



Understanding The Implications Of The Mandanas-Garcia Ruling On Philippine Local Governance: Issues, Challenges And Prospects

Ederson de los Trino Tapia,^{1*} Sonia Fontanilla-Pimentel,^{2*} Rhene C. Tabajen,^{3*} Pompeyo C. Adamos II^{4*}

^{1*}Professor and Dean, College of Continuing, Advanced and Professional Studies, University of Makati, West Rembo, Makati City, Philippines

^{2*}Assistant Professor and Dean, College of Governance and Public Policy, University of Makati, West Rembo, Makati City, Philippines

^{3*}Associate Professor and Associate Dean, College of Continuing, Advanced and Professional Studies, University of Makati, West Rembo, Makati City, Philippines

^{4*}Associate Professor and Director, Graduate Programs in Public Administration, College of Continuing, Advanced and Professional Studies, University of Makati, West Rembo, Makati City, Philippines

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ABSTRACT

The 2018 Mandanas-Garcia ruling by the Philippine Supreme Court marks a crucial development in local governance, notably broadening the fiscal foundation for calculating the National Tax Allotment (NTA) for local government units (LGUs). This decision enhances decentralization by redistributing significant financial resources and delegated functions from national government agencies to local government units, thereby furthering the aims of the Local Government Code of 1991. This study analyzes significant implications of the ruling, focusing on its effects on decentralization, the policy-making process, the redefined roles of national government agencies and local government units, fiscal equity, and the wider socio-political and governance context. The ruling provides a framework for improving local government unit autonomy and service delivery, while also underscoring persistent challenges, including deficiencies in capacity building, inequities in resource allocation, and cultural obstacles to governance reform. The implementation of instruments such as the Growth Equity Fund seeks to mitigate disparities; however, their effectiveness is contingent upon the alignment of implementation strategies and intergovernmental cooperation. This paper contextualizes the ruling within public administration, highlighting its implications for governance paradigms, the shift towards potential federalism, and the dynamics of public policy processes. This study emphasizes the importance of a comprehensive societal approach to attain sustainable and inclusive decentralization by integrating both theoretical and practical perspectives. The Mandanas-Garcia ruling exemplifies a significant case study, providing insights into the complexities of fiscal decentralization and the transformative potential of governance reforms in developing economies.

Keywords: Mandanas-Garcia Ruling, decentralization, Local Government Units (LGUs), National Tax Allotment (NTA), Public Policy Reform

A. Introduction

On July 3, 2018, the Supreme Court (SC) ruled in favor of the combined Mandanas-Garcia petition on the existing internal revenue allotment (IRA), contravening Section 284 of RA 7160 or the Local Government Code (LGC) of 1991, which prescribed the just share of local government units (LGUs) to be 40 percent of the national internal revenue taxes. The decision of the SC was handed down in G.R. No. 1999802 and in G.R. No. 208488 in answer to the respective petition of Batangas representative Hermilando Mandanas and of Bataan representative Enrique Garcia. According to the petitioners, LGU shares should include all national taxes collected, and not only from the collections of the Bureau of Internal Revenue (BIR).

The SC found said Section 284 of the LGC to be unconstitutional or against the letter and spirit of the provisions of the 1987 Constitution. Thus, it ordered that apart from the Bureau of Internal Revenue (BIR) collected taxes, the share of LGUs should include tariff and duties collected by the Bureau of Customs (BoC), 50 percent of value-added tax, 30 percent of national taxes collected in the Autonomous Region in Muslim Mindanao (ARMM), 60 percent of national taxes collected from the exploitation and development of national wealth, 85 percent of excise tax from tobacco products, and a portion of franchise tax under Republic Acts 6631 and 6632 (Horse Racing Laws), among others.

The SC also ruled that on the very day of its decision, Mandanas and Garcia's petitions would be effectively granted. In its precise wording, the SC "commands the automatic release, without need of further action, of the just shares of the LGUs in the national taxes."

Looking back, the petitions began in 2011 or 2012 when two congressmen filed separate petitions (Mandanas in 2011, Garcia in 2012) in the judiciary on the wrong computation of the LGUs' share of the national revenue due them. Between 2011-2012, some six to seven years had to lapse during which time the SC was studying the matter before it handed down its decision in 2018. President Benigno Aquino III was yet the President in 2011-2012 and the judiciary only decided in 2018, in the term of President Rodrigo Duterte. That also gives us an idea of how slow the public policy process in the Philippines operates. Just to determine if a policy problem existed or not took six to seven years for the SC to say with finality that, indeed, a problem existed.

Perhaps, in the spirit to speed up the process, the SC passed a resolution on April 10, 2019 for the outright implementation of its decision by the executive branch. For some reason, due to the arrival of COVID-19, the ruling could not at once be enforced. In other words, the public policy making process was stalled due to the preoccupation of the government in some priority activity. Public health was a priority policy over that of the LGUs' just share of national taxes, that is, an issue that has become a matter for public policy making cannot be carried out at once due to some pressing policy agenda. In this case, the LGUs' just share had to take a backseat against the dominant issue of how to control the spread of infection of COVID-19.

