

NPM and Globalization

*THE PHILIPPINE EXPERIENCE**

ADELINA B. SARMIENTO
Assistant Commissioner
Civil Service Commission
Republic of the Philippines

GLOBALIZATION: CHARACTERISTICS

Globalization, a world notable for borderless economies and advances in information technology are hot topics of conversation throughout the world particularly in developing countries. What exactly are these, specifically globalization? Globalization is characterized by:

- ✍ Unprecedented economic interdependence driven by cross-border capital movements, rapid technology transfer, and “real time” communication and information flows.
- ✍ Rise of new actors that challenge state authority, like non-governmental organizations and civic groups, global firms and production networks and even financial markets.
- ✍ Growing pressure on states to conform to new international standards of governance, especially in the areas of transparency and accountability.
- ✍ The emergence of an increasingly-Western dominated international culture
- ✍ The rise of severe transnational, problems that require multilateral cooperation to resolve.

The full import of globalization became manifest in the Philippine public sector in 1997 with the outbreak of the Asian financial crises. Drastic changes ensued, wrecking havoc to the region’s economies. Speculators abruptly pulled out their investments. Devaluation of currencies and even serious political instability followed the economic dislocation. Consequently, with the evolving role of

*Country paper of the Philippine Government presented by Assistant Commissioner Adelina B. Sarmiento of the Civil Service Commission during the “**First Regional International Conference**” of the International Institute of Administration Sciences held on 19-22 June 2000 at Bologna, Italy.

governments and of public administrators in the face of globalization, such changes likewise produced cascading effects.

GLOBALIZATION AND GOOD GOVERNANCE

Stability in governance and public administration systems is the consequence of a shared-universal confidence of ordinary citizens, of local businessmen and investors and significantly, of the countries' trading partners and of decision makers in the financial capitals of the world that there are no instabilities, economic, political or otherwise, because the government had done the right things, is doing the right things and will continue to do the right things.

A World Bank study concluded that good public administration is a condition *sine qua non* to socio-economic development and the ability of nations to cope with the challenges of globalization, among others,

True enough, despite variances in culture and broad array of political systems, one commonality emerged among nations with high performing economies --- a strong and responsive system for civil governance and public services delivery. It is but logical to presume that good public administration is a pre-requisite to any growth in the life of a community or a nation. To achieve this, reforms in administrative machinery in terms of orientation, structures, processes and people-factor are a must.

Scrutiny of these administrative reforms reveals that they are synonymous with the principles of the New Public Management which are characterized by:

1. Hand-on professional management
2. Explicit standards and measures of performance
3. Greater emphasis on output controls
4. A shift to disaggregation of units
5. A shift to greater competition
6. Stress on private sector styles of management practice
7. Stress on greater discipline and parsimony in resource use

PUBLIC ADMINISTRATION IN THE PHILIPPINES

The Philippines is a developing country in Southeast Asia with a fully-functioning democracy known for its system of checks and balances. It is one of the first countries in the entire Asian region to recognize Public Administration as a distinct profession and as an academic discipline. Certainly, New Public Management is not an alien concept in Philippine academe and among career public managers. However, the extent to which it has taken root in the public service has been uneven.

CONTRASTS

Conventional public administration gave high premium to the three E's: efficiency, economy and effectiveness. NPM, however, has introduced a wide range of innovative ideas such as administrative relevance, values in administration, social equity, client focus, participation, decentralization, administrator as change agent, individual growth, interpersonal relations and organizational adaptation, as contradistinguished from such classic ills in public administration like political patronage, inefficiency, incompetence, over regulation, bureaucratic red tape and corruption.

Unfortunately, the Philippines has a long history of being steeped in conventional public administration practice with emphasis on procedures, on internal order and efficiency, on regulation, not to mention the innate aversion of bureaucracies to change, to new priorities and orientations.

With this as background, this paper will now proceed to discuss a selective sampling of the Philippine experience in NPM, including personnel administration given the background of the author.

ENFORCEMENT OF PRESCRIBED NORMS AND STANDARDS

Norms and standards have long been established in the Philippine government's personnel administration system and enforced by the Civil Service Commission, the independent central personnel agency, at all levels --- in recruitment and selection; in career progression; in performance and discipline. Example: Qualification Standards as to education, experience, training and eligibility obtained by passing an examination.

