all congressmen/women from the region and even senators who wish to join it, the chair of the RDC, and two NGO member-representatives of the RDC. This superbody is tasked to serve as a forum for the review and validation of the annual and multi-year infrastructure program for the region, which requires appropriation of national government funds, as recommended by the RDC. Based on a consensus, the RDA shall endorse these regional programs for inclusion in the national infrastructure programs and budgets to be submitted to the Congress for appropriation of funds.

- Executive Order 347, series of 1989, expanded again the membership of the RDC to include presidents of provincial leagues of mayors.

- Executive Order 455, series of 1991, amended a statement in EO 308 regarding the leadership of the RDA, i.e., chairman and vice chairman to be elected among themselves.

- Executive Order 505, series of 1992, abolished the RDA in view of the local autonomy thrust of the Local Government Code of 1991.

In summary, these presidential directives focused on the structure of the RDCs, particularly expanding membership and the creation of consultative bodies (RDA/RCA) as support and consultative mechanisms to the RDCs. Of particular importance is a provision of EO 308 which mandated the Development Budget Coordinating Committee (DBCC) of the NEDA Board to amend the process of budget preparation and issue guidelines that would provide greater autonomy to the RDCs in their programs and projects consistent with regional, provincial and municipal development plans and with national priorities (Sec. 7, E0 308, s. 1987). In pursuit of this mandate, the Synchronized Planning-Programming-Budgeting System (SPPBS)[6] was introduced as a budgeting reform in 1990. The SPPBS tried to link planning and budgeting processes at the national and subnational levels. Accordingly, budget consultations between the central offices/departments of the AROs and the RDCs were conducted either in Malacañang Palace or in the regions. The former were required to present their budget allocation for the regions and were also required to explain how they came up with such allocation (Mercado, 2002, p. 54). This system appeared to be favorable to the RDCs or the regions. It proved to be influential in shaping the final regional budget to make it more sensitive to the regions' development conditions (Mercado, 1999). While the SPPBS seems to have a desirable impact on the regional budget for a very short period of time or during the last two years of the Aquino administration, the overall performance of the RDCs on regional development planning left much to be desired as borne out by a 1992 study presented in the following section.

Performance of the RDCs and Issues and Problems Encountered

The highlight of the redemocratization and decentralization policy of the Aquino administration was the enactment of the Local Government Code of 1991 or RA 7160. In support to the decentralization objective of the Code, a study assessing the regional and local development planning systems was initiated by NEDA and the DILG under the Local Development Assistance Program (LDAP) of the United States Agency for International Development-Associates in Regional Development (USAID-ARD). The study was conducted in August to October 1992 using field surveys, assessment workshops and commissioned researches on six subject areas including regional development planning and local development planning (ARD/LDAP, 1992).

A study by Ragragio, Navera, and Tabugon (1992) summarized the findings of the surveys conducted in three regions representing the three major island groups. It provides an overview of how the RDCs performed their mandate as the administrative machinery for regional development right after Martial Law (Ragragio, Navera, & Tabugon, 1992, pp. 11-15). The survey findings are summarized and analyzed as follows:

- In the area of project planning (i.e.,formulation of the RDIP), the practice of "parallel planning" between the AROs, the NRO, and the LGUs has been confirmed by the survey respondents. Because of this practice, the role of the RDCs was reduced to being a compiler of programs and projects. In relation to this, the AROs followed their own agency's or both their own and RDC's criteria in choosing what projects to include in the plan though not one of them follow only the RDC's criteria. It must be noted that the parallel planning practice has been in existence since their nascent years. This happened because of the insufficient legal authority on the part of the RDCs to direct the said regional bodies to comply with their criteria in project prioritization. They can only do moral suasion—convincing or persuading the AROs to adhere to their project planning framework.

- While the plans of AROs were at least included in the RDP through the RDC process, the LGU plans were not due to the minimal inputs of the LGUs particularly the provinces. Again, this was the same finding of Morrel in 1978. This means that in spite of the numerous Presidential directives of reorganizing and strengthening the RDCs, such had no effect on their capacity to integrate local plans into the regional plans simply because as stated earlier, the LGUs also had weak capacity to produce development plans. While the LGUs, particularly the provinces, were occasionally trained by the NROs in development planning (e.g., project preparation and project management), such capacity building efforts were not sustained to produce capable local planning cadres in the provinces. Hence, it was also difficult on the part of most provinces to substantially participate in the regional planning process.

- There have been major projects that were approved without passing through the RDC process due to a number of reasons, e.g., the funding institutions require the National Government Agencies (NGAs) to submit their projects that have been subjected to technical studies immediately; political accommodation; and outright by-passing of the RDC system by some government-owned and controlled corporations (GOCCs). These issues particularly the political ones, seem to be beyond the control of the RDCs but have, nonetheless, undermined their coordination mandate.

- There is a lack of linkage between planning and budgeting. The RDC had no budgetary power; only special projects of NGAs went through the RDC for budget endorsement. The RDCs were not created to have revenue-raising powers, hence, they are totally dependent on the national government for funding. They are not implementing bodies but just an administrative coordinating mechanism. Unlike the Metro Manila Development Authority, which regularly receives an internal revenue allotment share and the mandatory contributions from the National Capital Region (NCR) LGUs, the RDCs had nothing for the implementation of regional priority projects. They had the RDF but this was just a temporary measure and it was a failure due to its faulty design.

- Not all important plans and programs for the region were discussed in the RDC meetings. This could be due to the practice of parallel planning among the AROs and the LGUs.

- RDCs were effective in integrating regional and local plans only in the sense that they provided the forum for NGA, LGU, NGO, and other sectors' participation in regional development planning.

- While RDC deliberations were long, they were not exhaustive with RDC officers/members inclined to give priority to plans and projects located in the localities they represent. This parochialism issue was likewise noted in the case study of Brillantes (1980) and he suggested that the leadership of the RDCs, which is reposed in a politician (e.g., governor or city mayor), should be given to a full-time manager who could see beyond political boundaries of the member LGUs.

The perceptions or opinions of the participants in the seminar workshops to validate the findings of the surveys[7] are of the same vein. On plan formulation, the participants were one is saying that the RDC is weak and non-assertive. While it is backed by legal mandates, the RDC is said to have “not attempted to assert its own powers effectively and fully” (Ragragio, Navera & Tabugon, 1992, p. 92). The statement of a study consultant that notwithstanding “the presence of all elements of development planning—the actors, the concerns, structures and enabling laws—regional planning failed in its mission to disperse regional development” (Ragragio, Navera & Tabugon, 1992, p. 102) best describes the perceptions and observations of both the survey respondents and the seminar-workshop participants mentioned above. However, these opinions are biased if not blind as those who articulated the opinions failed to recognize the absence of commensurate political and legal powers of the RDCs. The legal mandates refer only to their functions or what they are supposed to do but not their enabling powers to perform their legal mandates. It is, therefore, safe to conclude that the RDCs prior to the enactment of the Local Government Code of 1991 did not achieve its function to coordinate the promotion of regional development largely because of their lack of power and authority to do so. They have a lot of deliverables but the means to realize these were non-existent.

In spite of these adverse findings about the performance of RDCs, President Fidel Ramos did not act swiftly to save the RDCs from irrelevance. While he continued the decentralized budgeting approach (SPPBS) adopted by his predecessor, he stopped the consultative dialogues between the national government agencies and the RDCs in Malacañang and in the regions (Mercado, 1999, p. 1). This is an unwise decision because such consultations turned out to be an effective practice in influencing the national government agencies to align their budgets to regional priority programs and projects identified by the RDCs. It was only during his midterm reign as president that he came up with a new approach to decentralized budgeting—the regional budget allocation scheme (RBAS).

The RBAS is supposed to empower the RDCs by giving them the authority to determine what programs and projects are to be funded and implemented in the region in keeping with the region’s development plan and investment program. A Php 600 million regional allocation fund (RAF) under the RBAS was set aside to fund the priority inter-provincial and inter-regional projects. Unfortunately, Congress rejected this item in the 1995 national budget because it was interpreted as an election fund for the 1995 local elections despite efforts to explain the development objectives of the proposed fund (Mercado, 1999, p. 7).

In the heels of the RBAS/RAF fiasco, President Ramos issued EO 325 in 1996, reorganizing again the RDCs in his bid to make them a more effective regional institution for “ensuring sustainable, participatory and equitable development” (EO 325, para. 5). The new EO repealed all the RDC reorganization

EOs of the Aquino administration. However, EO 325 is basically the same as the past EOs except for the creation of an advisory committee whose membership includes members of the House of Representatives from the regions willing to join. The inclusion of the congressmen in the RDC is a strategy to get them involved in the RDC process and, hopefully, get their support during budgetary deliberations for regional development projects in Congress. Since the RDCs have no budgetary powers to fund the regional programs and projects in the RDIP, the route to access funds is via Congress.

After the 1996 RDC reorganization of the Ramos administration, President Gloria Arroyo introduced another amendment as to its composition. She issued EO 183 in November 2002 to include a labor sector representative in the RDC. This expanded further the composition of the RDC. This could be seen positively as it made the RDCs more inclusive as far as participation is concerned.

The RDCs in Recent Years

How have the RDCs performed since then? There is dearth of literature assessing the performance of RDCs in regional development in the new millennium. In one study, it was only mentioned that the RDCs continued to conduct regional budget hearings, which take place after the issuance of the budget call by the DBM (Mercado, 2002). During the budget hearings, the AROs justify their budget proposals for the region and, thereafter, the RDCs endorse them to the DBM and their respective central agencies. As to whether or not the RDC-endorsed budget proposals have been included in their central agencies' proposed budgets and have been funded under the GAA is not known. There is no comprehensive study on this. There is just one case study on the matter. The case study of one region in Mindanao disclosed that 70% of the total cost of RDC-endorsed budgets were funded in 2004 while 57% were funded in 2005 (Lagura, 2006). This suggests that the RDCs' batting average in getting the AROs' endorsed budgets fully approved by their agency central offices is not really high, an indication of the weak influence of the RDCs in regional budgeting.

While comprehensive assessments on the performance of RDCs were missing in the 2000s, NEDA felt a stronger clamor to review the entire national and regional development planning process to take into account a number of factors or developments that challenge the development planning process. These include continuing regional disparities in terms of socioeconomic development, the decentralization policy which started in 1992, and the need to address sustainable development due to rapid urbanization among others (Mercado, 2002). In spite of the clamor, NEDA failed to spearhead the evaluation of regional development as a development strategy and the performance of the RDCs in promoting regional development.

In the absence of empirical studies on the performance of RDCs, a report from the World Bank could give insight. It says that not all regions have prepared detailed development plans—RDPs containing the growth strategies of the regions and RDIPs containing the programs and projects that support the national development plan or the Medium Term Philippine Development Plan (MTPDP) (World Bank, 2006). This revelation was a telling sign of the seeming incapacity if not disinterest of some RDCs to perform their development planning function. More probably, this was an indication of their frustration over their lack of political and legal authorities to carry out their development coordination mandate. Further, it also pointed out that existing regional plans were mere plans in the sense that no resources for their implementation were identified, i.e., they are not linked to the national budget (World Bank, 2006). The World Bank observations are nothing new as they echo the same old issues like disjointed planning and budgeting and the non-exercise of RDC functions, particularly formulation of development plans (in the case of some RDCs). The findings affirm the apparent incapacity of the RDCs in fulfilling their mandate to coordinate development efforts at the regional and subregional levels because of the defects in how they were designed.

A decade after the World Bank Report (2006), the Asia Foundation and the Australian Embassy under the Coalitions for Change Program funded a study on the RDCs covering four regions—two in Luzon and two in the Visayas[8] and covering three AROs (Department of Health, Department of Agriculture, and Department of Public Works and Highways). The study assessed RDCs' performance by comparing the total cost of RDC-endorsed programs and projects of the abovementioned agency regional offices and the total cost of those that have been funded through the national budget for 2011-2015, during the term of President Benigno Aquino. This yardstick would somehow indicate the influence of the RDCs in getting the development programs and projects of the regional offices approved for funding.

The study also looked into the practices of the RDCs in (1) planning and investment programming and (2) budgeting. It likewise surfaced issues and problems encountered by the RDCs in these two areas. The findings, presented in the following discussion, show that the issues and problems are internal to the NROs and RDCs but there are also those that are external to them or beyond their control.

On planning and investment programming

Absence of standard guidelines[9]

The NROs devise their own guidelines in investment programming because there is no centrally-issued guidelines for this. These are approved and adopted through RDC resolutions. As a consequence, the RDIPs are not prepared in a standard manner. Some regions are said to include in their RDIPs projects or activities that are not capital-forming like construction of fence for a particular regional office, which is not a development project. This issue is internal to the NROs. As the technical arm of RDCs, NROs prepare the RDPs and the RDIPs. The absence of centrally-issued guidelines on investment programming, which the NEDA central office is supposed to prepare, affected the quality of the RDIPs. This is a clear issue of negligence of the NEDA central office which the NROs/RDCs look up to for technical guidance.

Non-cooperation of some regional offices

Some regional offices do not submit their proposed programs, plans and activities (PPAs) for inclusion in the RDIP. They only coordinate with NRO/RDC when they need the latter's endorsement for their annual budgets. This issue is external to the RDCs. Since they do not have administrative authority over the agencies whose programs and projects they are supposed to coordinate, their non-cooperation or participation is something that is beyond their control.

RDIPs are just "wish lists"

There was no regular tracking of how many of the PPAs in the RDIP have been implemented. Hence, there is no way of assessing the impact of PPAs implemented over the years. Of the four RDCs included in the study, only the NRO of one RDC attempted to monitor the implementation of the PPAs. This issue is also internal to the NROs/RDCs. They could have monitored the status of the programs and projects listed in the RDIP—what were funded and implemented and what were not given funding. This way, the RDCs could have a clear picture of how they are contributing to the promotion of regional growth and development through the implementation of their regional priority programs and projects. In this case, the insufficient effort of the NROs to bridge the gap between the planned projects and the implemented ones is apparent. If one NRO is able to do this, why not the others?

On budgeting

Some NROs/RDCs make endorsements that are not in their RDIPs

As long as these PPAs are perceived to contribute to the development goals of the regions, they endorse them. One NRO commented, "how can they not endorse the project of a congressman?" Political pressure, as shown in this finding, affects the investment programming process in the regions because programs and projects that did not go through vetting or deliberation by the RDCs end up being endorsed and funded while those programs and projects that have undergone vetting, though endorsed, are not assured of funding.

Impact of PPAs are not thoroughly reviewed

Budget reviews as mandated by DBM are done by the RDCs. In the budget deliberations, regional offices do not usually explain the impact of their PPAs probably because of time limitations for the budget review. This practice undermines the coordination role of the RDCs particularly their regional investment planning and programming process especially in the case of uncooperative AROs which did not submit their proposed programs, plans, and activities (PPAs) for inclusion in the RDIP. The budget review could have been the last resort for RDCs to screen out PPAs that are not aligned with the RDP and RDIP.

On central-regional interface/relations in planning and budgeting

Influence of ACOs

ACOs play a lead role in the identification and prioritization of AROs' PPAs through their issuances of planning guidelines, strategic plans, annual plan, and budget proposal based on DBM's budget call. The priorities of the ACOs, which may not necessarily be the priorities of the regions, find their way in the AROs plans and programs. This was actually an issue during the initial years of the RDCs. It did not disappear and it casts doubts as to the responsiveness of AROs' plans and programs to the needs of the regions.

Late submission of proposals

Most AROs/RDCs submit their proposals (RDC-endorsed PPAs/budgets) to the ACOs late, i.e., when the latter have already prepared their agency plans/budgets. At least two of the three ACOs mentioned this practice. This could be due to the unsynchronized budget preparation schedule at the national level and the budget review schedule of the RDCs. This finding also reveals the seeming pettiness of RDC endorsement for AROs' budget proposals—it is not the RDC endorsement that matters to the ACOs but the timeliness of their submission.

ACOs perceive the AROs' budget proposals, which are endorsed by the RDCs, to be not well thought out or without consideration of budgetary caps or resource constraints. There is this tendency of submitting "sky is the limit" budget proposals. This issue reflects the need for the NROs/RDCs and the AROs to communicate more regarding this not only during RDC meetings but also outside these mandated meetings.

Absorptive capacity issue

The AROs' budget proposals tend to be bloated in anticipation of the usual budget cuts made at the central level. Some ask for budget increases for certain programs although they were not able to spend a substantial part of their previous year's budget. Actual fund utilization in the previous year (absorptive capacity) was not maximized.

Aside from the absorptive capacity issue, other reasons as to why a number of the RDC-endorsed PPAs were not approved/funded were:

- budget ceiling of the ACO as imposed by the DBM;
- prioritization of PPAs which are aligned to the thrusts of the current administration (if a regional priority is not aligned with national priorities); and
- political intervention.

In relation to the absorptive capacity issue, the issue concerning how the RDC budget review is done has been raised. The question was: is the RDC (its sectoral committees) really able to deliberate on the proposed budgets for the PPAs of the AROs?

Readiness of PPAs

Some RDC-endorsed PPAs do not show their readiness for implementation which is an indicator of planning inadequacy on the part of the AROs. There are no supporting documents like comprehensive project profile, no implementation plan, no architectural plan in case of a public health facility etc. This finding points to the lack of proper screening by the RDCs as to what PPAs to endorse. It seems that regardless of the quality of the proposed programs and projects, RDC endorsement is a certainty.

Most of the issues and problems identified in this recent study are the same as the old ones. The persistence of these issues and problems, which are either internal to the RDCs themselves or beyond their control, presents obstacles to the operationalization of the coordinating role of the RDCs in promoting regional development.

Summary and Conclusions

Regional development is a strategy to promote national development through the removal or minimization of the glaring development disparities among the regions. At the heart of this strategy is the creation of the RDCs, a coordinative mechanism clothed with the mandate of orchestrating and harmonizing the development efforts of the national government through their regional offices, the LGUs, and the private sector/non-government sector. This coordinative role of the RDCs is crucial to advancing regional development.