Nevertheless, while COVID-19 was raging, President Duterte issued on June 1, 2021 Executive Order 138, titled "Full devolution of certain functions of the executive branch to local governments, creation of a committee on devolution, and for other purposes." The EO directed the following actions:

1. Preparation of the Devolution Transition Plans (DTPs). Both the national government agencies and the LGUs must prepare their DTPs to conform to the guidelines to be issued by the Department of Budget and Management (DBM) and the Department of Interior and Local Government (DILG).
2. The creation of the Committee on Devolution (ComDev) to be led by the DBM Secretary to implement its administrative and fiscal decentralization goals. This ComDev must propose a "growth equity fund" to Congress to address issues on marginalization, unequal development, high property incidence, and disparities in the net fiscal capacities of LGUs.

It was EO 138 which actually brought up the just-share-of-the-LGUs issue to the consciousness of the average Filipino. Per observation, while from 2018 to the first half of 2021, the media was relatively silent on the Mandanas-Garcia ruling of the SC, and the public not much engaged with said ruling, the moment EO 138 came out in June 2021 marked the very time when the Internal Revenue Allotment (IRA), and its replacement, the National Tax Allotment (NTA) only became public policy fodder. It seemed that while the SC had already set in motion a public policy process, such a process did not automatically activate until everybody knew what President Duterte had in mind about it. Nobody in the executive branch wanted to act – adopting a wait-and-see attitude until President Duterte would act – which is the behavioral outcome when people are constrained to do when they have a leader with autocratic leanings.

Rationale of the Paper

Be that as it may, the paper examines the implications of the Mandanas-Garcia ruling. Indeed, there are very significant issues, challenges and policy prospects that are interspersed with the implications. Implications are logical consequences, positive or negative, raised by a researcher or scholar, as to the possible directions by which an existing event, whether in the form of a policy, program, project, or activity, may take shape due to the configuration of the arrangements, statuses, positions and interests of the people involved in the event, as well as the influence of the context or environment in which they live. Implications, similar to problem statements, become more clearly understood if they are raised as interrogative exploratory questions.

Implications lead to raising likewise the issues, challenges and prospects that accompany or are related to the event or action taken by an entity, whether individual or a group of individuals. Issues comprise the possible conflicts that arise because of the different choices and preferences of individuals and groups. Challenges are the problematic possibilities that any issue has to work out or resolve so that the issue may no longer become a source of conflict. Lastly, prospects are the future positive outcomes once individuals or groups involved in the issue overcome the challenges.

So far, the literature on the Mandanas-Garcia ruling has churned out several reactions and responses from different public sectors. The earliest was that of Manasan (June, 2020) of the Philippine Institute of Development Studies (PIDS) which highlighted the fiscal sustainability, equity, and allocative efficiency implications. The World Bank published its response in June 2021 tackling the fiscal impact of the case. Diaz-Manalo, et al (August, 2021) of the House of Representatives (Batasang Pambansa) released their viewpoint on the implications of the ruling this time going beyond the fiscal aspects. Three more responses came out but these were more individual reactions. Nevertheless, that of Villanueva (June, 2022), pointed out the role of the LGUs in the Mandanas-Garcia ruling.

One direct implication relates to the fiscal or budgetary estimates and formulas that have to be once more reconfigured, including the difficulties involved in such a process. These implications bear on how the new allocation would be distributed. Foremost of these is the ruling's effect on the NG fiscal situation, the examination of programs, activities, and projects (PAPs) to be devolved. There are concerns on how the intended outcomes can be achieved as NGAs transfer to LGUs some of the PAPs they had been performing before. Full devolution of functions, along with the concomitant transition, entails both fiscal and PAP implementation issues which can impact on fiscal sustainability, service delivery, and the achievement of national objectives.

Still, other implications exist that go beyond the fiscal impact of the SC ruling. For a more comprehensive endeavour, these other implications have to be enlisted and consolidated so as to give a broader overall analysis and evaluation of the consequences of the Mandanas-Garcia case. The paper thus justifies itself by opening up and exploring new implications in both much-analyzed and less-analyzed public policy areas, for the sake of a comprehensive analysis and discussion, to wit:

1. Decentralization as a means of to have better governance, given the fact that decentralization was harnessed as one means to deliver timely and more relevant needs of the people;
2. Errors and changes in public policy making;
3. The new if not lessened role of the national government agencies (NGAs) facing a further transfer of powers to the LGUs;
4. The additional role of LGUs as they face more powers and tasks transferred to them;
5. The fiscal difficulties accompanying the distribution of the new NTAs among the LGUs and how these have to be resolved;
6. The additional resources and capabilities that LGUs need to equip themselves as they prepare themselves for their new roles;
7. The long-term aspiration of shifting from a unitary presidential form of government towards region-based federalism and parliamentary system;
8. The process of public policy making; and
9. The transition anxieties felt by the affected public sectors.