Adverse intervening events such as political reasons or political patronage affected compliance thereof.

It was only in the late 80's that enforcement of norms and standards at all levels were finally tightened up --- at the recruitment level; in actual job performance; in discipline. Qualification standards particularly the eligibility requirement were strictly enforced; passing marks for civil service examination were raised; the performance evaluation system was refined and made more flexible to make it relevant and applicable to the varied array of positions in the government.

A Very Satisfactory rating is now a non-negotiable pre-requisite for promotion; two successive "Unsatisfactory" or one "Poor" rating is a ground for dismissal from the service. The schedule of administrative penalties was updated to reflect current concerns and priorities. Prior to the updating, incompetence and non-performance of duties were categorized as minor offenses. Now, they are serious offenses punishable by dismissal.

Job performance and performance-based tenure are now the emergent trends in modern public personnel administration.

Early this year, the Civil Service Commission introduced an extensively revised Performance Evaluation System (PES) which emphasizes explicit standards and measure of individual employee performance on specific and measurable outputs per employee over a defined period, plus the new dimension of client satisfaction wherein an employee's performance rating now factors in an assessment of clients on how well (or how badly) he performs his job.

MAMAMAYAN MUNA - THE CITIZEN FIRST

The mechanism by which client satisfaction will eventually become one of the bases of an employee's performance rating has already been in place since 1994 and is at present the lead program of the Civil Service Commission called "*Mamamayan Muna, Hindi Mamaya Na*" or "Citizen First, Not Later". The program encourages citizens to report good and bad behavior by government employees. It employs telephone hotlines, radio programs and a nationwide network of action officers complemented by non-governmental organizations. Result --- quick rewards for the deserving and quick punishment for minor misdemeanors and untoward behavior without going through tedious administrative and legal proceedings. The problem of the client is immediately resolved and the erring bureaucrat is chastened and on a more positive note, commendations for good service or behavior is a factor for possible promotion, rewards or incentives.

The program is still evolving but this early, it has already received a very positive response from the transacting public.

It is heart warming to note that such client satisfaction programs are common to governments in the ASEAN composed of Indonesia, Thailand, the Philippines, Malaysia, Singapore and Brunei. In Malaysia and Singapore, for example, such client-focused programs were the major factors in the transformation of public perceptions about government service and eventually, to substantive reforms in the processes of government itself.

PROFESSIONALIZATION OF MANAGEMENT

The professional/technical and the administrative/support component of the Philippine government workforce is categorized as professional in the sense that they possess all the credentials for their particular positions. They belong to the career service and enjoy security of tenure.

Efforts to build and maintain a corps of professional government managers began in 1972 but the process has been rather slow. A big factor is the difficulty to qualify as a Career Executive Service Officer (CESO). Except for government

executives who are appointed as CESOs outright on the basis of validated outstanding performance, a regular CESO has to pass a battery of managerial aptitude tests and a sequential series of assessments, validation, further training and even an extended period of “rural immersion” in depressed areas to better appreciate the social, economic and cultural milieu of the greater mass of Filipinos. While much remains to be done in this area, the professionalization of the senior managerial ranks is proceeding apace. In 1990, only 19% of senior managers in government are CESOs. Today, the proportion is 37% and efforts are continuing to speed up the process without compromising standards.

Other longer-term programs address the issue of competent leadership and management. This includes the Supervisory Development Program which has produced 9,350 graduates. Another is the Local Scholarship Program (LSP) which is the most substantial HRD investment and has sponsored 3,816 Division Chiefs for Masteral Degree courses mostly in public administration and management. A component of the LSP is the Graduate Scholarship Program in Public Management wherein top performers of the program are sent to Canada for work exposure in selected Canadian public institutions. Other on-going managerial development programs are the Advanced Management Development Program, also for Division Chiefs and the exposure program for senior Philippine government officials to best governance practices also in Canada.