The historical review on the performance of the RDCs in promoting regional development, however, points to their triviality as a coordinating mechanism. The elevation of their stature as a constitutional body plus the numerous restructuring or reorganizations that they have gone through did not really give them teeth to assert their crucial role of coordinating and harmonizing development efforts in the regions. They have no legal authority over the government agencies above and below the subregional levels whose development initiatives and efforts they have been mandated to coordinate. The findings of the studies over the different periods of time clearly manifest that the RDCs cannot compel the government agencies that refuse to cooperate with them in the process of development planning. Parallel planning, not joint and consultative planning, has been a harsh reality. This is because not all of these government agencies align their plans and programs with the regional priorities identified in the RDIPs of the RDCs. Notwithstanding this issue, the RDCs still provide a forum for development actors coming from all levels (national, regional, local, and private/non-government) to discuss development concerns and harmonize development priorities of the regions. As a talking forum, the RDCs are able to give the space for participation at least at the level of discussions.

As far as investment programming is concerned, the RDCs are even more toothless than they are in development planning or plan formulation phase. While they have the power to endorse the AROs' budget proposals containing their programs and projects to the central offices of the AROs and DBM, their endorsement become meaningless when the AROs fail to submit on time to their central offices their endorsed budget proposals—the latter come up with their agency budget proposals even without the submissions from their regional offices. This happens because they have no fund to call their own. There is no law identifying a reliable fund source exclusive for their identified priority development projects.

While the RDCs are not implementing units for regional development programs and projects, many do not attempt to keep track of the status of their endorsed programs and projects and, on the side of the implementing agencies, they do not bother as well to give feedback to the RDCs as to what programs and projects have been funded and implemented by them. In this regard, there is no basis to gauge the utility of the RDIPs and, for that matter, the effectiveness of the RDCs as coordinating mechanism.

There is no block grant for RDC-identified and endorsed programs and projects. Among the multifarious issues and problems encountered by the RDCs, this is the greatest obstacle to the operationalization of the RDIPs. The implementation of the RDC-endorsed PPAs ultimately depends on the central government and Congress. At one time in the RDCs' history, there was this RDF earmarked for regional development projects but the scheme failed miserably as it required counterpart funding from LGUs that have viable project proposals but are financially challenged. The absence of fund dedicated for the priority programs and projects of the RDCs undermines their mandate of promoting regional development because the implementation of such has no certainty. This is the classic case of disjointed planning and budgeting practice in the Philippine administrative system. And, this is a case of a mismatch of mandate and enabling powers as well. The mandate is gargantuan, i.e., to effect coordinative development planning at the regions, but there are no commensurate political and legal powers given to them to pursue this mandate. Without resources or funds and legal powers to enforce sanctions to those who ignore the participatory nature of the RDC framework, the RDCs cannot be expected to do much. Many regional priorities will remain on paper (in the regional plan) unless a reliable funding mechanism (similar to the IRA which the LGUs and MMDA regularly get by virtue of an enabling law that is the Local Government Code of 1991) for these is created. Reorganizations in the organization and structure have been tried but these did not substantially strengthen them because this is not the appropriate solution. Giving them enough powers to do their work is the solution. They should not depend on the funding support of the central government agencies. By law, they must also have their own funding.

The RDCs themselves have a handful of weaknesses that are related to their development planning competence. World Bank (2006) noted that well prepared RDPs are not present in all the regions. Moreover, there is room for improving the RDIPs, the latest Asia Foundation study on the RDCs so concluded. There has to be a standard guideline for their preparation so that only developmental PPAs are included in these planning documents. The way the RDCs conduct their function of budget review for the budget proposals of AROs and state universities and colleges (SUCs) was found to be wanting as well. The fact that they allow these agencies not to present the impacts of their project proposals during the budget review and that they endorse proposed programs and projects with "sky is the limit" funding and/or PPAs that do not show readiness for implementation attest to the need for the RDCs to examine their capacity to perform this budget review function.

It can, therefore, be concluded that the RDCs, despite their long-term existence, have not really achieved the purpose for which they were created. This is not solely because of their identified capacity issues and other shortcomings but more so because they were not accorded with the necessary political and legal powers by the laws that created/reorganized them. At best, they provide the space for development actors to debate and chart the destinies of their regions. But as far as contributing to promotion of regional development, the RDCs did not really matter.

Recommendations

To enable the RDCs perform their role in the promotion of regional development, it is recommended that they should be given a steady and reliable funding source for their regional priority programs and projects that were not supported by the GAA or public-private partnership schemes. Another alternative is to link the regional priority projects to the official development assistance (ODA), particularly for the big-ticket items in the RDP. In doing so, the ODA Law (RA 8182 known as the Official Development Act of 1996) can be revised accordingly. In other words, there must be a legal basis for the fund sources of RDC-identified priority projects.

The budget coming from a definitive funding source (legislated by Congress) will be downloaded to the relevant implementing agency, e.g., DPWH for public works/infrastructure and DA for agricultural development projects like post-harvest facilities, etc. The NROs/RDCs will then serve as the project management office overseeing/coordinating the implementation of these PPAs. This scheme could be pilot tested in at least three lagging regions to provide evidence on how this could be fine-tuned for its eventual nationwide roll-out.

If this is politically not feasible or if Congress refuses to legislate a special fund for the regions, then it is recommended that the consultation dialogues initiated during the watch of Pres. Corazon Aquino between the RDCs and the national government agencies together with the lawmakers in Congress be resumed. This practice is a good alternative because such consultations proved to be effective in convincing the NGAs to align their budgets to regional priority programs and projects identified by the RDCs. Further, champions in Congress supportive of this scheme may emerge making the passage of the budget for RDC priorities less problematic.

In the case of perennial issues and problems faced by the AROs and RDCs like planning inadequacy, absorptive capacity, and regional priorities not considered as aligned with national priorities, it is recommended that a mixture of interventions be designed. For the first two issues, continuous capacity building interventions are necessary, e.g., knowledge and skills in project development for those involved in the preparation of program/project proposals and knowledge and skills in effective fund management for those involved in implementing programs and projects.

The way to go is not to reorganize the RDCs as the government was wont to do but to create a funding mechanism for the RDCs' priority PPAs. Linking the plan with the budget may sound like a cliché but there is no other way than to follow this financial management principle.

Lastly, for evidence-based legislation, it is recommended that a comprehensive study on the RDCs (meaning covering all regions and all aspects of development planning) should be conducted to assess the real state of their performance. There are only 15 administrative regions (NCR and ARMM excluded) and it would be wise if all of them are included in the study. The findings of this study would shed light on the next steps in making the RDCs functional or in conceptualizing alternative mechanisms for regional development.

Endnotes

[1] Development planning refers to the cycle of development planning to investment programming, budgeting, plan implementation and monitoring and evaluation.

[2] Regional development publications include The Dynamics of Regional Development: The Philippines in East Asia by Arsenio Balisacan and H. Hill (2007) and Regional Development Dynamics and Decentralization in the Philippines: Ten Lessons from a "Fast Starter" by Balisacan, Hill and Piza (2008). The role of the RDCs was not however examined in these books.

[3] Revisiting the Role of the Regional Development Councils in Regional Development: Focus on Planning and Budgeting, prepared by Alicia Celestino for the Asia Foundation, July 2017 (unpublished).

[4] This assessment was made when he was still the executive director of NEDA Region VIII.

[5] Under the Regional Development Planning Assistance Project of the Philippine Government and United Nations Development Programme/World Bank, the RDC major actors were taught how to prepare the RDP (first phase) and the RDIP (second phase).

[6] The Synchronized Planning-Programming-Budgeting System is an integrated and coordinated approach in preparing the content, form and manner of preparation of plans, investment programs and budgets at the national and subnational levels.

[7] The survey respondents comprised of local and regional planners and policymakers while the participants in the seminar-workshops were "knowledgeable resource panels" from NEDA, DILG, NGOs, LGUs and other offices concerned (Astillero et al., p. 3, Annex A).

[8] Originally, one region in Mindanao was included in the coverage; that region failed to participate however.

[9] Investment programming refers to the process of generating and prioritizing programs, projects and activities vis-à-vis the strategies in the regional development plan and matching them with investment financing thru the national and local budgets, foreign assistance or private sector participation.

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Eight Waves of Reform Initiatives in Philippine Port Administration and Governance

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This article is an account of the reform initiatives in the Philippine port sector, from the creation of the Philippine Ports Authority (PPA) in the 1970s as the main port planning agency, port developer, operator, and regulator, to the privatization of the operations of major public ports and terminals in the 1980s, the creation of independent port authorities in the 1990s, the establishment of the Strong Republic Nautical Highways (SRNH) in the 2000s, and the current effort of the government to separate the conflicting regulatory and commercial functions of the PPA by amending its charter. Contributing to the success and/or failure of these reforms were the differing and, in some cases, conflicting interests of the reform actors and their degree of influence.

Keywords: *port administration, governance, privatization, private sector participation, political economy, policy reform, policy development*

As an archipelago, the Philippines is extremely dependent on the maritime transportation system to connect not only its major islands but its economy to the dynamic Asian region and the world. Thus, the quality of ports and the connecting roads and rail infrastructure, together with the other elements such as ships, seafarers, safety and security, and laws and regulations determine the ability of the Philippines to capitalize on the sea (Arangkada, 2018). Port development, administration, and regulation play a pivotal role in the nation's economic growth and development. Today, the domestic maritime transport sector facilitates 98% of total inter-island trade[1] and 30% of the country's total passenger traffic amounting to 56 million metric tons of good and cargoes and 18 million passengers in 2018 (Philippine Ports Authority [PPA], 2018).

More than three decades after the creation of the Philippine Ports Authority (PPA)—the main public port owner, developer, and regulator—various reforms have been implemented to promote competition and improve the overall competitiveness of the port sector. However, there remain some restrictions[1] that continue to stifle competition. Hence, a new governance framework for

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good regulation[2] is necessary to complement the country's market-oriented reforms particularly in infrastructure and utilities (Aldaba & Aldaba, 2013).

If it is any indication, the country's ranking on infrastructure, including seaports has worsened in the last couple of years. This reality is mirrored in the country's inefficient maritime transport and distribution system that has through the years served as an effective barrier to domestic trade, stymied countryside development, and efforts to improve productivity at the farm level and promote the global competitiveness of our exports. These inefficiencies have resulted in the high cost of transporting goods (Llanto, Basilio, & L. Basilio, 2005).

This article traces the key reforms in Philippine port administration and governance. Similar to the natural movement of the sea, the country's port administration and governance has gone through eight waves of key reforms beginning with the creation of the PPA in 1974 and the attempts to liberalize, privatize, and deregulate the port sector decades later. These waves were often rough and turbulent. In order to appreciate the challenges that made the reform process rather difficult, the article looks into the incentives of the reform actors, highlighting the evolving role of the state, the flaws in the port policy, and the vested interests that made the reforms succeed or fail.

Port Administration: The Evolving Role of the State

To understand public policy and regulatory reform, an appreciation of the evolving roles of state and non-state actors, the constantly changing environment, and context must be taken into consideration.

The traditional view of the government's role is that it should be able to provide basic social development services and actively participate in the growth of the economy via passage of macroeconomic policies and the establishment of government corporations (Briones, 2003, p. 98). The state also intervenes during market failures. According to neoclassical literature, market failures are defined as missing markets and inequality (Shirley, 1999). In cases where state ownership is favored versus regulation, especially for large projects with specific assets, the argument is that "the state can mobilize more capital at lower cost and spread the risk over all citizens" (Shirley, 1999, p. 116).

In the Philippine port sector, government participation in the provision of port services was manifested through the creation of a public enterprise, in this case port authority, that would provide such services and regulate the sector at the same time. By nature, vesting both regulatory and enterprise functions creates a conflicted regulator. This flawed port policy has provided the PPA with an abnormal incentive to use its regulatory power for its own benefit, and worse, protect its commercial interests against possible competition from the market at the expense of public interest.

In the late 1970s, Thatcher's neoliberalist doctrine advocated the notion that "there is no alternative" but to privatize, liberalize, deregulate, contract out, instil competition, and allocate resources with the greatest efficiency (George, 1999, p. 2, as cited in Villamejor-Mendoza, 2003, p. 614). Privatization, or the "transfer of ownership, management, responsibility, functions, and resources for supplying goods and services from public organizations to private hands" (Villamejor-Mendoza, 2003, p. 615), became a defining feature of public sector reforms. However, the presence of a conflicted/captured regulator and vested interests in the Philippine port sector has made liberalization, deregulation, and privatization a difficult and daunting task. The presence of substantial incentive against the reform, largely emanating from conflicts of interest on the part of the regulator, preserves the status quo.

On the other hand, the reluctance of some policy reform actors to engage in the reform may be driven by a host of reasons. Foremost of which is regulatory capture—a phenomenon characterized by the strong influence on the regulator by the industry/sector it regulates. The theory of regulatory capture was first discussed by Stigler (1971). Stigler (1971) argued that governments do not end up creating monopoly in industries by accident. Rather, they regulate at the behest of producers who capture the regulatory agency and use regulation to prevent competition. Expanding the notion of regulatory capture, Frederickson and Smith (2003), assert that regulated industries come, through time, to heavily influence or regulate their regulators (Huntington, 1952). The bureaucratic process is dominated by a triumvirate of policy actors—interest group, congressional agency charged with oversight of a particular agency, and the government agency-regulator (Wood & Waterman, 1994). In many instances, policy elites control bureaucracies (Selznick, 1949; Frederickson & Smith, 2003, pp. 26-27).

Fabella (2006) argues that state competence defines state boundary. In weak states, generally those that do not have sufficient autonomy in the formulation of rules and their enforcement, the state itself may be a captive of dominant economic interests and the rules of the game are crafted to favor these economic interests. In a rent-seeking society, rules are designed to transfer resources from private or public sector to private interests. Fabella (2006) adds that

> In a rent-seeking society, state intervention, however well-meaning at first, may be quickly hijacked by vested insiders to generate rents for themselves. Thus there is no overarching concern for the welfare of the public as the metric to guide rule making (p.5).

In this case, the proper target of state intervention is itself. Enabling the market in this circumstance involves reining back the state. This gives even more ammunition to state failure and *laissez faire* advocates. Thus, such initiatives as privatization which is a form of state retreat becomes imperative (Fabella, 2006, p. 5). These are particularly true in the Philippine port sector. As such, the policy reform initiative being contemplated may either succeed or fail depending on how strong or weak the influence is of those who are for or against the reform, as well as how high or low the incentives are in favor of or against the reform.

Becker (1983) argues that the influence and outcome of a policy are a function of a pressure group's muscle. He asserts that "the political outcome will reflect concessions to all interests participating in the game" (Becker, 1983 as cited in Boehm, 2007, p. 6) and that the competition "between these pressure groups determines the equilibrium structure of taxes, subsides, and other political favors" (Becker, 1983, p. 372, as cited in Boehm, 2007, p. 6). Boehm (2007), on the other hand, further asserts that the "political equilibrium depends mainly on the efficiency of the group to produce political pressure and the number of individuals in the group. The efficiency in turn depends on the power of the group to control for free-riding—the easier a group may control for free-riders, the more pressure it may exert, and the more influence it will gain" (Boehm, 2007, p. 6). In this situation, a market-oriented strategy may produce a countervailing force that addresses the reform bottlenecks. If handled properly, the reform may succeed and might achieve the second-best and third-best sub-optimal solutions. What is important, therefore, is the development of a technically correct policy option, one that can be supported by a market-oriented strategy in order to enhance its political feasibility under a politically turbulent environment—characterized by vested interests and regulatory capture—which, in the end, could result to political action and the attainment of the desired outcome. Key to this is understanding the prevailing business model (of incentives against the reform) and proper determination of who controls the policymaking or reform process.

Following the work of Williamson (1975) and North (1990), the study hypothesized that "policy changes occur when policymakers stand to gain from them and they succeed when they are credible" (Shirley, 1999, p. 129). This observation augurs well with the inter-relationship of Congress, the bureaucracy, and interest groups in policymaking, a phenomenon popularly referred to as the "iron triangle" (Adams, 1981). The complexity of reforms arising from different interest groups is a major reason why reforms are slow to materialize, or even worse, do not happen at all. Also, the conflict between group or individual interests and the public interest hampers the reform process. When the players put forward their own interests at the expense of the public interest, reforms can be expected to either suffer or fail.

Waves of Reforms in the Philippine Port Sector

The Philippine port sector through the years have experienced eight major waves of reforms starting with the creation of the Philippine Ports Authority in 1974 (first wave). From a highly centralized port administration and regulation, reform initiatives to privatize the operations, development, and management of major public ports and port terminals (second wave) were pursued in mid-1980s and liberalize and deregulate the port sector (third wave) were instituted in the early 1990s. In 1998, the government attempted to expand nationally the privatization of the operation, development and management of the entire public port system through the so-called "unified contractor scheme" (fourth wave). While the third and fourth waves of reforms were happening in the 1990s, another phenomenon was simultaneously being observed—i.e., the establishment of independent port authorities (IPAs) other than the PPA (fifth wave).

In 2000, the advocacy to link the various islands of the country gave birth to the development of the Strong Republic Nautical Highways (sixth wave). During the same period, new port gateways were established by substantially increasing the capacities of Subic and Batangas ports to serve and support the growing economies of the Central Luzon and Southern Luzon (seventh wave).

The article ends with the current effort of the government to amend the charter of the PPA (eighth wave) to address the flaws and limitations of the existing port policy and offers some recommendations (ninth wave–parallel policy reforms) to further enhance regulation and governance, improve operational efficiency and competitiveness of the sector, and make port administration responsive to the developments in the global market.

First Wave: Creation of the Philippine Ports Authority (PPA)

The beginnings of port administration, regulation and governance in the country can be traced to the creation of the Philippine Ports Authority (PPA) in 1974 as the main port planning agency, port developer, operator, and regulator. Prior to its establishment, port development and maintenance were under the Bureau of Public Works - Ports and Harbors Division (BPW-PHD) while port administration was under the Bureau of Customs (BOC) mainly because of revenue collection (i.e., tariff, import duties and other customs fees). In the early 1970s, there were already 591 public national and municipal and 200 private ports scattered all over the country, necessitating the need for long-range planning and rationalization of port development.