Moreover, there needs to be a paper that touches on other implications unexplored by previous studies. These refer to implications in the cognitive-emotional-psychological area, that is, how the shift would impact the mindset and attitudes of the public servants affected during the transition period. In the case of the NGA employees, for example, there is some apprehension felt if not anxiety as to where their lessened powers would bring them to. Similarly, in the case of LGU employees, they would also feel some new excitement as well as anxiety as to where the additional grant of powers would oblige them to do as they are expected to do. This area has to be incorporated in a comprehensive study to look at the other implications of the Mandanas-Garcia case.

Though a public administration, governance, and policy paper is compelled to touch on the traditional areas of study, today, this exclusivity can no longer be the case because of the inter-relatedness of knowledge demanding a whole-of-society approach in looking at implications, issues, challenges and prospects. The cognitive-emotional-psychological area of study offers new arenas for investigation because the actors involved have choices and preferences from which result the conflict in decisions and actions in governance and policies. They are also human beings with intentions, goals, feelings, and anxieties, as they navigate their rights and obligations as citizens of the country, if not as members of a community.

Objectives

Taking all these into consideration, the paper proceeds with the following objectives:

1. To identify and describe existing as well as other new implications in relation to the SC ruling and EO138 directive;
2. To determine the extent to which the implications may affect and impact the processes involved on the national and local levels of government;
3. To discuss and analyze the accompanying issues, challenges, and prospects of the ruling;

4. To present a matrix of implications, issues, challenges, and prospects to better see the relationships of what the paper raises; and
5. To draw out some lessons and insights from the SC ruling and EO 138 that may serve as guide to the promotion of local government development in general and to the delivery of services to the people in particular.

Methodology

The paper draws on documents and the literature as its source references. These sources were then interpreted and analyzed thematically, from which several implications were derived, as cited in the Rationale section. The substantive part of the paper is the description and elaboration of the identified implications, issues, challenges, and prospects, followed by a discussion and analysis of how these interweave with each other, as illustrated in the matrix presented by the study.

B. The Implications

Implication No. 1: On decentralization

The first and most frequent implication that observers of the Mandanas-Garcia case have in mind is all about decentralization, specifically, how the ruling affects decentralization. How does the SC ruling on the Mandanas-Garcia IRA petition further affect the already implemented decentralization process that started with RA 7160? Has it contributed to further the goals of the policy of decentralization?

The ready answer is that it will more deepen and strengthen this decentralization process. With the national government showing the way, certainly there is commitment to hasten if not complete the goals of decentralization. The government officials themselves in all three branches, executive, legislative, and judicial, demonstrate an unwavering faith in decentralization as an advantageous strategic means to have better governance.

So far, decentralization has been slow in the making. First, presidents such as President Duterte, have strong centralizing tendencies, a factor that has delayed if not deterred decentralization to really make a dent in the mindset of leaders with autocratic leanings. Local governments seem unable to decide unless with the blessings of Duterte.

On the other hand, it was Duterte himself who issued EO 138 the effect of which hastened the decentralization and strengthened the LGUs' powers and resources. With more leaders who have the LGUs' in mind as a top agenda, there is promise that decentralization could be speeded up, completed, and enabled to contribute its role towards better governance in the Philippines. Other observers have been painting the hope that by 2024, the full devolution and decentralization process would be realized. Would the plans prepared by the DBM and the DILG suffice to pave the way for the hoped-for devolution/decentralization? Would the plans automatically result in the right implementation measures and actions?

Implication No. 2: On errors and changes in public policy making.

Most implications of the SC ruling take up future consequences. This implication goes back retrospective – raising the problem that while policies may be right and agreed upon as right at the start may in due time be found defective. This was the case with the provision of IRA in the LGC.

Mandanas, et al., allege that certain collections by the Bureau of Customs (BOC) such as excise taxes, value added taxes (VATs) and documentary stamp taxes (DSTs), have not been included in the base amounts for the computation of the IRA; that such taxes collected by the BOC, should form part of the base from which the IRA should be computed because they constituted National Internal Revenue Taxes (NIRTs) or the IRA base; that, consequently, the release of the additional amount of ₱60,750,000,000.00 to the LGUs as their IRA for FY 2012 should be ordered; and that for the same reason the LGUs should also be released their unpaid IRA for FY 1992 to FY 2011, inclusive, totaling ₱438,103,906,675.73. According to the implementing rules and regulations of the LGC, the IRA is determined on the basis of the actual collections of the NIRTs as certified by the Bureau of Internal Revenue (BIR).

Simply stated, the petitioners raised the issue of whether or not the exclusion of certain national taxes from the base amount for the computation of the *just share* of the LGUs in the national taxes is constitutional. Well, the SC ruling informed everybody that the petitions are partly meritorious. Following, the application by the LGC of Dillon's Rule as provided in Section 5(a) that "Any provision on a power of a local government unit shall be liberally interpreted in its favor, and in case of doubt, any question thereon shall be resolved in favor of devolution of powers and of the local government unit" and that "Any fair and reasonable doubt as to the

existence of the power shall be interpreted in favor of the local government unit concerned,” the SC thus interpreted the said provision in favor of the petitions.