An even longer term program which focuses at the entry or recruitment level but is aimed at eventually strengthening the senior managerial ranks is the “Brightest for the Bureaucracy Program (BBP-1996)” which seeks to draw bright young people of superior knowledge and skills into joining government and nurture their career growth in the public service. These are the honor graduates, topnotchers of government licensure and eligibility examinations and the top 10% of graduating classes from university courses. Among the incentives given them are: substantive and challenging work assignments; access to further training and development opportunities in the Philippines and abroad; and rapid promotion within the bounds of existing personal rules.

A YOUNGER PUBLIC SERVICE

Sometimes, the weight of history and tradition can be a hindrance to institutional reform and the adoption of new public management practices. There is also the issue of the chronological age of government employees themselves.

At present, the Philippines has the oldest retirement age among the ASEAN Civil Service. Government employees may optionally retire with full benefits at less than 65 years with at least 20 years of service while mandatory retirement age is at 65. There is a pending bill in the Philippine Legislature to lower optional retirement to age 55 and mandatory retirement at age 60.

(In the Judiciary, however, the retirement age is 70.)

RESHAPING GOVERNMENT

For years, the common perception was that the Philippine government was too bloated; too centered in urban areas; with too many staff support but not enough technical/professional people.

Thus, through the years there were various attempts to trim the numbers. Paradoxically, those who left were the very people that should have been retained.

From 1992 to 1996, the Philippine successfully downsized the government workforce through a system known as “attrition”. A law was enacted by the Philippine legislature for this purpose. For a period of five years, positions as they became vacant were prohibited from being filled up. Some 100,753 positions were left unfilled resulting in 9.3 Billion pesos savings.

Attrition is a painless downsizing mechanism which elicited no protest from government employees unlike reorganization. There were no service breakdowns and while it was being implemented, the Philippine economy was growing: GNP growth averaged 4.2% annually when attrition was in place.

(Note: What is needed is to rightsize the bureaucracy for a more effective and efficient delivery of services.)

LESS SUPPORT STAFF, MORE DELIVERIES OF SERVICE

It used to be that the three-tiered bureaucracy was shaped like a pyramid with support/clerical/utility personnel forming the base; the professional and technical personnel in the middle and the small, senior managerial ranks in the apex.

Today, professional and technical personnel constitute 64%; support, clerical, utility 34% and the managerial/executive level is 1.6%. The predominance of professional/technical people is a positive development. The Philippine bureaucracy is not top heavy nor is it overly laden with clerks and typists.

Government functionaries are not crowding that much anymore in the urban areas, particularly Manila. About 9 years ago, 50% of government employees from all sectors and levels were found in Metropolitan Manila area. Today, this figure has gone down to 31%.

DECENTRALIZATION

Prior to 1991, the Philippine was a good example of centralized government. The tone, the pace and the direction of the administrative machinery including priorities and allocation of resources emanate from the central government usually located in Manila. Regional (14 centers) as well as personnel in the payrolls of

national government agencies with regional assignments were accountable to their head office in Manila and not to the local government units whose populace they serve.

This set-up renders service delivery difficult.

Decentralization of functions, resources and responsibilities from the national to the local government units and the exercises of local autonomy were the recommended solutions. But a number of factors worked against decentralization:

- ↳ The all too-human (and organizational) tendency to keep power in the center
- ↳ Lack of absorption capacity at the field units
- ↳ Reluctance to share not only responsibilities but resources as well

Decentralization presupposes that the center has sufficiently clarified all priorities and expectations from the local government units by way of powers and responsibilities.

It was only in 1991 when the Philippines took the first firm and substantial steps towards true decentralization and local autonomy. Amidst protracted controversy and debate and despite the serious misgiving of oppositors, the Local Government Code of 1991 was passed into Law.

With decentralization came devolution in the sense that local governments were made wholly responsible for the delivery of health, social services, environment, public works, education and tourism and the enforcement of certain regulatory powers such as reclassification of agricultural lands, environmental laws and inspection of food products and enforcement of quarantine regulations, among others. Financial resources available to local government units were increased; full autonomy in the exercise of proprietary, governmental and corporate rights and powers of Local Government Units (LGUs) were also enforced.