For BOC to concentrate on tax and customs duties collection, it was recommended to the Government Reorganization Committee and to Congress the creation of a separate government agency to integrate the functions of port operations, cargo handling, and port development and maintenance. Moreover, the created agency was also assigned access to official development assistance (ODA) loans for port development from international development agencies such as the World Bank.[3] Hence, the PPA was created on 11 July 1974 by virtue of Presidential Decree (PD) 505 or the Philippine Port Decree of 1974 which provides "for the reorganization of port administration and operation functions in the country, creating the Philippine port authority, paving the way for the establishment of individual, autonomous port/industrial zone authorities in the different port districts, and for other purposes." PPA was tasked to draw up and implement an integrated 10-year port development program as well as to encourage and stimulate the establishment of individual autonomous port or industrial zone authorities in the different port districts. The corporate powers of the Authority was vested in a governing board of directors to be known as the PPA Council composed of 11 members.[4]

PPA, under PD 505, was originally created as a government agency and not as a government-owned and controlled corporation (GOCC). As a government agency, PPA receives an annual appropriation from the Annual Appropriations Act (now known as the General Appropriations Act or GAA). Under the same decree, PPA was authorized to retain 50% of its collections from fees, charges, and fines to defray any deficiency in annual appropriations, and to finance its other projects. In less than two years, President Marcos issued PD 857 amending PD 505 that broadened the scope and coverage of the PPA to facilitate the implementation of an integrated program for the planning, development, financing, operation and maintenance of ports or port districts for the entire country. Summarized hereunder are the important amendments to the original Charter of the PPA:

- PPA was converted into a GOCC under the Department of Public Works, Transportation and Communications.[5] As a public enterprise, PPA was vested not only with commercial functions (i.e., to own, develop, maintain, operate the country's public port system) but also regulatory functions—a source of conflict of interest. As a GOCC, PPA no longer receives annual appropriations but now generates its own revenues through the charging and collection of port fees, its share from cargo handling revenues, wharfage, and other charges. And like any other GOCCs, PPA is required under the GOCC Dividend Law (Republic Act [RA] 7656) to remit at least 50% of its net earnings to the National Treasury as corporate dividends. This requirement provided PPA an incentive to use its rate-fixing power to generate more revenues over and above what is required for the provision of its services.

- Section 39 of the PPA Charter amends the provisions in the Tariff and Customs Code of the Philippines (TCCP) to the extent that all the powers, duties, and jurisdictions of the BOC concerning port dues/collections; supervision, control and regulation of all matters and affairs that pertain to the operation of and the issuance of permits or licenses to construct ports, port facilities, warehouses, and other facilities within port districts; and all such other powers, duties, and jurisdiction vested in the BOC pertaining to every matter concerning port facilities, port operations or port works shall be transferred to the PPA. This is considered another source of conflict. Later reforms to promote private sector investment in private commercial port development would prove to be difficult because of this amendment as the Authority would use its regulatory powers to protect itself from competition either through the non-issuance of permit or issuance of limited permits to competitors;

- In the repealing clause (Section 41), one of the laws deemed repealed with the issuance of PD 857 was the Port Works Fund Act 3592 (as amended by Commonwealth Act 130 and Republic Act 1216 and 2695). The importance of this will be discussed under the Third Wave of Reform); and

- Finally, the number of members that governed PPA was reduced from council of 11 to seven board of directors.[6]

In 1978, the charter of PPA was further amended by Executive Order (EO) 513 which (a) granted police authority to the PPA, (b) created the National Ports Advisory Council (NPAC) to strengthen cooperation between the government and the private sector, and (c) allowed the Authority to exact reasonable administrative fines for specific violations of its rules and regulations. The NPAC was convened but did not lead to any substantial outcome or improvement in port administration and governance. In early 2000, nearly 20 years later, the NPAC will be re-activated by President Arroyo upon the recommendation of the private sector. However, similar to the experience in the late 1970s, the convening of the NPAC proved to be a futile exercise since the Authority was not interested being under close scrutiny by the private sector.

In 1980, President Marcos issued Letter of Instruction (LOI) No. 1005-A to

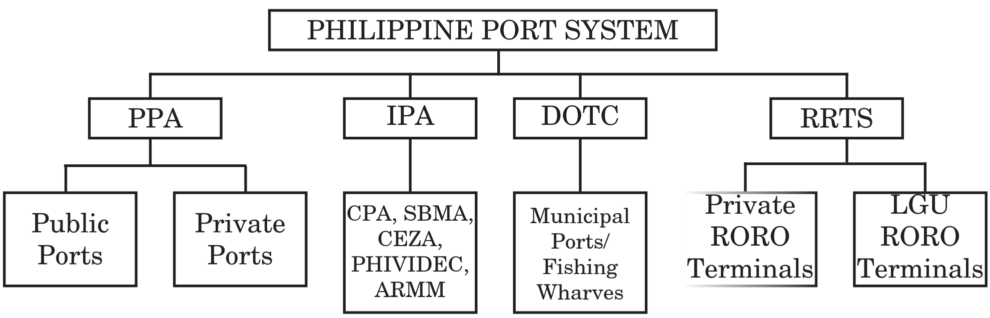
> intensify the collection of all port charges including the government share from all cargo-handling contractors and port-related service operators, all back accounts, in order for them to share the burden of the accelerated development, construction and maintenance of the government facilities they utilize. The government share for all cargo-handling contractors and port-related service operators shall be at a rate not less than 10% taken from their gross income earned from such services" (Sec 3).

This policy, unfortunately, also intensified the Authority's conflict of interest. As a regulator, the PPA approves petitions for cargo-handling rate increases and benefits from its own regulation at the same time. To eliminate this conflict, the private sector advocated for the rescission of LOI 1005-A. It was only in 2003 that action was taken on the issue. However, instead of rescinding LOI 1005-A, President Arroyo put a cap on the share of the PPA from cargo-handling revenues: 10% for domestic and 20% for foreign cargoes. Prior to this, PPA's share from cargo-handling fees was as high as 30%.

In 1987, President Corazon Aquino, by virtue of EO 159, vested the PPA with the function of undertaking all port construction projects under its port system, relieving DPWH of this responsibility. While specialization is supposed to bring about efficiency, the consequence of this policy was to shift the incentive derived port construction from the DPWH to the PPA.

At present, the Philippine port system is divided into four sub-systems, namely: the port network of the PPA consisting of public and private (commercial and non-commercial) ports; specific ports regulated by independent port authorities; municipal/feeder ports developed by the DOTC that are transferred to the local government units (LGUs) for operation and maintenance; and the Road-Roll-on,Roll-Off (RO-RO) Terminal System (RRTS) consisting of nautical highways utilizing private and LGU RORO shipping ports/terminals (see Figure 1). The PPA port system is the most extensive port system in the country. It consists of public (PPA-owned) and private (commercial and industrial) ports. Today, PPA develops and maintains more than 115 ports nationwide. In some cases, the operation and maintenance of these ports have been awarded to private terminal operators. The Authority also regulates more than 280 private ports, about 30 of which operate as commercial ports while the majority is classified and operates as non-commercial ports—i.e., mostly for industrial use. The private port operators pay PPA a fixed annual supervision fee.[7]

Figure 1. The Philippine Port Sector



Source: Llanto, Basilio, & Basilio (2007)

Second Wave: Privatization of Major Public Ports and Private Sector Investment in Port Development and Operation

Yee (2000, as cited in Basilio, Gambito, & Grino, 2001, p.10), identifies four models that characterize port administration around the world (see Table 3). Each model shows the degree of involvement by the public and private sectors in port administration.

The public port model is a government-centered type of port administration with the government performing all the port functions, i.e., as regulator, conservator, landowner, and operator. Private sector participation in port system is virtually non-existent.

The public-private I model is also characterized by the heavy involvement of the public sector—since the government does all port functions except port operation, which is delegated to the private sector. This model is also known as landlord port, wherein the government awards the right to operate the port to the private sector. The Ports of Bremen and Bremerhaven in Germany, Port of Long Beach in United States, and Port of Buenos Aires in Argentina are a few examples of top performing ports that adopt a public-private model. In these ports, the government remains the regulator, owns the port infrastructure, and provides conservatory function, but the private sector operates the port terminals.

The public-private II model extends the private sector's involvement to two functions. While the government still does the regulatory and conservatory functions, the private sector now acts as the landowner and operator of the port. Typical examples of ports that fall under this category are single-user bulk oil, coal, ore, and aggregate terminals. The Port of Hong Kong and Port of Singapore fall under the this model due to the greater involvement of the private sector in port administration.

Finally, the public-private III model limits the role of the public sector to conservatory function while the private sector performs the other three functions of regulator, landowner, and operator. With this model the state has virtually no involvement in the port other than the conservancy role of emergency spill response, pollution and accident prevention, etc. A good example for this model is the Port of Auckland, New Zealand's largest and busiest port regulated, owned, and operated by a private company, Port of Auckland Ltd., while the government does only the conservatory function in port administration.

Table 3. Port Administration Structure

Port Models	***Port Functions***			
	Regulator	***Conservator***	***Landowner***	***Operator***
Public	Public	Public	Public	Public
Public-Private I	Public	Public	Public	Private
Public-Private II	Public	Public	Private	Private
Public-Private III	Private	Private	Private	Private

Source: Yee (2000 as cited in Basilio et al., 2001)

Privatization of the major terminals at the Port of Manila: MICT and South Harbor

The assumption of Corazon C. Aquino to the presidency in 1986 ushered an era of liberalization, deregulation, and privatization in many sectors of the Philippine economy. In the port sector, the first major initiative was the privatization of the operation and development of the Manila International

Container Terminal (MICT) and South Harbor at the Port of Manila[8]—the country's main gateway to the rest of the country and the world. This initiative signaled the move of the government to (a) increase private sector participation in the port operation and development, (b) graduate to a landlord port (public-private I) model wherein port development, management, and operation are handled by the private sector, and (c) improve the service quality, increase efficiency, and modernize/expand port capacity to better handle the growing Philippine domestic and international trade.

MICT was the first to be bidded out and seven interested private sector groups competed for the management contract. While the complaints lodged by the losing bidders delayed the contract award by about a year, the contract was awarded in 1987 to the consortium of international shipping company Sealand, port terminal operator International Container Terminal Services, Inc. (ICTSI), and ANSCOR (a company of Andres Soriano, former president and major shareholder of San Miguel Corporation).[9] The 25-year contract involves: (a) the management and operation of the terminal which handles primarily foreign containerized cargoes, (b) investments in the development of the facility as well as cargo-handling equipment and inforamtion technology systems, and (c) payment of fixed and variable fees to the PPA as part of the concession. Not long after, the development and operation of the South Harbor was likewise privatized in the early 1990s to the Asian Terminals, Inc. (ATI), partly owned by P&O Ports of Australia.[10] In 2003, ATI inaugurated the Eva Macapagal Super Terminal, which can accommodate up to 1,700 passengers daily. The terminal handles the RO-RO-passenger Super Ferry ships of Aboitiz Transport System (ATS).

From a financial standpoint, almost half of PPA's gross revenues come from the MICT and South Harbor concessions. From a port administration standpoint, it has brought the country a notch higher—that of a landlord port administrator where the government is the regulator, conservator and landowner of the port while the private sector operate the terminals.

Subic Freeport Privatization

When the Philippine Senate in 1992 voted against the renewal of the US bases in Clark and Subic, these military facilities were converted into economic and free port zones—i.e., Clark Freeport Zone (CFZ) and Subic Bay Freeport Zone (SBFZ). In 1996, the Subic Bay Management Authority (SBMA) invited the participation of local and international port operators for the development and operation of the port container terminal within SBFZ. Out of the three pre-qualified bidders, the consortium of Hutchison Ports Philippines Limited (HPPL) was declared winner. However, due to legal issues, the project was rebidded in 1997 and the contract was eventually awarded to a different party.[11] On the average, since 1994, Subic Bay port handled a measly 65,000 containers yearly compared to the more than two million containers handled at the Port of Manila.

Harbour Centre, private commercial port development

In 1992, Aquino issued Memorandum Order (MO) No. 415 directing the National Housing Authority (NHA) to implement the Smokey Mountain Development Plan. The Plan involves converting the Smokey Mountain, an open garbage dumpsite in Manila, into a housing facility for the poor. As an unsolicited public-private partnership (PPP) project, the private sector will develop the housing facility on Smokey Mountain using its resources. As an investment recovery mechanism, the private proponent would be allowed to undertake reclamation of the area across Road 10 almost adjacent to the Port of Manila. The PPA was directed to assist in evaluating the port-related land issues in the reclaimed area. The initiative was continued by the succeeding administration of President Fidel Ramos.

In 1993, President Ramos issued Memorandum Circular (MC) 45 directing all concerned government agencies to liberalize and provide conducive environment for increased competition in the support service sector, particularly land, air and sea transportation, communication, energy, insurance, and port services. The PPA, however, was not supportive of this private commercial port development initiative because of the possible competition it will provide against its own terminals (i.e., MICT and South Harbor) at the Port of Manila. Hence, it took R-II Builders years to acquire the needed permit from PPA to develop the port facility. Finally, PPA issued the permit to R-II Builders in 1996 to construct the 15-hectare private port facility called Harbour Centre Port Terminal or HCPT on a reclaimed area as part of the Smokey Mountain Project. This is a case where PPA used its regulatory power to protect itself from potential competition.

The construction of the port was completed in the late 1990s. However, to operate it commercially, a permit to operate was required. In 2001, President Arroyo had to issue MO 47 to direct PPA to assist in the technical evaluation of port-related land use in the reclaimed areas and to expeditiously process applications for the permits for private commercial ports. As a result, PPA issued a permanent commercial permit to HCPT to operate and handle (a) all types of domestic vessels and cargoes and (b) foreign vessels and cargoes chartered by the locators at HCPT. In 2003, PPA expanded HCPT's permit to handle foreign break-bulk (non-containerized) traffic not limited to its locators. Table 2 presents the redistribution of the market share for non-containerized cargoes from the South Harbor (PPA-owned Terminal at the Port of Manila) to HCPT, a private commercial port. Encouraged, HCPT submitted an application to the PPA for a permit to handle foreign containerized cargoes. Recognizing the implication of competition for containerized cargo traffic, the request was never granted by the PPA.

Table 2. Effect of Competition in Non-Containerized Cargoes at the Manila Ports (Market Share, In Percent)

PORT	2003	2008	2017
South Harbor (PPA Port)	80%	30%	25%
Harbour Centre (Private Port)	20%	70%	75%

Source: PPA (2018)

In sum, this reform started the wave of greater private sector participation in port operation. The port authority transitioned from a purely public model to a public-private model that allows private sector participation in the development, maintenance, and operation of public ports. This reform is in line with common global practice and experience of improving efficiency in port operation through public and private sector partnerships.

Third Wave: Policy Reform—Liberalization and Deregulation of the Port Sector

The Ramos administration instituted sweeping economic and industrial policy reforms that liberalized and deregulated key industries like banking, telecommunications, infrastructure, energy, water, aviation, and maritime. In the maritime sector, several executive orders (EOs) and instructions (memorandum circulars) were issued to deregulate the sea transport sector (see Table 3). Of these, the most important piece of policy reform concerning the port sector was EO 212 "Accelerating the De-monopolization and Privatization Program for Government Ports in the Country" issued in 1994.

EO 212 sought the de-monopolization of public ports by allowing and encouraging competition in the provision of cargo handling and other port services through solicited bidding, non-exclusive multi-year contracts of sufficient duration to allow the cargo handling or port service contractor to realize a reasonable return on its investments in equipment and other facilities. Under this scheme, shipowners, ship operators, charterers or other users have the option to contract or engage the services of the PPA-authorized cargo handler or port service contractor of their choice. Likewise, EO 212 attempted to privatize public ports and expand the participation of the private sector in the operation, maintenance and development of all government ports in the country through the following:

- capital leases to allow the private sector to operate, maintain and develop port facilities and to charge appropriate rates for services provided to users;

- cargo licenses to private companies to undertake cargo handling services in ports which cannot be considered under the capital lease concept for strategic and economic reasons. Tariffs shall also be deregulated and shall be based on negotiations between cargo handling companies and users;

- service contracts to private companies with the manpower, logistics and expertise to efficiently carry out dredging, port security, and other such services to the private sector in the ports; and

- tariff review to eliminate charges on private ports and promote private sector investment in the development of other private ports in the country.

Table 3. Ramos Administration-Initiated Maritime Policy Reforms (1992-1998)

Area	*Policy Reform*
Port Privatization	EO 212, s. 1994. Accelerating the de-monopolization and privatization program for government ports in the country.
Shipping fares and freight rates	EO 213, s. 1994. Deregulating domestic shipping rates. EO 213 called for the deregulation of first- and second-class passenger fares as well as tourism-related passenger rates. Third-class fares, however, were still regulated using the fork tariff system. Passenger liners were also required to allocate 50% of their capacity to third-class passengers. Freight rates for all commodities (classes A, B, and C) were deregulated, except for non-containerized basic commodities.
Shipping routes	EO 185, s. 1994. Opening the domestic water transport industry to new operators and investors. EO 185 required that at least two operators service a given route. Entry was easier in routes serviced for five years. Newly acquired vessels were granted flexibility to enter into any route, subject to certain conditions.Entry into developmental routes was encouraged by way of rates incentives. MARINA Circular No. 106, s. 1995 allowed vessel rerouting, amendment of frequencies/schedules, and vessel swapping/substitution.
Franchising	MARINA Circular 74, s. 1993. Rules of practice instituting summary procedures in applications for certificate of public convenience (CPC), or provisional authority (p a) or special permit (SP), amendments or renewals thereof, substitutions/replacements of vessels under a valid certificate of public convenience and for complaint cases and petitions for rates.
Incentives	MARINA Circulars, 81 s.1993 and 104, s. 1995. Amended guidelines in the acquisition of any type of vessels for domestic trade and Omnibus guidelines for the acquisition of vessels for domestic operations and fishing vessel/boat. Lifted the age and size restrictions on vessels to be acquired, provided that such vessels coming in are "classed." Since 1987, exemption from import duties and taxes for vessels, machinery, spare parts, and cargo-handling equipment has been extended to the domestic shipping industry under the investment priorities plan.
Maritime safety	EO 314. s. 1996. Created the National Maritime Safety Coordinating Council tasked to formulate the National Maritime Safety Plan.