Indeed, congressional lawmaking remains subject to the 1987 Constitution limitations. The phrase *national internal revenue taxes* in Section 284 has been interpreted as more restrictive than the term *national taxes* written in Section 6. Congress then has actually departed from the letter of the 1987 Constitution stating that *national taxes* should be the base from which the *just share* of the LGU comes. Such departure is impermissible, said the SC, citing the Latin *Verba legis non est recedendum* (from the words of a statute there should be no departure). By so doing, Congress has curtailed the guarantee of fiscal autonomy in favor of the LGUs under the 1987 Constitution, which is similarly impermissible.

Strictly speaking, customs duties are also taxes because they are exactions whose proceeds become public funds. “Customs duties” is the categorical name given to taxes imposed on the importation and exportation of commodities and merchandise to or from a foreign country. Although customs duties have either or both the generation of revenue and the regulation of economic or social activity as their moving purposes, it remains difficult to say which of the two is the principal objective inasmuch as customs duties, much like internal revenue taxes, are rarely designed to achieve only one policy objective. Section 102(oo) of R.A. No. 10863 (*Customs Modernization and Tariff Act*) expressly includes all fees and charges imposed as under the blanket term of *taxes*. Thus, it is clear from the foregoing clarification that the exclusion of *other* national taxes like customs duties from the base for determining the *just share* of the LGUs contravened the express constitutional edict in Section 6, Article X the 1987 Constitution.

Garcia submits that even assuming that the present version of Section 284 of the LGC is constitutionally valid, the implementation thereof has been erroneous because Section 284 does not authorize any exclusion or deduction from the collections of the NIRTs for purposes of the computation of the allocations to the LGUs. He further submits that the exclusion of certain NIRTs diminishes the fiscal autonomy granted to the LGUs. He claims that certain NIRTs have been illegally excluded from the base for determining the fair share of the LGUs in the IRA.

In response to the petitions, the Office of the Solicitor General (OSG) argued that Section 284 of the LGC was consistent with the Constitution. It also noted that the determination of the just share of LGUs was within the discretion of Congress, and that the legislature had the authority to exclude certain taxes from the base. Distinction between taxes collected by the BIR and the BOC was raised, as the OSG argued for the separate treatment of the two.

Moreover, SC Justice Marvic Leonen, dissented from the majority decision. His dissenting opinion pointed out that the 1987 Constitution only requires that LGUs should have a just share in the national taxes. There are no restrictions on how their share should be determined other than that it must be “just.” The *just share* is to be determined “by law,” a term which covers both the Constitution and statutes. Congress, therefore, had the full discretion to determine the just share of local government units, the authority of which necessarily includes the power to fix or define what are included in the revenue base and the rate for the computation of the internal revenue allotment. The phrase “national taxes” is broad enough to give Congress a lot of leeway in determining what portion or what sources within the national taxes should be the just share, taking into consideration the needs of LGUs *vis-a-vis* the limitations of the budget.

Under Section 284 of the LGC, Congress determined the just share as 40% of national internal revenue taxes. The OSG contended that one cannot simply disregard the phrase “internal revenue” in Section 284, since Congress fixed the rate of 40% using “national internal revenue taxes” as the base. The simple deletion of the phrase “internal revenue” would effectively broaden the allocation for LGUs to a ratio that was not intended by Congress. This would constitute an undue encroachment on its legislative prerogative to determine the LGUs’ just share.

The Court ordered the Secretaries of the Department of Finance (DOF) and the DBM as well as the Commissioners of the BIR and the BOC, and the National Treasurer, to include all collections of national taxes in determining the base of the just share of LGUs, except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth. Meanwhile, the SC declared that proceeds from the sale of former military bases converted into alienable lands were excluded from the computation of the base. It also dismissed the request for settlement of claims related to arrears in the just share of LGUs, citing prospective application of the ruling.

What this implies is that policies can err, and can change in time, as humans do. There is even conflict among the policymakers, for example, the OSG and Leonen sided with Congress. Anyway, for some time, policies are implemented on an erroneous basis. Only later, after some afterthought and study, that they are interpreted in

a new light. In other words, policies that err or change inform us that people can interpret the law on the wrong side bringing misfortune to those affected. This is especially so if the interpretation is intended by those in power, and perpetuated in case those in power remain in the leadership of the nation as such for years or decades. It just so happened that in a truly democratic system, the policies are continuously studied and the results of the study then given a new interpretation such that justice eventually brings the restitution of those badly affected by the previous policy. The spectre of autocracy and dictatorship and the political dynasties in the Philippines does not augur well for intentionally erroneous policies to be replaced and repaired easily.

Implication No. 3: On the NGAs' lessened role as they transfer to LGUs more powers and resources

The national government, formerly overly centralized because of the structure of a presidential form of government, has been shifting towards a decentralized form while still retaining the president as the executive leader of the nation. In 1992, when the centralized-decentralized shift started, many national-level powers and functions have been transferred to the local governments. With the SC ruling of 2018, the shift has been further strengthened and hastened.