Unfortunately, several attempts were made by some adversely affected sectors to put devolution on hold, either wholly or by sectoral concern. An example is health services which were proposed for exclusion from the devolution process and for retention under the control of the national government. Hence, the “re-nationalization” of a number of hospitals.

On the whole, however, devolution and true local autonomy is progressing at a good pace. Scenarios of breakdowns in public services delivery have not materialized. Furthermore, the local government sector has consistently been the fastest growing sector in the Philippine public service.

Simply put, government personnel have moved out of Manila and the regional administrative centers and out of the national government payroll and have joined the ranks of provincial city and municipal employees. It used to be that LGUs outside the capital and its environs were regarded as poor country cousins to their more progressive and cosmopolitan counterparts in the big city. But not anymore. The list of well-performing LGUs (one of which has drawn the UN's attention) is growing rapidly and appears to be capable of sustaining their progress and dynamism. Example of centers of excellence in local governance are the cities of Naga (once bankrupt); Davao (once beset with serious peace and order problems); Olongapo (once thought to be doomed with the closure of an adjacent American naval facility); Palawan province (once in danger of environmental despoliation by mining, timber and commercial fishing interests) and the province of Naga (which once faced extreme poverty and near famine with the collapse of the sugar industry in the 80's). The list also includes the cities of General Santos, Baguio and Cebu and the provinces of Cavite, Laguna, Batangas and Quezon which are now bustling industrial and manufacturing centers.

These local government units all boast of healthy economies, efficient and responsive public services and perhaps most important, active and sustained citizen support. This critical support is made possible by strong, highly credible and popular leadership.

THE PHILIPPINE PRIVATIZATION PROGRAM

The Philippine Privatization Program was launched in 1986, the year democracy was restored in the country.

There was a perceived need for government to focus its energies and resources to the provision of basic public goods and services. Equally important was the creation of a favorable investment climate for the private sector by eliminating undue competition by government corporations. The program was also conceived in the light of broadening public ownership of government properties in order to develop a capital market; minimize government losses; and generate resources for priority development programs such as the Comprehensive Agrarian Reform Program. Lastly, like in all other programs involving the government corporate sector, the privatization program is seen as a good ground for exposure of government corporations to market discipline and competition to improve their operational efficiency, make their operations more responsive to consumer needs and remove their reliance on government subsidies, tax exemptions/guarantees and expand economic activity through greater investment by the private sector. It will be noted that all these are tenets of New Public Management.

SCOPE OF THE PHILIPPINE PRIVATIZATION PROGRAM

Under the Program, the government seeks to divest itself of government owned and controlled corporations (GOCCs), idle assets and properties and those entities which were transferred by certain institutions to the national government. Prior to the implementation of the program, there were 301 GOCCs comprising the government corporate sector.

The program consists of three phases or “waves”. The first wave refers to the reprivatization of private assets acquired by certain government entities. The second wave covers the disposition of government properties in the utilities and infrastructure sectors which traditionally have been state-subsidized, such as water and power. The third wave consists of the following components:

- (1) opening a wider range of public services to private sector, such as housing, postal services, education and pension funds;
- (2) re-engineering government’s role as public service provider within the context of its role as enabler in civil society; and
- (3) a thorough review of the present scheme of public service delivery to determine whether or not these services could be better managed, more efficiently run or conducive to private rather than public provision.

The first wave of the Philippine Privatization Program has been fully completed with the disposition of all acquired assets of the government through public offering, bidding and negotiated sale. The second wave is in the last stages of completion.

On the whole, The Philippine Privatization Program has been successful both in terms of its physical and financial accomplishments. The total number of GOCCs which have actually been privatized represents more than half of the total number of GOCCs earmarked for privatization. This accomplishment is significant not only in terms of the number, but more important, in terms of the kind of GOCCs disposed of. Most of these GOCCs are the so-called Crown Jewels such as the sale of 40% of the Philippine National Oil Company, the National Steel Corporation, the Philippine National Bank and the Philippine Shipyards Engineering Corporation. Very recently, the Metropolitan Waterworks and Sewerage System was also privatized.