*S*ource: Basilio (1997)

To avoid cartels and unfair trade practices in the implementation of the de-monopolization and privatization programs, Section 4 of EO 212 directs PPA to ensure (a) free access to the ports to all sectors of the industry, (b) no discrimination in the provision and availment of services or contracts, and (c) no interlocking stockholders, directors or officers or common management between or among cargo handlers, port service contractors or other port-related companies operating in the port or terminal facility. Circumstances indicating such discriminatory behavior, cartel or similar arrangements, or unfair trade practices that defeat the objectives of EO 212 shall be ground for the suspension or cancellation of any cargo handling or port service contract with the PPA.

Finally, EO 212 mandated the DOTC to prepare a comprehensive National Port Transport Plan responsive to the needs of regional development and compatible with the Privatization Program, in coordination with the National Economic and Development Authority (NEDA) and PPA, integrating an intermodal transport network that would efficiently and effectively link road, rail, sea and air transport systems.

Unfortunately, EO 212's implementation was delayed due to objections from the labor sector, arguing that the privatization of the ports would result in the inability of some cargo handlers to pay the retirement benefits of port workers who would be displaced. In May 1996, the port workers staged a nationwide strike. The strike ended with the signing of a memorandum of agreement meant to address the labor concerns. In September of 1996, the National Union of Portworkers in the Philippines (NUPP) submitted a proposed scheme designed to acknowledge the contribution of the port workers in the maritime transport industry to the overall effort to advance the economy by giving them their just share in the fruits of the production and to augment their income, especially during periods of need and distress, as well as to institutionalize the mechanism to implement the program. However, NUPP's proposal was never implemented and on Labor Day of 1997 President Ramos repealed EO 212 with the issuance of EO 410 citing PPA's power under PD 857 are enough to accelerate the de-monopolization and privatization of government ports.

This reform was intended to further liberalize and deregulate the port sector. However, the concerns raised by the portworkers slowed down the reform process and even led to the rescission of EO 212.

Fourth Wave: Privatization of the Entire Public Port System Through a Unified Contractor Scheme

The fourth wave was an effort to institutionalize a private monopoly in the operation of the entire port system. In December 1998, EO 59 was issued by President Estrada directing PPA to adopt and implement a program for further rationalization, modernization, and improvement of port services and facilities in government ports.

While the policy objectives were laudable, the manner by which the transfer would be done was perceived as going against the principles of good governance as it lacks transparency and the element of competition. EO 59 attempted “to promote and encourage the participation of the private sector by requiring all existing facility operators and service providers such as cargo handling operators, shipping companies and port workers and labor to unify into one corporation (private monopoly) by merger, consolidation, buyout, joint venture, or by any other similar means to manage, operate and develop the entire government port without need of a public bidding (negotiated contract)” (Basilio, 2003, p. 163). This is one case where regulatory capture was exemplified. “The PPA vigorously supported the consortium, arguing that (a) ports are natural monopolies, (b) the volume at the North Harbor, the biggest domestic port in the country, is even too small to warrant competition (that is, having several terminal operators), and (c) competition will only increase the project cost since there will be duplication of investments in equipment” (Basilio, 2003, p. 163).

The business community raised concern on the provisions of EO 59. For its part, the Philippine Congress conducted several public hearings on EO 59 that resulted in the issuance of several resolutions (see Box 1). In fact, a congressional oversight committee report (House of Representatives, 2006) also questioned the very early renewal of the MICT contract eight years before the expiry of the existing contract.[12] The report pointed out that “the close relationship between the PPA and its developmental partners serves to reinforce the perception that the PPA suffers from regulatory capture” (House of Representative Report, 2006, p. 10). But the PPA disregarded the evidence and arguments raised, saying that “the loudest critics of the monopoly scheme have nothing to do with the ports” (Basilio, 2003 p. 163). Even President Estrada ignored Congress’ appeal to correct the port privatization policy. But he eventually changed his mind at the height of the political crisis he was facing then. In his address to the nation on 30 October 2000, Estrada announced a host of policy reforms, which included the rescission of EO 59. The following day, he issued EO 308, s. 2000 to formally “rescind EO 59 and direct the PPA to subject the privatization of the Manila North Harbor to competition by dividing it into two terminals and public bidding” (Basilio, 2003, p. 165). However, it took PPA nine years to award the 25-year North Harbor Modernization Project (NHMP) to Manila North Harbor Port, Inc (MNHPI).[13]

Box 1. Congressional Resolutions related to EO 59

1. Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFM) Resolution No. 016 (September 1999) – "Requesting the President to amend EO 59 and adopt a system that requires competitive and transparent bidding among interested service providers".
2. House Resolution No. 1659 (August 2000) – "Requesting the President to rescind EO 59 and direct the PPA to adopt a policy which promotes inter- and intra-port competition and requires competitive and transparent bidding among interested port investors and operators."
3. House Resolution No. 1740 (August 2000) – "Urging the President to direct the PPA to hold in abeyance finalization of the bidding for the privatization and modernization of the Manila North Harbor under a Single Terminal Operator, until such time that His Excellency shall have acted on House Resolution No. 1659 ("Requesting the President to rescind EO 59 and declare competition at the North Harbor").

Fifth Wave: Creation of Independent Port Authorities

Yee (2000, as cited in Basilio et al., 2001) noted that international best practice in port administration and governance promote the following principles:

- Inter-port (i.e., competition among ports serving the same market) and intra-port competition (i.e., competition among service providers operating within the same port). The consistent practice of utilizing competition, whether intra-port or inter-port rivalry, is no accident. Competition is regarded as the primary market force in regulating the operator's business behavior, motivating them to produce higher levels of service quality, disciplining them to reduce costs. For example, the Port of Hong Kong is competing against the ports in Taiwan, Singapore, and Malaysia, as well as with the Chinese ports of Huangpu, Shekou, Yantian, Xiamen and Shanghai (inter-port competition). Within the Port of Hong Kong are four competing terminal operators—HIT, Modern Terminals, Sealand/Maersk, and COSCO (intra-port competition). Similarly, the Port of Long Beach is competing against the Los Angeles and Seattle ports for traffic. Within these ports, there are seven terminal operators competing for container handling operations alone.

- Majority membership of private sector representatives in the Board of the Authority. The ports must be managed by independent boards of directors and professional managers who can represent and serve the interests and aspirations of the local community and industry. This form of decentralized administration is predicated on the fact that a local port authority can respond to market conditions more quickly than a centralized one. A dynamic and responsive board makes a considerable difference in the performance of a port. Although the constitution of a port authority in the international scene offers a diversity of practice, there is invariably a strong commonality among them, i.e., a strong community and industry representation with a degree of government participation in the board.

- Greater private sector participation not only in policy formulation but more so in the operation of the port itself. The utilization of the private sector in port functions has been carefully predicated on the tactic of generating intra-port competition among operators.

- Decentralized port administration. None of the successful and well-managed ports is administered by a centralized system of port administration. Each port has its own authority, whether under the jurisdiction of the national or local government. A decentralized system of local port authorities, each operating independently, creates the environment for inter-port competition, thereby satisfying one of the important conditions for an efficient market in the port sector.

The establishment of independent port authorities (IPAs) is a recent phenomenon in the Philippine port sector. IPAs exist by virtue of legislation (e.g., Cebu Port Authority was created under RA 7621 in 1992, the law on economic zone which gives various economic zone authorities the power to develop and regulate ports within the economic zones, and EO 435 creating the Regional Ports Management Authority (RPMA) for the ports that are part of the Autonomous Region of Muslim Mindanao (ARMM). To date, there are five IPAs outside the purview of PPA, namely:

- Subic Bay Metropolitan Authority (SBMA), operates and manages the Subic Bay Freeport Zone in Zambales;
- Cebu Port Authority (CPA), in-charge of all ports in the province of Cebu;
- Cagayan Economic Zone Authority (CEZA), oversees the operation of Port Irene;
- Phividec Industrial Authority (PIA), in-charge of the Mindanao Container Port Terminal (MCPT) located within the Phividec Industrial Estate in Cagayan de Oro;
- Bases Conversion and Development Authority (BCDA), in-charge of the Poro Point Freeport; and
- Regional Ports Management Authority manages the devolved PPA ports in Polloc, Jolo and Bongao under the ARMM.

With the exception of the Subic Bay Freeport and the MCPT, all other ports were spun-off from the PPA port system. As IPAs, the port authorities can regulate, develop, and set their own rates. Normally, however, they take their cue from the PPA. In addition, it cannot be concluded up until this time whether these IPAs are providing inter-port competition to PPA ports. Only Phividec's MCPT can be said to be providing competition as it is located near the PPA Cagayan de Oro port and will serve the same market (Llanto et al, 2007).

Sixth Wave: Establishment of the Strong Republic Nautical Highway

The most recent private sector-driven, market-oriented reform in the port sector was the establishment of the Strong Republic Nautical Highway (SRNH). In 2003, President Arroyo issued EO 170 that defines the policy on roll-on/roll-off (RO-RO) shipping. The RO-RO initiative is hinged on the New Public Management (NPM) approach of strengthening the steering functions of the government while allowing the private sector, through genuine partnership, to do the rowing. Its core idea was to provide the market an alternative choice for transporting products across islands by creating an inter-modal transport system that forms part of the national highway network.

Those who supported the reform recognized the importance of understanding the political economy of the reform environment and the challenges of regulatory capture and conflict of interest/incentives to promoting change. They created an informal coalition[14] composed of government officials who pushed the reform from within the system and the private sector who advocated from the outside. These reform advocates served as talking heads and contributed whatever political capital they may have in support of the advocacy. In the process, they realized that (a) not all actors in the reform were willing participants and that (b) the process was not a linear one that followed a logical path.

The advocates figured that for the policy reform initiative to work, it must: provide a service that would undermine the PPA's source of conflict (i.e., the benefit it derives from cargo-handling rate increases) and offer an alternative choice to the market; be market-oriented in order to muster support that could be used as a countervailing force against the PPA (one that does away with cargo-handling charges, thereby resulting in a reduction in cost); and be issued and implemented by an office higher than the PPA (since the PPA on its own would not do anything that would upset the status quo from which it benefits). The RO-RO option fit all these requirements.

RO-RO not only undermined the incentive of the PPA from cargo handling, it also promised to reduce sea transport cost by 20%-30% by eliminating cargo-handling charges. The policy reformers were convinced that the reform strategy must take the form of a titan in order to battle and defeat another titan. That is, a new sea transport network to parallel and compete with the PPA port system.

The existence of RO-RO ships in the country albeit not operating as they should and the small investment required, compared to container ports, made the option more viable.

Despite the difficulties due to vested interests, institutional incentives, politics, and regulatory capture, the reform initiative was a categorical success in terms of its economic benefits in linking the supply areas to market centers, reducing transport cost, increasing inter-island trade, tourism, and agricultural productivity through enhanced connectivity, countryside development, improvements in logistics operations, transport industry restructuring, and altering the behavior of the port authority as the regulator. President Arroyo also led the country's RO-RO caravans from Manila to Mindanao through the Visayan islands. The reform advocacy continued beyond EO 170. President Arroyo issued EO 170-A lifting the 50 nautical mile limit in RO-RO shipping and EO 170-B was issued, allowing the conversion of private non-commercial ports to operate commercially under the RO-RO system. SRNH is considered as the legacy of the Arroyo administration.

The RO-RO policy is a good example of a reform initiative that was able to transcend the bounds of political administrations, from President Arroyo to President Duterte. The success of the RO-RO advocacy has emboldened Filipino leaders to propose the same system for the Association of Southeast Asian Nations (ASEAN) in order to enhance regional connectivity. The proposal has received support from both the ASEAN governments and the private sector. President Aquino III included it in his ASEAN agenda as a strategy to promote regional connectivity.

In support of the initiative, President Aquino III issued EO 204, s. 2016 expanding the RO-RO policy to include Chassis-RORO (Cha-RO) operation in its definition of service. In 2016, President Duterte who rallied the ASEAN Leaders to hasten its implementation and, in 2017, President Duterte and Indonesian President Widodo launched the first ASEAN RO-RO link between the Philippines (Davao and General Santos in Mindanao) and Indonesia (Bitung, North Sulawesi). The Department of Transportation (DOTr) is currently working with its Malaysian counterparts for the establishment of the Palawan-Kudat RO-RO route.

This reform introduced competition within the same port sector by promoting RO-RO as another mode of shipping (i.e., RO-RO) meant to provide the market with an alternative transport system, reduced transport cost, and improved transport efficiency.

Seventh Wave: Development of New Gateways

Given the growing volume of cargo traffic passing through the Port of Manila and the increasing congestion of Metro Manila, the Philippine Government borrowed Php11 billion for the construction of new international container terminals in the Ports of Batangas and Subic from the Japan Bank for International Cooperation (JBIC) (JICA, 2014). These port initiatives were meant to complement the government's thrust to create new economic magnets in Regions 3 (Central Luzon) and 4 (South Luzon)—the fastest growing regions outside of the metropolis.

Table 4. Batangas and Subic Port Development Projects

Port	*Year*	*Capacity (twenty-foot equivalent unit [TEU])*	*Loan Amount*
Batangas International Terminal	1996	300,000	Php 4.2 billion
Subic Bay Port New Terminals 1 and 2	2000	600,000	Php 6.8 billion

Source: Ferriols (2000)

To support the ports, major road infrastructure were built, such as the North Luzon Expressway (NLEx) rehabilitation and widening, South Luzon Expressway (SLEx) widening and expansion, the Southern Tagalog Arterial Road or STAR 1 and 2, Subic-Clark-Tarlac Expressway (SCTEx), and the Tarlac-Pangasinan-La Union Expressway (TPLEx). The port operators at MICT and South Harbor were able to bag the contracts for the operation of Subic and Batangas ports, respectively. Despite the substantial road infrastructure support to the Ports of Batangas and Subic, utilization was extremely low in 2010 (see Table 5). On the other hand, the congestion of Metro Manila continued to worsen.

Table 5. Container Traffic in Batangas and Subic Ports (2010 and 2017, in TEUs)

International Ports	*Annual Capacity*	*2010 Traffic*	*%*	*2017 Traffic*	*%*
Subic Terminals 1 & 2	600,000	34,318	5.7	140,000	23
Batangas Intl. Port Terminal	300,000	~ 5,000	1.7	176,000	59
Total	900,000	~ 39,318	4.4	320,000	36

Source: PPA(2018)

As early as 2008, the National Competitiveness Council (NCC) advocated for the development of a Subic-Batangas Logistics Corridor anchored on the efficient utilization of the ports of Subic and Batangas. According to the Philippine Economic Zone Authority (PEZA), 60% of the volume handled at the Port of Manila comes from the more than 1,000 locators in 42 industrial estates located in the Cavite-Laguna-Batangas area. Unfortunately, cargoes from South Luzon still go to the Port of Manila—braving the traffic, truck ban policy, and higher transport cost—because the international shipping lines call at the Port of Manila. These lines call at the Port of Manila because the cargoes are in Manila even if they come from the CALABARZON area. A classic case of chicken and egg problem. Policy intervention from the government is needed to break the impasse.

In early 2011, the business sector, with support from PEZA, gave a presentation to then Transportation Secretary Jose De Jesus recommending (a) substantial reduction in cargo handling fees to encourage the shippers to use Subic and Batangas ports, and (b) policy issuance that would direct the systematic shift of cargoes starting with foreign cargoes to Subic and Batangas. Secretary De Jesus and the department agreed to adopt the private sector recommendations but unfortunately, he resigned from his post even before they could be implemented (Basilio, 2014). Despite this, PPA responded by lowering the port berthing fee in Batangas Port by 50% while also expanding the Port of Manila by constructing new berths (which will further exacerbate the traffic in Metro Manila). Lowering the fee, however, is only one part of the solution. The other part is having a policy that will influence the flow of the cargoes to Subic and Batangas.

These strategies would not only maximize the utilization of the Batangas and Subic ports and the toll roads, but they would also aim to decongest Metro Manila, reduce transport cost and more importantly, generate the needed funds to pay off the loans used in constructing SCTEx, Subic and Batangas Ports. The reluctance on the part of PPA to shift cargoes from Manila to Subic partly emanates from the possible loss of its revenue that since the Subic Bay Freeport is managed by SBMA. Moreover, the port capacity expansion of Port of Manila likewise affect the cargo shift in a negatively.

Increase in cargo movement at the Ports of Batangas and Subic only came about in 2014 when a port crisis erupted at the Port of Manila due to the implementation of the Manila Day-Time Truck Ban (Manila City Ordinance 8336). This policy resulted in port congestion and an economic cost of transportation amounting to Php 2.4 billion a day (JICA, 2014). To solve this problem, Batangas and Subic, through EO 172, s. 2014, were designated extension ports of Manila Port and shipping lines were directed to call at these ports.

Today, more shipping companies are already making direct calls to Subic. From only two regular callers, it now has nine regular shipping lines servicing international destinations such as Japan, China, Taiwan, and Singapore. Evergreen Marine Corp. started calling at Subic in April 2017 providing direct trade link to Korea and Taiwan. For Batangas Port, Royal Cargo Inc. (RCI), MCC, and NYK have been calling since 2014. In anticipation of future growth in cargo traffic on the Port of Batangas, the port capacity will be expanded to accommodate 450,000 TEUs.