The question is: how would this change the powers and functions of the NG? Essentially, the NGAs would find themselves no longer at the helm of deciding the PPAs. They would need to adopt a new reality that they are no longer the original decision makers of PPAs as they used to before. So far, 30 years (1992 to 2022) of this exercise had made some dent in the national-local relationship. Some of the powers of NGAs had been clipped and transferred to the LGUs. With the new support of the Mandanas-Garcia ruling, the more the NGAs are asked to continue to do the best that they can to support the LGUs in the latter's plans, decisions, and implementation of the PPAs of LGUs. In the governance language, the national government is asked to play a steering role for the LGUs to be encouraged, giving an inspiring context of incentives and supports, for the LGUs to continue their leading decision-making functions in their respective communities and regions. The NGAs have to be contented now with a behind-the-scenes role, a background role, a secondary role, for the sake of supporting the LGUs.

Finally, with a lessened role, the number of employees at the national level would also have to be reduced. The reduction would have to take into account what skills are needed among the remaining NG employees to match their supportive role for the LGUs. NG employees would have to be skilled in searching for and supplying the resources for LGUs to sustain their functions. They have to be adept in looking for where these resources are and then place them at the hands of the LGUs in consonance with their steering role.

Section 1.4 states that with the substantial increase in IRA beginning 2022 due to the SC ruling, LGUs are expected to be responsible for the funding and delivery of the activities which have been devolved to them under Section 17 of the LGC and other subsequent laws. A list of these functions devolved under the LGC was provided in the same Memorandum. The idea of cost-sharing arrangements in implementing devolved projects was brought up in Section 2.6, particularly with the NG shifting from a "rowing" to "steering" role. The NG shall focus on the development of policy and service delivery standards, the provision of technical assistance, and the supervision and oversight of LGUs.

Section 2.7 provides that concerned agencies shall adhere to the following in the preparation of their budget proposals: (a) refrain from funding devolved local projects for 1st to 4th income class LGUs; (b) include funding requirement for capacity building for these LGUs; and, (c) limit the subsidies for local projects to LGUs belonging to the 5th and 6th class, Geographically Isolated and Depressed Areas (GIDAs), as well as those ranked in top third highest poverty indices.

These rules and regulations are, as usual, nicely cut and packaged by the policymakers. The question is in their implementation. Short-cuts and deviations have always been experienced in the implementation process. The challenge then is how to implement policies according to how they are provided for in legislations and laws, especially in the Philippines whose culture falls notoriously under Hofstede's (2003) power-dominance as well as Charles Mandy's (1993) power culture and person culture categories.

Implication No. 4: On the LGUs' strengthened powers as they receive more resources from the NG

With the Mandanas-Garcia ruling, additional powers, functions and resources are given to the LGUs. Local governments expect to receive an incremental IRA, equivalent to 40% of tax collections which were previously not part of the base. In 2022, on the first year of implementation of the SC ruling, the IRA is seen to substantially increase by P263.5 billion or 37.9% to a total of P959.0 billion. Of the amount, about P193.7 billion can be attributed to the collections from the BOC.

As the LGUs find themselves with more resources, they are expected to be more empowered to do better governance, their local chief executives (LCEs) more concerned to translate these resources into better decision

making, better effectivity and effectiveness of PPAs, better participatory, transparent and accountable. In fact, LGUs have to prepare for more expectations of governance, if not right governance, from them. What is the use of giving them extra resources if they do not match these with extra governance assertiveness? They have to be used to being at the forefront of governance, particularly in responding to delivering more quality services to the public, providing them safety and protection, investing in people's capabilities, and granting them welfare benefits. The more the LGUs have to assert their leadership-governance roles while the NGAs take a backseat.

Furthermore, many LGUs just think of what they can receive and what they can enjoy with the additional funding from the national government as bonanza. The extra resources granted to them are not bonanza, but a stimulus for them to create more innovative PPAs that are more specifically relevant to their respective constituencies. This new governance mindset demands the replacement of a traditional mindset of LGUs of just receiving funds in order to enjoy them. They need to shift the old mindset to a new one of responding to needs of the public, of giving them quality services, and taking care of them, investing in their future as citizens of the country.

This shift does not automatically carry over as rules and regulations are added, or are made stronger than the first batch of rules and regulations. The challenge is that the mindsets of LGUs and their LCEs likewise shift as they are told to in the national laws, legislations, and plans. It takes time for new mindsets to nurture. So far, the experience of the decentralization process has taken Filipinos a ride for about 30 years already. Is 30 years enough experience?

Implication No. 5: On the difficulties of distributing the new NTAs and how these have to be resolved

As a result of the Mandanas-Garcia ruling, the IRA is programmed to increase by 55 percent in the 2022 budget, reaching Php1.08 trillion or 4.8 percent of the country's gross domestic product compared to 3.5 percent of GDP in 2021. This is not easily done as may be thought of at first. The NG fiscal situation has to be taken into account. Complete devolution of functions related to NG-funded and administered PPAs has its challenges and requires time. EO 138 recognizes this reality and gives government agencies until 2024 to complete the transition. Hence, a gradual devolution of functions between 2022 and 2024 can be expected even as the NG is obliged to provide LGUs their due share in national taxes beginning FY 2022. This can mean additional NG budgetary requirements to support NG PPAs during the transition.