In terms of gross revenues, the program generated a total of 170.4 billion pesos for the period 1987-1996 representing the cumulative proceeds from the sale/disposition of 433 accounts. Of this amount, 69.7 billion pesos was generated from the sale of 91 GOCCs while 44.3 billion pesos represents the proceeds from the disposition of 334 transferred entities. Another 56.4 billion pesos was generated from the sale of other assets.

In addition to all these physical and financial accomplishments, it is important to note that the program contributed much in rationalizing the management of the entire government corporate sector. For one, there has been a substantial improvement in the financial performance of the remaining GOCCs as a result of measures instituted to enhance their financial viability and operational efficiency. An example is the standard corporate planning model for GOCCs. More significantly, the infusion of scarce national government funds to GOCCs has been contained even as the investment program of the retained GOCCs have been sustained. Consequently, the national government is now able to allot more funds for the delivery of basic public goods and services and priority development programs.

CURRENT ISSUES

While the Philippine Privatization Program is a success, certain issues remain to be addressed.

First, there is a need to identify the strategic industries where the government should retain a major interest on shareholdings to enable it to influence policies and pricing of services and commodities. This should be pursued in the context of the government policy and economic liberalization.

Second, the legal impediments such as court injunctions stopping the sale of government assets and properties must be addressed with finality.

Third, there is a need to have a financial burden sharing arrangement between creditors and shareholders. In many cases, the national government had to assume the debt burdens of GOCCs for sale to make them more attractive to buyers.

Fourth, an incentive scheme must be incorporated into the privatization program to encourage investors to bring their own assets. This stems from the observation that most foreign buyers of privatized companies borrow from local sources and therefore compete in the already limited domestic capital market. This calls for appropriate regulations requiring expatriate investors to bring their own capital resources rather than tap local sources for investment in privatized entities.

Finally, there is a need to study and address the implications of privatization to the employment situation to minimize and mitigate economic dislocation and the attendant social costs. There must be "safety nets" for those who would be adversely affected, and for government to ensure that such measures are implemented by the new owners of privatized government corporations.

NEW PARADIGMS OF GOVERNANCE

While decentralization and privatization have gained much headway, some quarters still see the need for a radical but planned and deliberate re-orientation and restructuring of government. What is being envisioned has never been undertaken in the 100-year history of the Philippine civil service. What will be involved is not the cosmetic re-shuffling of boxes around the organizational tree but a tear-down and rebuild undertaking dubbed “Reengineering the Bureaucracy”. The effort will hew to the so called new paradigms of governance. This involves defining and articulating the fundamental principles that will determine the scope, the level and the focus of government intervention in society. Only after making such a determination shall the new organizational structure be built.

Simply put, it must first be determined what government ought to do; whether it can do the job well and whatever its worth the money being spent. Among others, this means re-examining all activities that are funded yearly and discontinuing those that have lost real value.

Government’s primarily responsibility will be limited to the following:

- a. Management of the macro-economy, including the formulation and implementation of socio-economic, fiscal and monetary policies;
- b. Maintenance of peace and order, and national and political security;
- c. Conservation of natural resources and ensuring their productive utilization and sustainable development;
- d. Maintenance of a reliable system of administering justice, lawmaking and law enforcement;
- e. Provision of adequate and appropriate infrastructure;
- f. Provision of quality basic education, specially to the poor and disadvantage population;
- g. Promotion of economic and political diplomacy, developing and effectively achieving sound and mutually productive economic and political relationships with other nations and international communities; and
- h. Mitigation of disasters and management of state emergencies.

Thus, government will assume the role of enabler and facilitator, rather than its traditional role of provider of services and regulator. The bigger challenge is not so much in building the structure but in re-orienting the mindsets of the vast bureaucracy when such a radical re-structuring finally does the place.

The first attempt to reengineer government was made in the previous administration. However, the legislature did not pass the measure.

The bill has been refiled by the present administration but parallel moves are already being undertaken through administrative action by the President which are allowed by law.

This dual approach is necessary as legislation is inherently a long and tedious process particularly when the status quo in altering the conservative bureaucracy is involved.

The Philippine experience in NPM is still unfolding even as the challenges of globalization are already upon us. We have no illusions that it will be an easy and painless process since we are pursuing it not with the iron hand of authority but through the divisions and debates of a fully-functioning democracy.