Figure 2. Subic Freeport Traffic

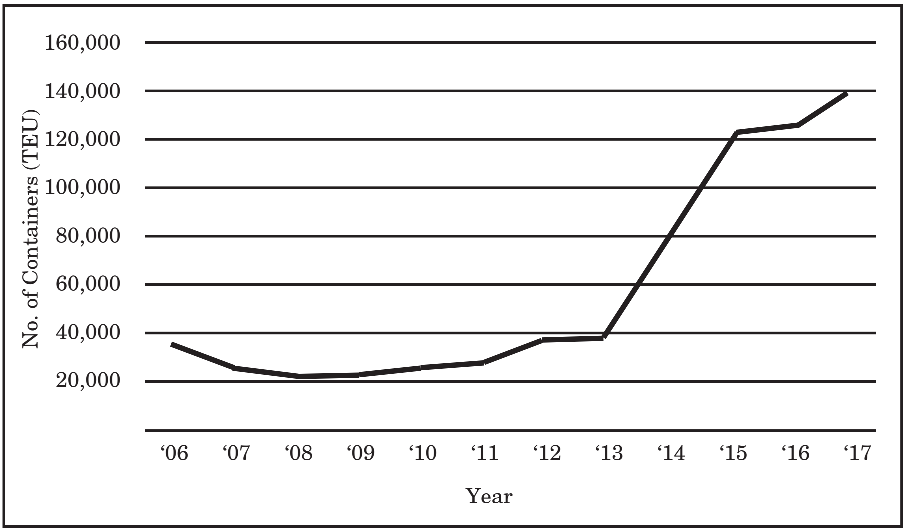
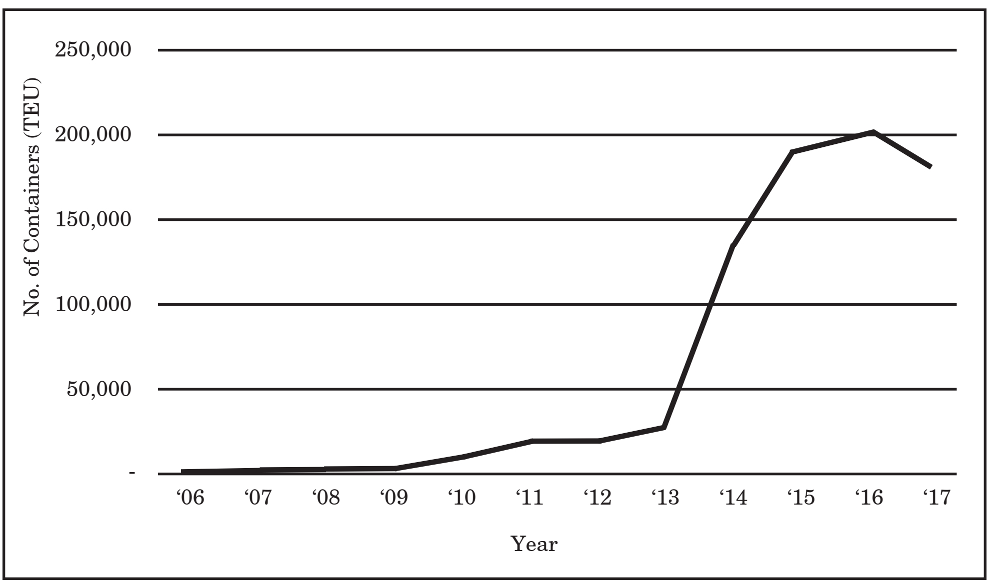


Figure 3. Batangas Port Traffic



Eighth Wave: Correcting the Flawed Philippine Port Policy

Over the last two decades, several bills seeking to amend PPA's charter were filed in Congress—some to correct the flaws in the port policy, others to further strengthen the monolithic power of the Authority. However, none has progressed into law.

In the first place, PPA itself did not support the reform since preserving the status quo is in its best interest. NEDA, however, is formulating a National Competition Policy that calls for, among other things, the promotion of competitive neutrality concerning GOCCs. It highlighted the need to review the mandate of PPA and Maritime Industry Authority (MARINA) to separate regulatory from proprietary functions, as well as address anti-competitive behaviors in the shipping industry (NEDA, 2017). Moreover, HB 8005[19] was filed in 2018 seeking to separate PPA's regulatory and commercial functions by converting it to Philippine Ports Corporation (PHILPORTS) and transferring its regulatory functions to MARINA. The following salient provisions of the proposed legislation adhere to good practices and sound governance principles:

- PPA will cease to be an Authority. It will remain as a public enterprise mandated to undertake the development, management and operation of public ports within its system and will compete against existing and future private commercial ports. All regulatory powers and functions of the old PPA shall be transferred to the MARINA

- PHILPORTS will first and foremost be a service-provider, not primarily a revenue-generating entity. As such, it shall always give utmost priority and importance to public service delivery and promotion of public interest over commercial/financial profit.

- PHILPORTS shall be governed by a board of directors with 15 members composed of eight representatives from government agencies and seven from industry associations. The Board of Directors as well as key officers of PHILPORT shall be governed by the fit and proper rule guidelines stipulated by the Governance Commission for GOCCs (GCG).
- PHILPORTS shall prepare a long-term port system development plan, taking into consideration the needs and requirements of manufacturing, agri-fisheries, tourism, transport, and logistics sectors, that will be integrated into the overall transport plan of the DOTr, the road infrastructure development plan of the DPWH to promote and ensure inter-modal seamless connectivity, and the regional/countryside development thrusts of the NEDA.

- PHILPORTS shall collect only the port fees and dues duly approved by the MARINA. PHILPORTS shall not share from—cargo handling revenues and/or any service providers contracted by PHILPORTS and any revenue generated by private commercial ports.

- The revenues collected by PHILPORTS shall be used for the development, modernization, expansion, operation and maintenance of its ports. PHILPORTS shall be exempt from declaring corporate dividends to the National Treasury in order to provide adequate resources for port development and modernization.

- In compliance with RA 10149 (GOCC Governance Act of 2011) and the rules and regulations of the GCG, PHILPORTS shall adopt an ownership and operations manual, code of ethics, statement of social responsibilities and corporate standards governing GOCCs.

- PHILPORTS shall likewise:

  a. establish performance evaluation systems including performance scorecards and conduct periodic study, examination, evaluation and assessment of its performance;

  b. conduct compensation studies and develop a competitive compensation and remuneration system which shall attract and retain talent, at the same time allowing the GOCC to be financially sound and sustainable; and

- PHILPORTS may also enter into joint venture arrangements with the private sector in the development and operation of its ports.

- PHILPORTS shall develop a port privatization program in keeping with the principles of New Public Management that posits greater private sector participation in the delivery of public services. The program must be based on a set of minimum performance standards that are consistent with international regulations, most especially on port efficiency, safety, and security. A policy restricting the ownership of ports to be privatized should be put in place in order to protect public interest, promote competition, and prevent a monopoly by private port operators. This means restricting private entities—who are already operating their own port and/or a public port—from bidding and acquiring more port contracts, thereby creating a barrier to entry by other groups and enabling them to monopolize the market.

The Philippine Competition Commission, as part of its mandate, is now looking into the acquisition by ICTSI of Harbour Centre Port Terminal Corporation (HCPTC) shares in the MNHPI. It may be good to look at the past policy of DOTC placing a 20% cap on the equity of port operators who wish to operate more than one port. This way, privatization promotes inter-port and intra-port competition, and, ultimately, allow for the decentralization of port administration and minimize the probability of regulatory capture.

This initiative corrects the flaws in the port policy, administration and governance that stem from conflict of interest of the Authority being both an enterprise and a regulator. The degree of government's resolve in improving port policy will ultimately determine the outcome of this reform—i.e., passage of HB 8005.

Summary of Major Findings

According to Shirley (1999), successful reforms point political desirability, feasibility, and credibility as necessary conditions. From the political standpoint, the creation of PPA in 1974 happened due to desire of the government to (a) improve the administration, regulation and governance of the country's port sector, and (b) comply with the stipulation of the Word Bank for the creation of a port authority as a condition for the grant of a port development loan in 1973. Conflict of interest arose when PPA was converted from a regular government agency into a public enterprise in 1975 vested with both regulatory and enterprise functions a year later. This conflict was heightened with the issuance of LOI 1005-A, s. 1980 that allowed PPA to share 10%-20% of the cargo handling rates it approves—a case where the regulator benefitted from its own regulation. While the business community argued against this policy, it continues to be implemented to this day. Hence, the current initiative of the government with support from the private sector to separate the authority's regulatory and commercial functions.

The support of the private sector in the privatization of the operation, management, and development of major port terminals at the Port of Manila increased the political feasibility, desirability, and credibility of the policy initiative and led to its successful implementation in the 1980s and 1990s. It also signalled the move of the government to graduate to a landlord port model wherein port development, management, and operation are handled by the private sector. A decade later, international ports Subic, Phividec, and Batangas would follow the same model. However, major private port development and commercial operation remain to be difficult and limited due to the competition against the Authority's own public ports. This is evidenced by the few big private commercial ports in the country.

The government's attempt to institutionalize a private monopoly in the operation of the entire port system in 1998 heavily divided the private sector and became highly politicized. Even Congress had to conduct several public hearings on EO 59 that led to the issuance of several resolutions urging then President Estrada to address the flaws in the proposed policy. After a two-year battle, EO 59 was rescinded in 2000. The labor sector also demonstrated its political influence on policymaking. Like President Estrada, President Ramos had to rescind EO 212 that sought to de-monopolize public ports by allowing and encouraging competition in the provision of cargo handling and other port services. Finally, the political and economic feasibility and desirability and the strong private sector advocacy ensured the establishment of nautical highways that connect Luzon and Mindanao through the Visayan islands.

Now the test is on the government in terms of political will in its effort to take out the conflict of interest in PPA and other regulatory bodies by separating their regulatory and commercial functions.

Conclusion

Similar to the natural movement of the sea, the country's port administration and governance has gone through waves of key reforms beginning with the establishment of the port authority, privatization, deregulation and liberalization of key public ports and terminals, transfer of the development and operation of the entire public port network to a private consortium, creation of independent port authorities, development of new port gateways, and establishment of nautical highways that link the various islands of the country through the roll-on/roll-off (RORO) shipping system.

These waves of reforms in many cases were rough and turbulent due to the conflicting interests of the actors as well as the incentives arising from the struggle of preserving the status quo and making the reform the new status quo. State presence in the first wave was very strong. The government, through PPA, played a dominant role in the development, maintenance, operation, and regulation of both public and private ports. What needs to be highlighted, however, is the flaws in port policy—i.e., (a) vesting the port authority with both regulatory and commercial functions and, at the same time (b) allowing it to benefit from its own regulation—have provided a strong bias for the regulator to prefer and preserve the status quo; thus becoming a rather unwilling participant in the reform process.

The evolution of the role of the state in the second wave, from a purely public model (where all functions are undertaken by the government) to that of a landlord port model (where the private sector participates in port operation and development) occurred as a result of the policy thrust that emanated from the national leadership to promote greater private sector participation, in keeping with the tenets of the New Public Management system and common global practice in port administration. The third wave was intended to further liberalize and deregulate the port sector. However, the concerns raised by the labor sector slowed down the reform process and even led to the rescission of the policy—i.e., EO 212.

The fourth wave of reform was a move by the government to convert its port monopoly into a private monopoly under the guise of modernization. This initiative faced strong opposition from the business community that clamored for greater transparency and competition through public bidding and intra/inter-port competition. Independent port authorities were established during the fifth wave to govern specific ports and freeports. However, with the exception of the Subic Bay Freeport and the MCPT, all other ports were spun-off from the PPA port system. As IPAs, the port authorities can regulate, develop, and set their own rates. Normally, however, they take their cue from the PPA. It cannot be concluded whether these IPAs are providing inter-port competition to PPA ports. A novel reform was the issuance of EO 170 that promotes RO-RO shipping (sixth wave). This reform introduced competition within the same port system by promoting an alternative mode of shipping which provided market competition and resulted in lower cost and improved transport efficiency. Because of the rapid urbanization of Metro Manila, the government developed new gateway ports in the provinces of Batangas and Zambales. However, the lack of a clear policy that shifts cargo traffic from the Port of Manila to these new gateway ports led to underutlization of their capacities.

The recent initiative to reform the port policy by separating PPA's conflicting regulatory and commercial functions will definitely not be a walk in the park. Learning from the experiences depicted in the waves of reforms that have occurred in the port sector through the years, reform advocates must consider the political economy of the reform process as well as the varying interests and degree of political influence of the sector's stakeholders in order to increase the probability of success. Hopefully, the creation of the Governance Commission for GOCCs (GCG) which has the mandate to review the charters of GOCCs will increase the political capital in favor of the reform.

Simultaneous with this current effort to correct the existing port policy (by amending PPA's charter), parallel reforms (ninth wave) may be pursued to further enhance regulation and governance in the sector, improve operational efficiency and competitiveness, and make port administration responsive to the developments in the global market. These include the rescission of LOI 1005-A that allows the PPA to share from cargo handling revenues. This conflict enables PPA to benefit from its own regulation. HB 8005 addresses this issue. However, it will take time for HB 8005 to be passed into law. Hence, rescinding LOI 1005-

A might be the easiest way to address the issue. This can be done through the issuance of an Executive Order (EO) by the President.

Another reform measure that needs to be pursued is the passage of the following proposed policies:

- Amendment of the Public Service Act (CA 146 s. 1936, as amended) to de-list the transportation sector from the sectors covered by the nationality condition (60-40 equity rule).[15]
- HB 8005 Otherwise known as the PHILPORTS Law that seeks to separate the PPA's regulatory and commercial functions.
- Amendment of MARINA Charter to effect the transfer of PPA's port regulatory functions to MARINA.

Lastly, there is a need to push for the revival of the National Port Advisory Council (NPAC). Private sector inputs in port planning and policy formulation are critical because it is them who understands (a) the service requirements and (b) what works in the market. Currently, the economy is once again experiencing a port crisis arising from the congested terminals at the Port of Manila due to either overstaying, seized, or abandoned containers. This results in reduced operating capacity of the terminals, lack of or reduced capacity of container yards to accommodate empty containers, inability of the trucking sector to provide efficient service due to the traffic in the metropolis, and a host of other concerns. Reviving the NPAC could provide the government and the private sector not only an appropriate avenue to discuss and resolve pressing issues (e.g., port congestion) but, more importantly, strategic and developmental concerns.

Endnotes

[1] For example, Article XII Section 11 of the Philippine Constitution restricts foreign investment in public utilities to 40%. The Public Service Act (PSA) Section 13.b lists the transportation sector as a public utility. To address this nationality restriction, the House of Representatives passed House Bill 5828 (2018) amending the PSA.

[2] Good regulation is commonly linked to the following characteristics: transparency, accountability, targeting, proportionality, and consistency (Haskins 2000 as cited in Cook et al., 2004 & Aldaba 2013).

[3] The World Bank, as a condition for the grant of a port development loan in 1973, stipulated the creation of a port authority to oversee the implementation of projects under that loan (see the PPA's website, www.ppa.com.ph)

[4] The PPA Council members include the Secretaries of Finance, Trade, Industry, Public Works, Public Highways, Transportation and Communications, National Defense, Executive Secretary, Director General of the National Economic and Development Authority

(NEDA), General Manager of the PPA (appointed by the President), and a representative from the private sector (likewise designated by the President). The Chairman of the Council is appointed by the President of the Philippines from among Council members.

[5] In 1979, the Department of Public Works, Transportation and Communications was split into two ministries (in keeping with the parliamentary form of government after President Marcos declared the country under martial rule): Ministry of Public Works and Highways (MPWH) and Ministry of Transportation and Communications (MOTC). Under the 1987 Constitution (promulgated during the time of President Corazon Aquino), the ministries (MOCT and MPWH) were once again converted into two departments (Department of Transportation and Communication and Department of Public Works and Highways) under the presidential system of government. The PPA was lodged under the DOTC (now DOTr or Department of Transportation as an attached agency, with the Secretary of DOTC acting as Chairman of the PPA Board of Directors.

[6] The new PPA Board is composed of the Secretary of Public Works, Transportation and Communications, who shall act as chairman, General Manager of the Authority (appointed by the President) who shall act as vice-chairman, Director-General of NEDA, Secretary of Finance, Secretary of Natural Resources, Secretary of Trade, and one (1) other person who shall be appointed by the President of the Philippines, representing the private sector, who by reason of his knowledge or expertise, is, in the opinion of the President, fit and proper person to be director of the board.

[7] For greater appreciation, read Llanto et al (2007) Competition Policy and Regulation in Ports and Shipping (PIDS).

[8] The Port of Manila consists of three terminals, namely: MICT, South Harbor, and North Harbor. Traditionally, MICT and South Harbor handle foreign cargoes while the North Harbor is dedicated to domestic cargoes and passengers. MICT concentrates on the lucrative foreign containerized cargoes while South Harbor handles both containerized and non-containerized (bulk and break-bulk) cargoes. Today, regional cruise ships call at the South Harbor.

[9] Today, ICTSI is the only remaining member of the consortium. It is currently operating MICT.

[10] Leading industry player P&O Ports of Australia invested in Marina Port Services Inc with a 35% stake. To give it a global outlook with local expertise, MPSI was aptly renamed as Asian Terminals Inc. In 2006, ATI became part of the third largest marine terminal operator in the world, Dubai Ports (DP) World, further expanding the Company's local expertise with a global outlook. This came to be with the acquisition of DPWorld of P&O Ports Australia. (ATI Website/Milestones)

[11] For greater detail, see G.R. No. 131367 Hutchison Ports vs. SBMA (31 August 2000)

[12] South Harbor's contract was likewise renewed for another 25 years.

[13] MNHPI started as a joint venture between Harbor Centre Port Terminal Corp. (HCPTC) and Metro Pacific Investments Corp. (MPIC). In 2011, MPIC divested of its shares in MNHPI, and was subsequently replaced by Petron Corp., a subsidiary of San Miguel Corporation (The Wallace Business Forum, p.10, 2012) In September 2018, ICTSI acquired the shares of HCPTC. Today, MNHPI is a 50-50 joint venture between ICTSI and SMC (The Philippine Star, 10 September 2018).

[14] The Coalition included leaders from various industry associations and councils: Distribution Management Association of the Philippines (now Supply Chain Management Association of the Philippines), Philippine Chamber of Commerce and Industry (PCCI), Federation of Philippine Industries (FPI), Philippine Exporters Confederation (PHILEXPORT), Northern Mindanao Shippers Association (NORMINSA), Mindanao Business Council (MBC), Export Development Council (EDC). From government, the secretaries of NEDA, DENR, DOT, DA, DTI, DBP, and AFMA. Some local executives also supported the Coalition.

[15] HB 5828 (2017) An Act providing for the definition of public utility, further amending for the purpose Commonwealth Act 146, otherwise known as the “Public Service Act”, as amended.

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Reflections from Scholars and Practitioners

The Mainstream Discourse on Good Governance for Developing Countries: Issues and Challenges

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Good governance is widely viewed as a requisite to achieving economic growth and development especially for developing countries. Amidst the variety of good governance discourse given the elasticity of its definitions and dimensions, the dominant one is that championed by international financial institutions, in particular the World Bank and, oftentimes, the economic policy elites in a number of developing countries. This governance paradigm essentially seeks to enhance a country's market operations and articulates the institutional requisites to make this happen. There are many conceptual, methodological, and practical—including implementation—issues, however, that afflict the mainstream good governance paradigm, raising serious questions about its intellectual moorings and relevance for developing countries.