The NG will continue to face challenges in revenue generation and remain in a tight fiscal situation for the coming months, given the slump in Gross Domestic Product (GDP) and the increase in expenditures in the years during and after COVID-19. Also, agency budgets during the transition period (2022-2024) will have to reflect changes following the devolution of certain programs/services, the shift in NG role from rowing to steering, and the movement and rationalization of personnel.

Although the IRA will significantly increase (on aggregate) beginning 2022, it will not address the inherent inequities brought about by the existing distribution formula. This essentially requires the NG to perform its redistributive function to ensure that financially disadvantaged LGUs are assisted and capacitated. The agency Transition Plans are crucial in laying down how devolution will proceed and ensure that devolved services are unhampered, and that local and inter-governmental mechanisms are in place to support the achievement of desired development outcomes.

Carizo (2022) raised the Mandanas-Garcia ruling's implication in the case of Northern Samar. He says that the increase in NTA is not across the board, and that it still follows the formula laid down in Section 285 of the Local Government Code of 1991 which considers the population and equal sharing arrangements. Barangay officials whom he interviewed said that they were expecting an annual NTA increase, which meant that what they received in 2022 was simply part of what they ought to have received. For those classified as urban barangays, the NTAs were deemed not enough, as the increase was not commensurate with the functions that they must perform and services they need to deliver.

The NTA allocation needs re-examination, as it is population-dependent, according to Carizo. On the other hand, population statistics are only updated every five years and do not consider shocks like the COVID-19 pandemic. When the economy grounds to a halt, people return to their barangays but the allocation that the barangay LGUs receive is based on their pre-pandemic situation. The quality of life of the constituents must likewise be considered to make the tax allocation equitable and ensure that the increase in resources will benefit the barangay LGUs that need them most.

Implication No. 6: On the additional resources and capabilities that LGUs need to equip themselves as they prepare themselves for their new roles

There are concerns on how the intended outcomes can be achieved as the NG transfers to LGUs some of the PPAs it continues to perform despite being devolved functions. Transition towards full devolution assumes capacitating LGUs. It is in the interest of the NG to ensure that a system for capacity-building is in place for LGUs to effectively manage the devolved functions. However, there is also the recognition that not all LGUs will be able to deliver a minimum set of services, not just because of capacity issues but because of resource constraints, hence, the need for continuing NG assistance.

The Growth Equity Fund (GEF) provided in EO 138, s. 2021, is a mechanism to bridge this gap, allowing the NG to continue subsidizing LGUs with low fiscal capacities. The GEF, along with the financial needs of NGAs in gradually turning over devolved functions, are budgetary concerns which are expected to form part of the FY 2022 National Expenditure Program (NEP) and which carry significant implications.

Three key players will manage this important role. The Local Government Academy (LGA) shall harmonize all needed capacity development interventions while the Development Academy of the Philippines (DAP) shall strengthen capabilities of LCEs. In addition, the Bureau of Local Government Finance (BLGF) will conduct programs regarding revenue generation and fiscal management. LGUs are tasked to formulate Capacity Development Agendas based on the framework and guidelines to be issued by the DILG-LGA.

“The stakeholders must continuously be engaged and encouraged to participate in decision making. The ruling must be explained through seminars by the LGUs to the people, and their workforce,” Joey D. Lina, Jr., former senator and Secretary of DILG, said. DILG-12 Regional Director Josephine Cabrido-Leysa, CESO III, emphasized the importance of the LGUs in a prepared capacity for the full devolution in 2024. “I believe that we have to equip ourselves with the right knowledge and information to know what to expect, both the pros and cons,” Leysa said.

To equip the LGUs with the necessary capacities improves their performance and enable them to effectively and efficiently deliver quality services to their constituents. Other forms of recommendations include:

1. Providing capacity building support to LGUs to improve their implementation capacity and overall service delivery,
2. Addressing inequality among LGUs by providing targeted support to poor local governments that lack proper capacity and resources, and
3. Strengthening citizens’ capacity to demand accountability through measures like citizen participation in budgeting and expenditure processes; public hearings on budget information; civic monitoring of intergovernmental transfers; monitoring of local service provision; and social audits.

Implication No. 7: On the long-term aspiration of shifting from a unitary presidential form of government towards region-based federalism and parliamentary system

So far, nobody touched on the implication of the Mandanas-Garcia case as a shift towards a federal form of government except what the former Executive Secretary, Carlos Nograles, shared in a virtual Anvil Business Club forum. He said that with more devolved functions to the LGUs, the more opportunities for federalism to arise. This is indicated in the bigger funding to the LGUs; former functions of the NG are taken out from them to be given to the LGUs; and the increase in the functions of the LGUs. Nograles described such possibility as the best “proof of concept” that would enable us to visualize what a federal system of government looks like. Indeed, we are given a foretaste of what a federal system of government may feel like, look like, and be like.

Is decentralization a strategy that enables the country to shift to federalism? Besides, is federalism a system of government that promotes better governance? Is this hoped-for vision something that would save the Philippines from its existing misgovernance woes?

Many Filipino observers are sharing their views that federalism is good for the country. These observers are emphasizing the strengths of federalism, but they are silent about what ills federalism may bring to the Philippines and the Filipinos. First of all, policymakers need to reckon with the geographic separateness of the islands and the regions, which is anathema to unity. Then there is the Bangsamoro political entity which has to be factored in, which policymakers have just considered a problem that will go its way or dissipate in time. Will federalism lead to the Bangsamoro region to more alienation from the other regions? It seems that policymakers are not taking a look at this angle, leaving everything to trust and honor of the Bangsamoro people.

Implication No. 8: On the public policy process

The Mandanas-Garcia ruling exemplifies the process of policy-making, true to theory form, from the first stage to the last stage of the process.

June 2018, the day the SC court handed down its decision on the Mandanas-Garcia petition, was more than four years ago today, and the process of transition takes policy making up to 2022. What has been going on actually from July 2018 to the present is an entire public policy making process, without us noticing that the

process is well under way. Being in the knowledge area of public administration and governance, the Mandanas-Garcia ruling is an interesting stuff for public policy process study, description and analysis. Actually, the public policy making process began way back in 2011 or 2012 when two congressmen (one from Batangas, the other from Bataan) filed separate petitions in the judiciary branch of our government, on the wrong computation of the LGUs' share of the national revenue due them. It started with the legislators in the legislative branch, but as the process progressed, the policy making process involved coordination among the three branches of government – the executive, legislative, and judicial branches. It is a very excellent demonstration of the equality of the branches through the public policy making process.

Yes, the first stage of public policy making is **Problem Emergence**. The problem emerged courtesy of the legislative branch, with two congressmen, namely: Representative Hermilando Mandanas of Batangas and Representative Enrique Garcia of Bataan. By filing their case with the judiciary, they called attention to a problem. Being legal experts, they found something deficit in our laws. And the law in question which they found defective was a provision in RA 7160 (the LGC).

The problem that emerged due to the two gentlemen mentioned was brought to the SC for resolution. This is the second stage of the public policy cycle, a stage which is not so much delineated in books on the public policy cycle but which may be called the second stage of **Determining if a Problem Existed or Not**. This was the task of the judiciary, our courts.

The case was given a hearing in the judiciary. This examination of the problem took five years to unravel. It was then the administration of former President Benigno Aquino but this second stage of determining if a problem existed or not, was carried over to the present administration of President Rodrigo Duterte. That also portrays how examining if there was a problem or not may take years to finally decide. Finally, after some five years, the SC found a legitimate cause for positive action. The outcome of the second stage was the resolution that there was a problem. The SC handed down its decision in G.R. No. 1999802 (in answer to the petition of Batangas representative Hermilando Mandanas) and G.R. No. 208488 (to that of Bataan representative Enrique Garcia's petition). Five or six years had to lapse before the SC rendered the ruling, now popularly referred to as the Mandanas-Garcia ruling. That also gives you an idea of how slow the public policy process operates. Just to determine if a problem existed or not took several years for the SC to say with finality that indeed, a problem existed. The process is to describe it, slowly but surely.

The SC determined there was a problem indeed. The SC majority decision favored the petitioners: Section 284 of the Local Government Code was unconstitutional, found against the letter and spirit of the provisions of the 1987 Constitution. In Garcia's petition, he avers that the insertion by Congress of the words *internal revenue* in the phrase *national taxes* found in Section 284 of the LGC caused the diminution of the base for determining the *just share* of the LGUs, and should be declared unconstitutional (G.R. No. 199802, <https://www.chanrobles.com/>).

After determining the problem, the Supreme Court's ruling also pointed how the problem may be resolved. It ordered that apart from the Bureau of Internal Revenue collected taxes, the share of LGUs should include tariff and duties collected by the Bureau of Customs, 50 percent of value-added tax, 30 percent of national taxes collected in the Autonomous Region in Muslim Mindanao (ARMM), 60 percent of national taxes collected from the exploitation and development of national wealth, 85 percent of excise tax from tobacco products and a portion of franchise tax under Republic Acts 6631 and 6632 (Horse Racing Laws), among others.

The SC ruling is supposedly effective right then and there on the very day of its decision. The precise wording of the Supreme Court is that it "commands the automatic release, without need of further action, of the just shares of the LGUs in the national taxes." There were three justices who dissented the majority decision. I would only highlight one – that of Justice Marvic Leonen. He dissented on the ground that Section 284 of the LGC, which prescribed the just share of LGUs to be 40 percent of the national internal revenue taxes, was a proper exercise of legislative discretion. To Leonen, there are no restrictions on how the share should be determined other than that this must be "just." Congress, therefore, had full discretion to determine this just share of LGUs, that it had the authority to fix or define what are to be included in the revenue base and the rate for the computation of the IRA. This was Leonen's dissenting opinion.