Keywords: *mainstream governance discourse, structural adjustment program, developing countries, foreign aid*

The Philippine economy is generally viewed favorably by mainstream economists and policymakers because the country has been riding on a crest of high growth rates, hitting six to seven percent in the last decade or so, at a time when low growth rates have persistently plagued many other countries in other parts of the world. It is generally known that what has fuelled this sustained economic boom is consumption spending boosted by foreign remittances of overseas Filipino workers to the tune of about 70% of gross domestic product (GDP), as well as substantive revenues from the business process outsourcing (BPO) industry.[1]

What has gained lesser resonance in mainstream policy discourse is the embarrassingly high levels of poverty incidence (at over 20 percent of the population), which have coexisted with the high economic growth rates, underscoring the fact that only a minority have benefited from growth. This

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reality highlights the serious problem of inequality in the Philippines and the lack of effective redistributive measures to address this situation. In fact, popular perceptions of widespread poverty are direr as data show that almost half of the population in the last 15 years believe themselves to be poor, as reported by Social Weather Stations (SWS) (2018).

The developmental anomaly of high economic growth rates accompanied by high poverty rates is often downplayed in mainstream economic discourse, but it is one that cannot be ignored. Indeed, the formidable problem of widespread poverty remains front and center in the nation's psyche, and one which no politician can dodge from addressing. While various narratives have been proffered to explain the prevalence of poverty in the country, there is an explanation that resonates across a wide swathe of the population—from the random person on the street to policymakers—one that generally pins the blame of Philippine underdevelopment on the lack of good governance, corruption being one of its most prominent dimension.

The chapter on Good Governance and Rule of Law in the 2011-2016 Philippine Development Plan under the Aquino administration explicitly links poverty reduction and governance, to wit

> Political instability, corruption and weak rule of law have had severe negative effects on investment, which partly explains the country's low rate of capital formation. Public investment is stymied when corruption in revenue-collection efforts deprives the government of needed funds. Overpricing and funds-diversion in spending distorts priorities and wastes public resources. But even private investment is affected: first, by the uncertainty of administrations whose legitimacy is questioned, and second, by the prospect and reality of biased rules and extortive practices, which raise the costs of doing business and discourage new business entrants and contract-bidders from providing real competition. In the end, the resulting poor growth and fiscal inability to support social programs severely impair poverty-reduction programs. Corruption and lack of transparency are major constraints to the achievement of the Millennium Development Goals. To say that corruption and poor governance abet and worsen poverty is no exaggeration (National Economic and Development Authority, 2010, p. 208).

Given the strong perception that good governance would result in poverty reduction and bring about prosperity, a range of institutional reforms in the realm of governance have been implemented in the post-Marcos era, ranging from efforts to combat corruption to the promotion of transparency, accountability, and civil society participation. There have been other aspects too of institutional reforms, which may have been less publicly visible but were also prioritized, like re-engineering the size and scope of the bureaucracy, re-orienting government's role vis-a-vis the private sector, improving its auditing, budgeting capacities, privatizing government-owned and controlled corporations (GOCCs), and further promoting decentralization. However, 32 years since the return of formal democracy and the implementation of various institutional reforms in the governance sector, the incontrovertible truth is that the country's poverty incidence remains formidably high, proving to be an intractable problem.

This has lent credence to a much more fundamental observation articulated in more heterodox policy discourse: that the link between the good governance agenda and poverty reduction is weak. Why is this so? How did the good governance agenda evolve and what has been its impetus? And more basically, what do we mean by good governance anyway?

The Rise of a Market-Enhancing Institutional Framework: The Mainstream Good Governance Agenda

The phrase good governance is a popular mantra in the development world, likened to an all-purpose cure to a range of ills that has beset the public sector. According to Grindle (2002), good governance can span the range from institutions that set the rules of the game for economic and political interaction, to organizations that manage administrative systems and deliver goods and services to citizens, to human resources that staff government bureaucracies, to the interface of official and citizens in political and bureaucratic arenas (p. 1). As Grindle (2007) further observes, "advocating good governance raises a host of questions about what needs to be done, when it needs to be done, and how it needs to be done" (p. 553).

As a result, new units have been set up in government and international agencies, and an army of staff, specialists, and consultants have been hired to oversee and implement programs and projects in the last two decades in pursuit of promoting good governance. Academia has joined the fray, organizing departments on this subject while civil society formations have latched on to this development mantra, advocating for good governance in their political campaigns.

The earlier use of the term governance, however, was more muted; it was generally in use particularly in the decades prior to the mid-1980s, usually in reference to estates or foundations or boards of organizations "whose institutional role required a designation grander than "administration" less business-like than "management" and having their "political concerns handled discreetly but firmly" (Doornbos, 2001, p. 94). It was not a term in popular use, often only heard in modulated discussions in the corridors of political science departments in universities or affluent foundations.

Things changed around the period of 1989-1990. During this time, the international development community was abuzz with a new term: good governance. The term gained widespread currency when it was espoused by the donor community for a number of developing countries, as it became the basis for them to demand "adherence from recipient governments to proper administrative processes in the handling of development assistance and expecting them to put in place efficient policy instruments toward that end" (Doornbos, 2001, p. 93).

Here, the term governance was no longer simply in reference to the management of foundations or estates. With the prefix of "good" to describe governance, it had now come to mean the management of entire nations, including all the resources therein. Furthermore, the good governance of countries in question were those of developing countries, as opposed to those in the Organization of Economic Cooperation and Development (OECD), the club of traditionally rich nations.

It was not long after that the good governance discourse made fashionable by the international development community led by the World Bank became the dominant paradigm. This discourse even generated a set of "influential indicators composed of multiple dimensions that seemingly constitute a one-best-way model" (Andrews, 2010, p. 7). These indicators served as basis for political and administrative reforms in many developing countries, which reinforced isomorphic mimicry, departing from an implicit belief that there is only one model of good government (Andrews, 2010).

The World Bank's Role in Promoting a Market-Enhancing Good Governance Agenda

While there are many definitions and dimensions to the notion of good governance, it is the policy framework of the international financial institutions (IFIs), notably the World Bank, that is among the most resonant in the international development community and in mainstream policy circles in many developing countries. It is a good governance agenda that focuses on promoting institutional reforms towards creating and enhancing the free market operations of developing countries.

The historical upshot to the emergence of the mainstream good governance discourse can be traced to the 1980s, when many developing countries were saddled with large balance of payments deficits and budgetary crises, leading to a retreat of state-led development strategies (United Nations Research Institute for Social Development [UNRISD], 2010, p. 257). This paved the way for the formulation of the adjustment model (e.g., structural adjustment programs or SAPs) based on a set of policy prescriptions crafted by IFIs and one which was initially silent on governance issues (UNRISD, 2010). At this time, "state institutions were treated as a dependent variable" and it was "assumed that once market prices were right," it would follow that "the state would be efficient in its task of rule enforcement, protection of property rights, and public administration. Market actors would then invest, generate growth, and reduce poverty" (UNRISD, 2010, p. 4).

These assumptions did not bear out based on the outcomes of structural adjustment programs.[2] As such, early into the final decade of the twentieth century, there developed a policy stance that a requisite to economic growth for developing countries were good institutions. At this time, the IFIs, in particular, the World Bank (WB) and the International Monetary Fund (IMF), began to argue that "getting prices right through good policies" were not enough. According to them, it was also important to "get institutions right" thereby highlighting the "importance of institutional structures that underpins the price systems" (Chang, 2002. p. 9).

Myers (2002) argued that the mainstream notion of good governance was incubated, nurtured, and developed within the organizational womb of the WB. This occurred with the ascendance of neoliberal thinking in the late 1970s and the 1980s, particularly in the United States, the United Kingdom and Germany, which were among the primary shareholders of the WB (Myers, 2002). These countries, which were then led by conservative governments, were not keen on the idea of the WB providing foreign assistance. According to Myers (2002), the governments' opposition to WB's provision of foreign assistance was based on the belief that it was an exercise in wasteful spending unless the borrower-country was also conservative or if the assistance was consistent with security policies of their countries. The three country shareholders were more interested for the WB to support the development of their private sector (Myers, 2002).

According to Myers (2002), "under the influence of economists like Anne Krueger, the Chief Economist of the WB from 1982-1984, the Bank moved away from extensive support of government-sponsored development projects as part of structural adjustment" (p. 30). Myers (2002) wrote that Krueger, as early as 1974, had already argued that "rent-seeking by government officials and interest groups based on their ability to manipulate government regulations presented a serious problem for governments in developing countries" (pp. 30-31). Krueger (1974 as cited in Myers, 2002) advanced this argument with the recommendation that limited government was best if a country wanted to improve its economic growth.

These themes were echoed in the WB's 1980 World Development Report as it observed that

> The continued expansion of public sector activities in most countries has produced its own set of constraints: many bureaucracies have become large, powerful and protective of their own interests. Frequent change of political leaders has insulated these bureaucracies from pressure for reform (Myers, 2002, p. 32).

Then the WB blamed the governments of developing countries for the dismal performance of WB loans, calling these governments weak. Myers (2002) writes that according to the same Report, a review of

> WB projects reveals a number of common institutional problems- among them weak planning agencies and an inability (or failure) to relate annual budgets to long-term development priorities. Some of the existing deficiencies are due to inappropriate administrative structures and procedures which still reflect the metropolitan models on which they are patterned. They place undue emphasis on central control and take inadequate accounting of prevailing cultural or social attitudes (p. 32).

It was in the context of the stinging critique of public sector performance of developing countries that new loans, packaged as structural adjustment loans (SALs)[3] with a "significant public sector management component" was introduced (Myers, 2002, p. 34). The focus of the public sector component of the structural adjustment loans remained in the realm of economic management; in particular, on public investment programming process, on institutional mechanisms for national planning, "creating/or reinforcing economic policy-making bodies," on systems for debt management and tax administration, the budget process, and on accounting and auditing (Myers, 2002, p. 35).

One of the objectives of the reforms was to decrease public spending on the civil service which implied the need to downsize government (Myers, 2002, p. 35). Another objective was to improve governments' ability to undertake certain tasks such as the privatization of government-owned enterprise. On broader civil service concerns, the WB "supported changes in employment conditions, pay structures, and training….excessive numbers of civil servants, uncompetitive wages, and declining productivity, to name a few" (Myers, 2002, p. 35).

The promotion of public sector reforms by the WB in developing countries was well underway in the 1980s and was contained in the SALs. Towards the end of the decade, however, the results of the public sector reforms were less than promising (Myers, 2002, p. 35). As such, Myers (2002) observed that SALs normally follow a fairly short schedule of 12-18 months while management reforms take several years to properly implement. A second problem was that the conditions attached to SALs were often too extensive and varied to be implemented. A third problem was that "government commitment to implementation and institutionalization of the reforms varied a great deal; governments might agree to implement reforms… but the Bank rarely monitored compliance and once the loan was over, implementation often effectively stopped" (Myers, 2002, pp. 35-36).

The dismal performance of WB loans in many developing countries, and particularly in Sub-Saharan Africa was due not only to economic problems but also to intense violent conflicts confronted by countries like Rwanda and Somalia (Myers, 2002, p. 23). This served as the basis for "widespread criticism of the WB's effectiveness as an organization as well as the effectiveness of the entire foreign aid enterprise on the grounds that these activities did little for the poor and only enriched the elites of corrupt governments" (Myers, 2002, p. 23). Indeed, the formal incorporation of good governance in the WB agenda can be traced to its Africa report in 1989 (Myers, 2002, p. 198). In the 1992 World Development Report (WDR), it was stated that "issues of governance are not new to the World Bank. As a development institution, the Bank has grappled with these issues from its inception" (Myers, 2002, p. 198).

The zeitgeist of the times provided fertile intellectual grounds to further strengthen the market-enhancing discourse on good governance. By the end of the 1980s and early 1990s, the ideas of democratization and the power of the free market swept the entire world with the cataclysmic disintegration of the Soviet Union and the end of the Cold War (Myers, 2002, p. 23). This was the triumphal moment of capitalism, and the division of the world into two opposite camps had come to an end. Prior to this, aid with conditionalities was already in practice but was largely defined by Cold War geopolitics. The triumph of US-style capitalism injected fresh momentum to anti-statist discourse and encomiums of the free market.

It was during this period that a new dimension to conditionalities was ready to be introduced. In particular, these were "political conditionalities concerned with the structuring and operation of recipient countries' institutions" but which "required a suitable conceptual framework to justify such interventions (Doornbos, 2001, p. 97). While this way of thinking generally portrayed the governments of developing countries intervening in their own economies as barriers to economic and political development, particularly in its exercise of industrial policy to support its domestic industries, it simultaneously recognized that the state had a positive role to play "to the extent that the state embodied institutions or set the 'rules of the game'…its activities were central to the development process" (Grindle, 2002, p. 5). In this context, the mainstream good governance agenda "rehabilitated the state" (Grindle, 2002, p. 5). Here we see how the conceptual narrative of state intervention came to be double-edged: it was eschewed by the mainstream development community if it was operationalized to mean industrial policy to promote domestic industries but it was encouraged in the context of market-enhancing institutional reforms oftentimes to benefit local economic elites and foreign investors.

This market-enhancing agenda also received strong intellectual reinforcements with such publications: Douglass North's *Institutions, Institutional Change and Economic Performance* (1990), which, together with "institutional economics" generated interest in the "rules of the game" discussions (Grindle, 2002, p. 4) , the WB's *1991 World Development Report* (WDR), which included a chapter on *Rethinking the State* and in 1997, and the subtitle of the WDR entitled *The State in a Changing World* (Grindle, 2002, p. 4).

In gist, while initially the WB's focus was on the management of projects which it funded under structural adjustment programs, their development perspective expanded to include changing "policies and institutions which it believed to be critical for a good environment for economic development" (Myers, 2002, p. 24). This therefore led the WB to expand its ambit and be concerned with governments' "structure of administration and policy making processes, what priority they should assign to certain policy initiatives or how they should handle a whole range of other matters that might typically come up for policy dialogue" with aid-recipient countries (Doornbos, 2001, p. 97).

At this time, issues around national sovereignty, or the value of non-interference in a country's domestic affairs seemed less important in international policy circles (Doornbos, 2001, p. 98). As stated by then World Bank President, Barber Conable, during this period, "If we are to achieve development, we must aim for growth that cannot be easily reversed through the political process of imperfect governance" (Doornbos, 2001, p. 98).

The emergent donor-driven, neoliberal discourse on good governance "focused on state-market relations and more specifically on state structures designed to ensure accountability, due processes of law and related safeguards… with a view to preparing the way for 'policy intervention'" (Doornbos, 2001, p. 96). As such, these "policy interventions" were seen as ways to facilitate conformity among developing countries to the norms set by IFIs, in particular, "the creation of state-market mechanisms in developing country contexts that have been characteristic of liberal-capitalist systems" (Doornbos, 2001, p. 96).

From the 1990s into the new millennium, a surge of activities promoting good governance reforms proliferated. These included a plethora of research, including a spate of econometric studies, that tried to show the relationship, both correlational and causal, between good governance and its various indicators (e.g., rule of law, democracy, corruption, accountability) to economic growth and development. These researches oftentimes "privileged large samples of countries (large-N studies) over in-depth analysis of individual cases" (Grindle, 2002, p. 3). To quote the World Bank in a review of 40 studies, "there was overwhelming evidence that good governance is crucial for successful development, as measured by high per capita income. Per capita income is a strong predictor of poverty rates, infant mortality and illiteracy, suggesting that good governance improves the welfare of the poor" (Grindle, 2002, p. 7).

The claims of the World Bank of the beneficial outcomes of good governance in many developing countries have since become the subject of much contention and debate. But before discussing the many issues that have been raised *vis-a-vis* the mainstream good governance agenda, let us first attain better conceptual clarity of the subject matter.

Definitions and Elements of the Mainstream Good Governance Agenda

As earlier established, if the donor community would intervene in the political and administrative spheres of government in aid-receiving countries, a new conceptual framework was needed. This explained the renewed interest in governance, rescued from the annals of dictionaries and political science discourse, and imbued with the fresh prefix of "good." It was a term that was "broad enough to comprise public management as well as political dimensions, while at the same time vague enough to allow some discretion and flexibility in interpretation as to what 'good' governance would or would not condone" (Doornbos, 2001, p. 98). At that time, there was a significant degree of ambiguity to the term good governance. As there was no cut-and-dried definition, individual donor countries welcomed the "lead" and "signals" from the WB in shaping and substantiating its discourse (Doornbos, 2001, p. 98). In a 1992 WB Report entitled *Governance and Development*, good governance was defined as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, 1992, p. 1).

The 1992 Report further stated that the WB's involvement with governance was triggered by its "concern for the sustainability of the projects it helps finance. It concluded that sustainable development can only take place if a predictable and transparent framework of rules and institutions exists for the conduct of public and private business" (Doornbos, 2001, p. 98). This, in its most fundamental sense, explains the concern of the market in ensuring good governance; that is, the need to create and strengthen a set of institutional arrangements and a policy framework that promote and protect private sector investments in developing countries. It is within this framework that the WB Report further described good governance "as predictable, open, and enlightened policy, together with a bureaucracy imbued with a professional ethos and an executive arm of government accountable for its actions. All these elements are present in a strong civil society participating in public affairs, where all members of the society act under the rule of law" (Doornbos, 2001, p. 98).

The WB Report identified the three aspects of the good governance agenda, namely, the form of the political regime; the process by which authority is exercised in the management of a country's economic and social resources for development; and the capacity of the government to design, formulate, and implement policies and discharge functions (Doornbos, 2001, p. 98). However, since political intervention is supposed to be outside the mandate of the WB, it would focus only on the last two aspects of governance (Doornbos, 2001, p. 98).

Other analysts, however, belie this claim. Grindle (2010) notes that the good governance agenda provided a "fig leaf" for the interventions of the WB and other donors which were actually political, but were somehow "technicalized" (p. 6). Hewitt de Alcantara (1998 as cited in Grindle, 2010) makes the point by observing that "governance was a hygienic way of dealing with political institutions and interactions—like corruption, accountability, and leadership—that came to be seen as impediments to development and to the effective use of development assistance" (p. 6). Furthermore, Doornbos (2010) argues that as the WB oftentimes plays the role of secretariat in donor consortia in various developing countries, putting the Bank in a "strategic position of being able to convey political conditionalities set by the respective consortia to the recipient countries concerned" (p. 99).

There is a variety of methods the WB employs to promote its views on good governance, from providing loans to offering technical advice (Myers, 2002, p. 127) to sponsoring trainings, and developing "interlocutors" referring to individuals "who understand and sympathize with the Bank's recommendations" (Myers, 2002, p. 184). Through the World Bank Institute, trainings and policy dialogues and exchanges are offered to government officials which are held in different locations around the world; distance learning is also offered (Myers, 2002, p. 184). In the area of governance, an example of courses offered by the WB are "Global Reform and Privatization of Public Enterprise," "Urban and City Management," "Privatization and Regulation of the Private Sector," "Competition Policy," and "Budgetary Processes and Public Expenditure Management" (Myers, 2002, p. 186).

The grant-making arm of the WB for poor developing countries, the International Development Association (IDA), uses the lens of good governance in determining the allocation of resources. This is how the link between poverty reduction and governance was rationalized: "sustainable poverty reduction depends on sound policies, effective partnerships and systematic inclusion of the poor, affected groups and women in the development process. Good governance was seen as being critical to the development process and to the effectiveness of development assistance" (Myers, 2002, p. 186).

IDA thus uses governance as a basis to evaluate the country's eligibility for grant assistance across the following dimensions (IFAD, 1999, p. 1):

1. Sustainability of structural reforms;
2. Property rights and rule-based governance;
3. Quality of budget and public investment process;
4. Efficiency and equity of revenue mobilization;
5. Efficiency and equity of public expenditures; and
6. Accountability and transparency of the public service.

Finally, according to IFAD (1999), there are additional “four major pillars against which governance can be judged” (p. 1). These are:

> 1. Accountability - At the macro level this includes financial accountability in terms of an effective, transparent, and publicly accountable system for expenditure control and cash management and external audit system. It encompasses sound fiscal choices made in a transparent manner that give priority to productive social programs—such as basic health services and primary education vital to improving the living standards of the poor and promoting economic development—over non-productive expenditures such as military spending. At the micro level it requires that managers of implementing and parastatal agencies be accountable for operational efficiency. Auditing systems should meet international standards and be open to public scrutiny.
>
> 2. Transparency - Private-sector investment decisions depend on public knowledge of the government’s policies and confidence in its intentions, as well as in the information provided by the government on economic and market conditions. Transparency of decisionmaking, particularly in budget, regulatory and procurement processes, is also critical to the effectiveness of resource use and the reduction of corruption and waste.
>
> 3. The rule of law - A fair, predictable, and stable legal framework is essential so that businesses and individuals may assess economic opportunities and act on them without fear of arbitrary interference or expropriation. This requires that rules be known in advance, that they be actually in force and applied consistently and fairly, that conflicts be solved by an independent judicial system, and that procedures for amending and repealing the rules exist and are publicly known.
>
> 4. Participation - Good governance requires that civil society has the opportunity to participate during the formulation of development strategies and that directly affected communities and groups should be able to participate in the design and implementation of programs and projects. Even where projects have a secondary impact on particular localities or population groups, there should be a consultation process that takes their views into account. This aspect of governance is an essential element in securing commitment and support for projects and enhancing the quality of their implementation. (IFAD, 1999, p. 3)

It is instructive to read how the WB elaborates on good governance as contained in the IDA document for it spells out in relatively great detail what is meant by such broad concepts as accountability, transparency, rule of law and participation. While there are many ways to articulate the importance of these principles for the benefit of society as a whole, it is clear from the foregoing that the WB’s specific interest in the adherence to these is to secure the investments of the private sector in developing countries.

Initially, expectations were riding high among donors about what the political conditionalities around the good governance agenda could accomplish but the reality turned out differently (Doornbos, 2001, p. 101). It has been observed that the WB's record in translating its good governance programs into positive development outcomes have not been very successful (Myers, 2002, p. 129). It will be recalled that the WB's brand of good governance allowed donors to intervene in the political and policymaking processes and structures of aid-recipient countries by promoting universal norms and practices.

Decades after the implementation of good governance programs, the assessment has been less than positive as compliance of aid recipient countries in the form of lip service was more of the norm (Doornbos, 2001, p. 102). There are several reasons for this. One, there was the possibility that developing countries either did not have the capacity and/or the political will to implement their part of the program (Doornbos, 2001, p. 102). It must be remembered that, oftentimes, the countries that are deemed to be most in need of good governance reforms are precisely those that are weakest politically, institutionally, and financially, thereby raising serious capacity issues. Furthermore, as Doornbos (2001) observes, reception and compliance to political reforms by politicians in many developing countries were "willy-nilly" as this could affect their hold on power (p. 101). While the ideas of "transparency" and "accountability" sounded good rhetorically, this did not oftentimes "match with prevailing political cultures and configurations of power" obtaining in many developing countries nor was there ease in its practical translation (Doornbos, 2001, p. 101).

One concrete example of the lack of fit between the good governance agenda of donors and the realities on the ground in many developing countries has to do with the themes of democratization and multi-partyism. In the early 1990s, the donor community promoted the adoption of democracy and political pluralism to aid-receiving countries but many "authoritarian regimes skilfully transformed themselves into dominant parties within façade-type multi-party systems, as in Kenya or Ethiopia, demonstrating their resilience as political machines…while others continued…by way of development collaboration contacts as they had before" (Doornbos, 2001, p. 101). Other countries like Uganda, however, resisted and worked out alternative political arrangements, arguing that Western-style multi-party system pushed by the donor community was not suitable to their own historical and contextual terrain and was not the only path to democratic political processes (Doornbos, 2001, p. 101).

This explains the observation that many client states did not specify concrete targets and performance measures for their governance reforms except for a narrow range such as in budgeting and public expenditure management and those relating to the usual human development indicators (e.g., health and education targets). The performance measures in relation to curbing corruption or improving local government oftentimes remained open-ended. This is not to say that certain countries did not attempt to be faithful to the policy prescriptions (e.g., Zambia) although once again, whether these were the most appropriate measures remains a subject of contention (Grindle, 2002, p. 7).

But difficulties in adhering to contractual obligations did not only fall on the shoulders of aid-recipient countries. There were also many times when donors failed to provide information, supervision, and/or support for the governance reforms being implemented in developing countries (Doornbos, 2001, p. 102). It was also observed that the practical reality of pushing for political reforms under the guise of "good governance" implied "inserting new, specific elements into highly complex processes and situations" which meant that donors would have to get involved in "internal policy processes" which "could be more than what donors bargained for" (Doornbos, 2001, p. 102). This explains the observation that there were limited initiatives on the part of the WB to match its good governance rhetoric with more substance other than policy dialogue (Myers, 2002, p. 129). It is in light of this unwanted self-imposed burden on the part of donors—meaning having to monitor highly complex political internal processes of aid-recipient countries—that there has been a move from "conditionality" to "selectivity" (Doornbos, 2001, p. 103). In this arrangement, a donor country would state from the outset that the quality of good governance was already present a priori in a developing country and therefore was eligible for aid. This is radically different from making the good governance a political conditionality and therefore demanding it from developing countries. While this approach has come under serious criticism, many donors have latched onto it as it allows them to steer clear from having to "dirty their hands," so to speak, with the internal complicated political processes of developing countries (Doornbos, 2001, p. 103).

Given the theoretical and practical difficulties of operationalizing the various elements originally associated with the dominant paradigm of good governance such as accountability and transparency, the one area where there is less ambiguity is in 'financial accountability… as the core of good governance concerns' (Doornbos, 2001, p. 105). Indeed, when the dust has settled, the good governance agenda is generally applied and limited to a country's financial and economic management system, the better to ensure the security and profitability of investments of the private sector, both foreign and domestic as stated in the IDA criteria.

Varieties of Good Governance

The dominant status of the good governance paradigm championed by IFIs and the policy elites in many countries notwithstanding, there exists a variety of voices and perspectives on good governance articulated by other development institutions, academia, and civil society that have brought richness and complexity to its meanings and practice. The term remains open-ended and lends itself to various applications and uses. For example, while academic discourse on good governance mostly centered around creating a better understanding of the state-society nexus within multiple contexts, "the discourse has led to a better understanding of different ways in which power and authority are structured in different contexts...which could be within the state, within an international organization or within some other structural context" (Hyden, 1992 as cited in Doornbos, 2001, p. 96). Doornbos (2001) explains that this "facilitates new analytical pursuits into the exercise of political power, unhindered by formal boundaries, and may fit discourse analysis, embedded structuralism, Marxism and mainstream thinking alike" (p. 96).

Indeed, the notion of good governance has proven to be highly elastic and has expanded to mean many things, depending on which institution or individual(s) is doing the espousing. For example, the United Nations Development Program (UNDP) highlights the dimensions of participation, transparency, accountability, effectiveness, and equity while the United Kingdom's Department for International Development (DFID) focuses on the notion of government "capabilities" in order to promote "voice, macro-economic stability, growth that is poverty reducing, policies that positively affect the poor, universal provision of basic services, personal and national security and accountable government" (Grindle, 2002, p. 2). The elasticity of the meaning of good governance is such that it has come to represent all the desirable characteristics which a government "should" have, like "Sweden or Denmark on a good day, perhaps" (Andrews, 2008, p. 380). Table 1 provides a summary listing of the various definitions of governance and good governance as articulated by different institutions and writers.

Table 1. Listing of the Various Definitions of Governance and Good Governance

Source	What is Governance?	What is Good Governance?
World Bank (n.d.)	'the process and institutions through which decisions are made and authority in a country is exercised' (p. 3)	Inclusiveness and accountability established in three key areas: 'selection, accountability and replacement of authorities (voice and accountability; stability and lack of violence); efficiency of institutions, regulations, resource management (regulatory framework; government effectiveness); respect for institutions, laws and interactions among players in civil society, business, and politics (control of corruption; rule of law) (pp. 3, 7)

UNDP (1997)	'the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences' (p. 12)	Characterised as 'participatory, transparent … accountable …effective and equitable …promotes the rule of law … ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decisionmaking over the allocation of development resources' (p. 12)
IMF (2005)	For IMF purposes, 'limited to economic aspects of governance … in two spheres: improving the management of public resources …; supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities …' (p. 4)	'ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption' (p. 1)
DFID (2001)	'how the institutions, rules, and systems of the state—the executive, legislature, judiciary and military—operate at central and local level and how the state relates to individual citizens, civil society and the private sector' (p. 11, note a)	'seven key governance capabilities: to operate political systems which provide opportunities for all people … to influence government policy and practice; to provide macroeconomic stability … to promote the growth necessary to reduce poverty; to implement pro-poor policy; to guarantee the equitable and universal provision of effective basic services; ensure personal safety and security …; to manage national security arrangements accountably …; to develop honest and accountable government …' (p. 9)
USAID (2005)	'The ability of government to develop an efficient, effective, and accountable public management process that is open to citizen participation and that strengthens rather than weakens a democratic system of government' (p. 1)	Democratic governance: 'transparency, pluralism, citizen involvement in decisionmaking, representation, and accountability; focusing particularly on five areas: legislative strengthening, decentralisation and democratic local governance, anti-corruption, civil-military relations, and improving policy implementation' (p. 1)
Hyden et al. (2004)	'The formation and stewardship of the formal and informal rules that regulate the public realm, the arena in which state as well as economic and societal actors interact to make decisions' (p. 16)	Can be measured along five dimensions ('participation, fairness, decency, efficiency, accountability, and transparency') in each of six arenas (civil society,political society, government, bureaucracy, economic society, judiciary)

Kaufmann (2003)	'the exercise of authority through formal and informal traditions and institutions for the common good, thus encompassing: (1) the process of selecting, monitoring, and replacing governments; (2) the capacity to formulate and implement sound policies and deliver public services, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them' (p. 5)	Can be measured along six dimensions (voice and external accountability; political stability and lack of violence, crime, and terrorism; government effectiveness; lack of regulatory burden; rule of law; control of corruption) (p. 5)
Hewitt de Alcántara (1998)	'the exercise of authority within a given sphere…efficient management of a broad range of organisations and activities … involves building consensus, or obtaining the consent or acquiescence necessary to carry out a programme, in an arena where many different interests are at play' (p. 105)	Processes through which there is incorporation of more creative and less technical understanding of reform, more dialogue about institutional and programmatic change, more concern with the public sphere (state and civil society) and how to strengthen it, more integration of economic policy and institutional reform, more attention to both national and international factors that affect governance (pp. 112-13)

Source: Grindle (2007, pp. 556-557)

The highly elastic definition of what constitutes good governance has, in turn, created the basis for an expanding list of its dimensions (Grindle, 2010, p. 8). To concretize this, Grindle (2010, p. 8) reviewed the WB's World Development Review and noted that in 1997, there were 45 governance reforms advocated; by 2002, the list of institutional qualities developing countries were expected to build capacities in had ballooned to 116 (see Table 2).

The long and expanding list of what constitutes good governance can be overwhelming to implement for poor and developing countries, which, by definition, are already hard-pressed in terms of institutional, technical and administrative capacities. The difficulties in implementing the growing and formidable good governance agenda is compounded because oftentimes, these "reforms" are pushed without taking into consideration what ought to be prioritized, and the timing and sequencing of its implementation. As Grindle observed (2002) "among the long list of things that "must be done" there is little guidance about what's essential and what's not, what should come first and what should follow, what is feasible and what is not" (p. 2). Following this logic, Grindle (2002) coined the phrase "good enough governance" to mean "a condition of minimally acceptable government performance and civil society engagement that does not significantly hinder economic and political development and that permits poverty reduction initiatives to go forward" (p. 2).

The cacophony of voices and perspectives around good governance, however, recedes when compared to the dominant market-enhancing framework of good governance employed by the finance departments (oftentimes the most powerful agency in government) backed by the international donor community in many developing countries.

Table 2. The Good Governance Agenda (Based on Items Referred to in World Development Reports)

	1997	*1998*	*1999/2000*	*2000/2001*	*2001/2002*	*2002/2003*
Characteristics of good governance[1]	18	17	16	19	21	25
Institutions for good governance[2]	8	11	10	17	21	21
Specific laws[3]	4	14	6	9	16	9
Specific policies[4]	6	10	13	20	22	20
Specific services[5]	7	17	12	22	11	20
Broad strategies for achieving specific goals[6]	2	9	9	19	9	21
Total	45	78	66	106	100	116

[1] Good governance means: checks and balances in government, decentralization, efficient/equitable/ independent judiciary, free press, sound regulatory system, etc.
[2] Institutions for: bank and finance regulation, civil service, market efficiency, managing decentralization, participation, transparent budgeting, etc.
[3] Laws for: trademark protection, enforcement of contracts, biodiversity, foreign investment, labor standards, intellectual property rights, etc.
[4] Policies about: land reform, land policy, capital markets, community development, downsizing bureaucracy, fisheries, insurance, social safety nets, etc.
[5] Services for: HIV/AIDS, communications, public transportation, safe water, legal aid for the poor, micro-credit, targeted transfers, etc.
[6] Strategies for: asset creation for the poor, capacity building in the public sector, empowering the poor, engaging the poor, environmental protection, knowledge development, private sector development, etc.

Source: Grindle (2007)

The Mainstream Good Governance Agenda: Issues and Concerns

There is no denying that many of the institutional characteristics indicated in the mainstream good governance agenda are admirable and desirable like Andrew's Sweden or Denmark on a good day (as previously mentioned). Where there is serious contention is whether these characteristics are a pre-condition to or outcome of good governance, whether these characteristics are the most appropriate given the levels or stages of development of many developing countries, or whether these are even the most important institutional traits to focus on for countries still struggling with poverty, imperfect markets and budding institutions. The next section provides an accounting of some of the issues and concerns that have been raised in relation to the mainstream good governance agenda.

First, the good governance recipe of the World Bank and other donors as to what economic institutions are necessary or should be prioritized do not take into account the level and pace of development of each developing country (Chang, 2002, p. 70). According to Chang (2002), "various institutions that are currently regarded as essential components of the good governance structure (e.g., property rights regime, social welfare institutions, public finance institutions) evolved in the now-developed countries… mainly between the early nineteenth and early twentieth centuries" and that it took the developed countries "decades, if not centuries" to build these institutions in their own countries, and that in certain cases, there were even reversals in the process (pp. 115-116). Table 3 provides a summary of the evolution of the various institutions in modern societies today which did not develop "overnight" or even just a few decades.

Table 3. Summary of Evolution in the Now Developed Countries

	First Adoption	***Majority***	***Last Adoption***	***United Kingdom***	***United States***
Democracy					
Male Suffrage	*1848 (France)*	*1907*	*1925 (Japan)*	*1918*	*1870*
Universal Suffrage	1907 (New Zealand)	1946	1971 (Switzerland)	1928	1965
Modern Bureaucracy	Early 19th Century			Mid-1800s	Early 1900s
Modern Judiciary				1930s?	
Intellectual Property Rights					
Patent Law	*1474 (Venice)*	*1840s*	1912 (Netherlands)	1623	*1793*
Modern Patent L.	1836 (U.S.)	1960s	1990s(Spain, Canada)	1852	1836
Mod. Copyright L.					1891 (1998)
Trademark Law	1862 (U.K.)			1862	
Corporate Governance Institutions					
Gen. Limited Liability	1844 (Sweden)			1856 (1862)	
Bankruptcy Law				*1542*	*1800*
Modern Bankruptcy Law				1849	1898
Mod.Accounting/ Disclosure				1848	1933
Competition Law	*1890 (U.S.)*			*1919*	1890
Effective Competition Law	1914 (U.S.)			1956	1914
Financial Institutions					
Modern Banking	Mid-1920s (U.K.)	*1830s*	*1913 (U.S.)*	Mid-1920s	
Central Banking	*1688 (Sweden)*	1900s	1929 (U.S.)	*1694*	*1913*
Modern Central Banking	1844 (U.K.)			1844	1929
Securities Regulation	*1679 (U.K.)*			*1679*	*Mid-1800s*
Modern Sec. Regulation				1939	1933
Income Tax	1842 (U.K.)			1842	1913

Social Welfare and Labor Institutions					
Industrial Accident Ins.	1871 (Germany)	1898	1930 (U.S., Canada)	1897	1930
Health Insurance	1883 (Germany)	1911	Still absent in U.S.	1911	(Still absent)
State Pension	1889 (Germany)	1909	1946 (Switzerland)	1908	1946
	1905 (France)	1920	1945 (Austria)	1911	1935
	1802 (U.K.)			*1802*	*1904*
	1878 (U.K/ Prussia)			1978	1935

Note: Institutions entered in italics denote "pre-modern" varieties, which fell so short of modern standards in terms of coverage and enforcement that they are usually better regarded as different categories from their "modern descendants.

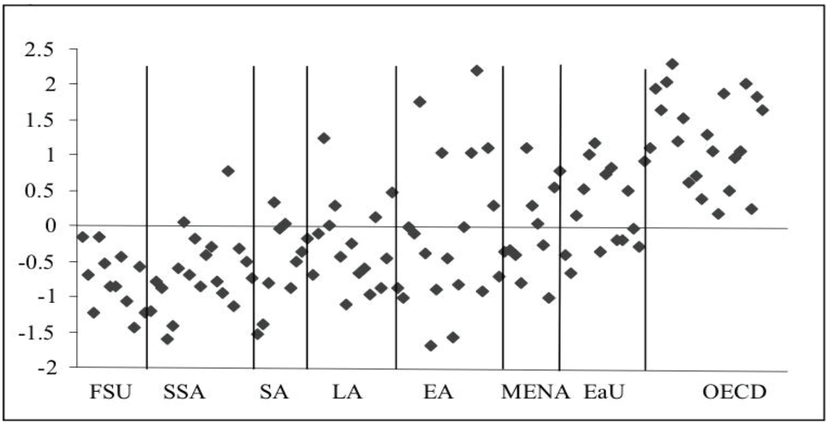
Source: Grindle (2002)

Chang (2002) argues that the demand of multilateral institutions like the WB for developing countries to "adopt world standard institutions right away or at least within the next five to ten years or face punishment for not doing so, seems to be at odds with the historical experience of the now-developed countries that are making these demands" (p.117).

In fact, Andrews (2010, p. 9) observes that even from the perspective of so-called good governments in OECD countries, "good governance can mean different things." The differences are magnified in relation to the 'limits and size of government and the degree to which it is engaged in the economy (Handler et al., 2005;OECD, 1999 as cited in Andrews, 2010, p. 10); According to Andrews (2010), "the good governance picture suggests the importance of limited government, which it measures in terms of legal checks (rule of law) as well as institutionalized constraints on government scope and fiscal size" (p. 10).

Figure 1, which is the Government Effectiveness Score for 81 countries, shows that the more effective governments are those whose scores are above zero (e.g., the OECD, EU members of Eastern Europe, the Middle East and some countries in East Asia) while ineffective governments would be those below zero (e.g., most developing countries).

Figure 1. Government Effectiveness Score, 2006 (-2.5 to +2.5)



Source: Andrews (2010)

Andrews (2010) further stated that

> While rule of law is central to all of the "good governments" it is much more limiting in some than others. A recent OECD survey of budgeting practices found, for example, that the United States has legislation in all 11 areas queried, but the United Kingdom only legislates 4 of the 11, implying different levels of discretion in the latter. Further, government revenue and spending as a percentage of gross domestic product (GDP) ranged in these governments from about 35% to about 55% in 2004 (Hauptmeier, Heiperz & Schuknecht, 2007, p. 268 as cited in Andrews, 2010, p. 10). A government like Sweden uses this money to fund extensive engagement across the economy and plays a dominant role in financing and providing social services (including providing public support for "bakeries, gyms and garden centers," (Henrekson, 2005 as cited in Andrews, 2010, p. 10). The US government is more restrained in its social activities, and the private sector actually plays a bigger role in financing and in providing key services like health care. Comparing the two reveals that the governments actually differ a lot, at least in size and scope underscoring important structural variations in government.
>
> Furthermore, the literature shows that so-called model governments differ in other areas as well. The governments exhibit different levels and types of decentralization—politically, administratively and fiscally (Mosca, 2007; Stegarescu, 2004 as cited in Andrews, 2010, p. 10).
>
> Also, while economic and administrative regulatory burdens tend to be lower than in other countries (except for Belgium which has higher levels) they are still highly variable across the sample (Malyshev, 2006; OECD, 2005 as cited in Andrews, 2010, p. 10). Different regulatory mechanisms underpin different relational structures between government and the private sector, an important aspect of governance (pp. 10-11).

Andrews (2010) summarizes by stating that "countries which are perceived to exhibit good governance features, upon closer inspection, actually possess institutional characteristics which betray significant structural variations" (p. 11).

As such, there has been a serious questioning as to how universal are the good governance benchmarks crafted by the OECD donor community, especially given the highly diverse historical, social, economic and environmental histories of these countries.

Furthermore, what is considered "good" or "bad" is a highly subjective judgment depending on a number of factors. According to Doornbos (2001, p. 100) "if certain standards or practices are now advocated globally, this cannot be because they are intrinsically universal but because the donor world would like to see them being taken up for universal adoption—presumably because this might make life easier for donors." Going further, Doornbos (2001) argues that the good governance agenda is essentially a set of "Western-derived standards of conduct" imposed on "non-Western politico-cultural contexts" or what he calls a "confrontation of different practices and cultural premises" (p. 100).

Second, the elasticity in the definition and dimensions of the good governance agenda has led to an overwhelmingly ambitious "to do list" for developing countries. As Grindle (2010) observes, "getting developed became more and more onerous as increasing numbers of preconditions were tacked on the agenda" dangerously overloading the agenda and "inflating 'what must be done' beyond the capacities of most countries and making good governance a pre-condition (rather than a result or ancillary process) for development to occur" (p. 7).

Furthermore, it has been observed that one effect of the impact of the WB's good governance agenda on Africa was the further weakening of their institutional ability to plan on their own and make their own decisions. Myers (2002) points that

> the continent's strategic and economic marginalization in the new world order and its dependency on foreign assistance have facilitated intervention and governance by international organizations to the extent that more and more of the decisions that determine the life and well-being of Africa's people are today made outside the continent, in the Washington offices of the Bretton Woods institutions (p. 130).

A case in point are the Poverty Reduction Strategy Papers (PRSPs) imposed by IFIs on developing countries in exchange for loans, where "achieving" good governance was seen as a pre-condition for growth and poverty reduction. Grindle (2010, pp. 2-13) classifies the good governance agenda embedded in the PRSPs into two categories: what was addressed and what it was silent on. In terms of what was explicitly articulated, the agenda covered the following: judicial system reforms (e.g., increase its independence, human and budgetary resources), public administration reforms (e.g., introducing merit-based civil service system, decentralization, improving pay and incentives), anti-corruption (improving public accountability and transparency, including in procurement systems, promoting public information and public expenditure management and budgetary processes, creation of culture integrity in government), decentralization and public expenditure management. According to Grindle (2002, p. 3), in many of these specific areas of reform, no links were made to poverty reduction but rather to improving government performance in general.

In terms of what the good governance agenda was silent on, Grindle (2002, p. 5) observes that the issue of checks and balances among the various branches of government (e.g., the role of legislature) was not highlighted and as importantly, there were hardly any attempts to explicitly link the proposed reforms with the effort to reduce poverty. Grindle (2002) argues that

> few of the reform commitments were directly tied to their consequences or impact on poverty reduction. Again, while poverty analyses indicated a series of ways in which the public sector organizations and conditions in the public sector affected poor people, the governance agendas set forth in most of the PRSPs were based on commitments of general import—civil service reform, better public expenditure management, decentralization—that were not linked to poverty…Data on, say, the difficulties that poor people have in gaining access to judicial redress of grievances, or the amount they must pay in bribes and "fees" to see a nurse or send their children to school, or the extent of corruption in public contracting are not likely available. It is with such data, however, that better analysis could be made of priorities in attacking governance deficits, considering which kinds of governance failures most affect the poor, and which kinds of actions would be most effective in combating such problems (p. 6).

Consistent with Grindle's method of identifying what the good governance agenda explicitly addresses and what it is silent on, Tadem (2018) observes that mainstream good governance agenda actively focuses on political reforms, but is generally silent on the institutional reforms such as increasing productivity in agriculture and manufacturing, as well as redistribution, themes that could directly address poverty and inequality in countries like the Philippines. Going further, she argues that the good governance agenda is compatible with the neoliberal development paradigm given its emphasis on the role of markets, the liberalization of trade, deregulation and the privatization of public sector institutions (Tadem, 2018).

Third, as previously mentioned, the results of many of the good governance reforms leave much to be desired because of design and implementation issues both on the part of the donors as well as the borrowers. It is in this context that many analysts have concluded that the promise of good governance has "outpaced its capacity to deliver" (Grindle, 2010, p. 1).

Fourth, there is evidence establishing the weak link between economic growth and good governance. Citing the results of empirical tests conducted by Khan (2018), UNRISD (2010) states that "each of the good governance indicators—property markets, regulatory quality, corruption, voice and accountability—demonstrate that the role of market-enhancing governance in explaining differences in growth rates in developing countries is weak" (p. 273).

Also, various empirical studies show no strong link between the type of political regime—democratic or non-democratic—and economic growth (Dellepiane-Avellaneda, 2009, p. 198).

Moreover, Grindle (2010) states that many large-N cross-country studies have pointed that while

> good governance is an essential ingredient to development… such studies are undertaken in a search for regularities; for patterns that hold across countries and that illuminate the importance of particular variables in these patterns. In governance research for example, researchers can assess the "bang for the buck" that institutions such as secure property rights or an autonomous central bank contribute to economic growth across a variety of countries, or the role of competitive elections in political stability cross-nationally.
>
> Inevitably, because patterns are rarely universal… some countries may exhibit good performance on the dependent variable—economic growth, say—but not score well on the independent variable—property rights, say, or low corruption—even while most countries conform to a predicted relationship. Characteristically, researchers disregard these outliers and focus on the explanatory value of the cases that fit the regression line. Important insights and questions can be generated by looking at the outliers, however, not simply in terms of explaining why these particular cases are outliers but also in terms of raising some questions about the relationships being studied.
>
> For example, with any variety of reasonable measures of good governance, China and Vietnam are likely to score low. Yet these countries have amassed extremely impressive records for consistently high growth rates and poverty reduction, in the case of China over the course of three decades. They are also very large countries—China the largest in the world—whose performance probably ought not to be overlooked in terms of what it suggests about the importance of good governance. If this and other countries can develop in significant ways without at the same time demonstrating clear good governance, shouldn't researchers consider such cases as important to a theoretical relationship between governance and development? (p. 9)

Furthermore, Dellepiane-Avellaneda (2009) observed that many questions have been raised against econometric studies that point to good governance institutions as the key factor to economic growth as these studies have been plagued with "conceptual vagueness, causality/endogeniety problems, missing variable considerations, measurement errors and modeling and specification limitations" (p. 196).

In the mid-1990s, two papers (Stephen Knack and Philip Keefer's *Institutions and Economic Performance* and Paolo Mauro's *Corruption and Growth*) showed empirically the links between institutions and economic performance using cross-national studies (Dellepiane-Avellaneda, 2009). In particular, the first study showed that quality of institutions that are defined to mean security of property rights and the level of contract enforcement, is important for economic growth and investment (Dellepiane-Avellaneda, 2009). The second study, meanwhile, demonstrated how subjective measures of corruption "are negatively linked with investment and growth" (Dellepiane-Avellaneda, 2009, p. 199). These studies buttress the claim that "institutions do matter" and became the precursor of subsequent econometric studies of this type.

However, other researches show that while per capita income and quality of governance are positively correlated, inferring causality is always a problem as some studies show that causation runs in both directions and that "the evidence of causality is inconclusive and the debate remains open" (Dellepiane-Avellaneda, 2009, p. 200).

Furthermore, many of the good governance indicators are based on perception rather than observation (UNRISD, 2010, p. 275); in effect, according to Dellepiane-Avellaneda (2009), "most perception-based measures of institutional quality are not measuring institutions as constraints but institutional outcomes/performance" (p. 202). Kurtz and Schrank who critiqued the WB indicators (which are perception based) argued that the "dominant measure of governance suffer perceptual biases, adverse selection in sampling and conceptual conflation with policy choices" (Dellepiane-Avellaneda 2009, pp. 202-203). Andrews (2010) observes that "input data captured in perception surveys fuels claims of bias in the data and leads to questions about validity and reliability" and reflective of "biased opinions of narrow respondent sets" (p. 494).

Thus, while there is a plethora of empirical research that attempt to demonstrate that "institutions do matter for good governance… the proposition that good governance causes economic development can be contested on conceptual and methodological grounds "due to causality uncertainties, omitted variable biases, modelling/specification deficiencies and most importantly by problems of conceptualization and measurement" (Andrews, 2010, p. 494).

Finally, it is argued that a fundamental weakness of these studies is "analytical" as it highlights "our imperfect understanding of how politics interacts with institutions in shaping development policies and outcomes… as we lack a developed body of theory capable of linking polities, institutional change and economic performance" (Dellepiane-Avellaneda, 2009, p. 203).

Many writers share this view and observe that governance indicators "have been developed with little theoretical framework which is one reason they are vague and imprecise"(Kurtz & Schrank, 2007; Thomas, 2006 as cited in Andrews, 2010, p. 395). According to Andrews (2010), the mainstream good governance agenda which usually mixes outcome, process and policy and turns these into composite indicators are problematic for various reasons, including the fact that "many outcomes can be effectively produced through alternative processes, with different input mixes and different structural and institutional devices regulating how authority is exercised" (p. 399). This is because "different actors have different authority in different settings, and governments therefore exercise their authority very differently," leading some analysts to "focus on outcomes as the indicator of governance and other factors as variables—open to variation and adjustment" (Andrews, 2010, p. 399).

In hindsight, it has been observed that measurements of the impact of the good governance agenda on the performance of aid-dependent countries were not promising, to say the least, and "were rather problematic propositions to begin with" (Doornbos, 2001, p. 102). What were initially a set of politically ambitious and oftentimes intangible good governance-related conditionalities have metamorphosed across time, and have generally been watered down to its core component, that of financial management, as previously mentioned. Andrews (2010) builds a cogent case that even in the realm of public finance management (PFM)—one clear area of good governance reform—one finds that even "good governments" (those in the OECD) differ in relation to fiscal rules, lump sum appropriations and performance management, internal audit, and legislative authority (p. 11). In the words of an OECD survey "there is no one model of performance budgeting; countries need to adapt their approach to the relevant political and institutional context" (Andrews, 2010, p. 22).

Finally, from a developing country perspective, it is worth highlighting that while many of the governance goals are socially desirable, these do not "necessarily promote sustained growth or improve state capacity for delivering equitable economic and social outcomes" (UNRISD, 2010, p. 258). According to UNRISD (2010), while it is true that "growth is likely to be more rapid if markets mediating resource allocations are efficient, a key question is whether maximizing the efficiency of markets is sufficient to maximize the pace of development" (p. 274). As such, Doornbos (2001) observes that "good governance will remain a staple in the rhetoric of donors, its conceptual and practical diminution across time may relegate it in certain policy and academic circles to nothing more than a figure of speech" (p. 203).

Conclusion

In many developing countries today, the lack of good governance is blamed as one of the important causes for intractable poverty and many other social and economic ills. The nomenclature, however, has proven to be conceptually elastic in terms of meaning, perspectives and dimensions across institutions, whether in government, academia, IFIs and other development organizations.

While recognizing the varieties of good governance discourse, there is, however, a dominant paradigm shaped and actively promoted by the international donor community and policy elites, one that speaks of a one-size-fits-all normative and institutional framework for governments to adhere to in the developing world. Stripped of its trimmings, such a framework essentially promotes a policy environment that is optimal for markets to operate and principles like accountability, transparency, and citizens' participation, once the time to operationalize these concepts are at hand, are oftentimes narrowly employed in the service of economic and fiscal management of developing countries. While this is desirable, questions have been raised about the policy silence of linking these principles to other important issues that may matter more for poverty reduction such as addressing difficulties of poor people in accessing judicial redress of grievances, as earlier mentioned, or issues like agrarian reform and industrial policy.

Since its ascendance in development discourse and practice from the 1980s to the present, there has been growing and wide-ranging concerns, issues and downright criticisms that have been levied on the mainstream good governance agenda. Consequently, there has been a steady rise in the literature of institutional qualities that matter more for developing countries grappling with poverty, inequality, and imperfect markets. Much of this literature is based on the actual experiences of former developing countries, mostly in East and Southeast Asia, coined the 'developmental states,' which have successfully managed to dramatically reduce poverty and create broad-based affluence within a generation or two. Interestingly, many of the mainstream good governance indicators do not figure prominently in the development discourse and experiences of these countries. Moving forward, it would be instructive for countries like the Philippines to expand its intellectual and policy horizons beyond the mainstream good governance discourse circumscribed by the international donor community and mainstream policy elites and study the experience of these so-called developmental states—both its theory and practice—in the region in order to gain a deeper understanding of what institutional reforms and state capacities are needed to modernize and how.

Endnotes

[1] A BPO is defined by the Philippine Department of Trade and Industry as "delegation of service-type business processed to a third-party service provider" (Ortiguero, 2009, para. 1). The industry contributed around 9 percent of the country's GDP, or about US$25 billion in 2016. However, it employs only a little over 1 million Filipinos.

[2] For example, Easterly (2003) writes that "in country after country, structural adjustment programs (SAPs) have reversed the development successes of the 1960s and 1970s, with . . . millions sliding into poverty every year. Even the World Bank has had to accept that SAPs have failed the poor, with a special burden falling on women and children. Yet together with the IMF it still demands that developing countries persist with SAPs" (p. 362).

[3] Structural adjustment loans are derived from structural adjustment programs where loans are provided by international financial institutions like the International Monetary Fund on the condition that borrowing countries implement a set of free-market policies such as privatization, deregulation, liberalization, fiscal austerity and the like.

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