Be that as it may, once that ruling was handed down, it automatically set into motion another phase of the public policy making process. From the judiciary, the ball was tossed to the turf of the executive branch of the government. This third stage took time to shape up. The third stage is **Preparing for the Actual Implementation**. The Supreme Court even passed a resolution on April 10, 2019 to speed up the process. For some reason, due to the arrival of COVID-19, the ruling could not at once be enforced. In other words, the public policy making process was stalled due to the preoccupation of a government in some priority activity. Public health was a priority over that of the LGUs' just share of national taxes. It also implies that an issue that

has become a matter for public policy making cannot be decided at once due to some pressing agenda. In this case, the LGUs' just share had to take a backseat against the dominant issue of how to control the spread of infection of COVID-19.

The preparation for implementation came in gradually, with national agencies doing the activities that they could, a kind of initial steps, for without the implementing guidelines, they could only do so much. In the case of the DILG, the initial steps it took may be characterized as getting the insights from affected sectors:

1. The conduct of meetings and dialogues not only with other national agencies but also with local chief executives to get their insights.
2. The issuance of department orders such as the one creating the DILG Transition Management Committee and its subcommittees to mobilize efforts to implement the Supreme Court's ruling.
3. The creation of an online survey platform to solicit insights and suggestions on how the department may be capacitated to implement the said ruling.
4. The launching of a series of orientations and workshops with the LGUs to prepare them for the full devolution of basic services and facilities.

The department was already working even if the executive office of the president was still continuing to study the matter. While the DILG was doing its study on the matter, perhaps waiting for the final word from President Rodrigo Duterte, the latter, on June 1, 2021, issued EO 138, accelerating the public policy process.

The EO directed the following actions:

1. Preparation of the Devolution Transition Plans (DTPs). Both the national government agencies and the LGUs must prepare their DTPs to conform to the guidelines to be issued by the DBM and the DILG.
2. The creation of the Committee on Devolution (ComDev) to be led by the Department of Budget and Management (DBM) Secretary to implement its administrative and fiscal decentralization goals. This ComDev must propose a "growth equity fund" to Congress to address issues on marginalization, unequal development, high property incidence, and disparities in the net fiscal capacities of LGUs.

Such executive imprimatur thus ushered in the next stage: the Preparation for the Implementation Phase, or **Pre-Implementation Phase**. Today, we are still in this pre-implementation phase. When 2022 stepped in, the next public policy stage started: that of **Implementation**. But that seems simplistic to expect that the stage of actual implementation will self-activate. The critical preparatory activities may yet take more time to realize their goals. Implementation may yet suffer from uncontrollable delays which may include public health concern on COVID-19, or any other variable of disastrous proportions. We are not yet out of the woods, in short.

Implication No. 9: Transition anxieties among all levels of the public sector

This new implication is raised because the cognitive-emotional-psychological area needs to be incorporated even in a public administration/governance paper. The assumption is that people have values, beliefs, choices, resulting in conflicts that affect feelings and attitudes. If the feelings affected are in tandem with those of the policymakers, the outcome is a happy compliance of laws and regulations. On the other hand, if the feelings of the people run against those of the policymakers, the opposite outcome follows of people being disgruntled with the laws and with their officials.

Is the Mandanas-Garcia ruling going to result in all people being benefited by it (referring to the "sana all" aspiration)? Has it resulted in just a few people being happy with it? Transition anxieties are difficult to gauge but people who are confused on what to do, who undergo processes that are temporary or which may not last for some time, feel something that may not be described concretely at all. They feel unprepared for the next change, or are stressed because they are subjected to constant change. A study needs to find out how the NGA employees are coping with their diminished roles in public life; the same with how LGU employees are meeting expectations that they have not been asked to do before.

Indeed, the decentralization processes – and the infrastructure that needs to be built up as well as the feelings that need to match the change in structures – have been going on since 1992. Up to now, they remain temporary and subject to more changes ahead, keeping all affected to be on the move, up on their toes, a situation which causes stress.

C. Issues and Challenges

The implications given, the paper proceeds with examining what issues and corresponding challenges may be derived from them.

Decentralization – Issues and Challenges

The issue on decentralization asks whether the SC ruling will improve or not the goals of decentralization. Does the Mandanas-Garcia ruling pave the way or not for a decentralized management of resources of the country? Does it lead or not to a better governance, better government effectiveness and efficiency, better participation of citizens and NGOs, better transparency and accountability of LGU government officials and employees?

The World Bank Country Director from Brunei, Malaysia, Philippines and Thailand, Ms. Ndiame Diop, wants to be optimistic about the Mandanas-Garcia ruling. *“We look at the implementation of the Mandanas Ruling not just as a transfer of resources but an opportunity to strengthen decentralization and improve social service delivery in the Philippines...If this ruling leads to better coordination in planning and implementation across levels of government, taking into account the capacity and needs of LGUs, it could improve the lives of people and communities especially those that are far from the country’s economic growth centers...Local governments are on the ground and can directly feel citizen’s needs and aspirations. Hence, decentralization encourages prompt responses and better matching of government services to local needs, making governance more inclusive. This is especially true if citizens have effective channels through which their voices are heard to enhance accountability.”*

So far, after 30 years of decentralization, the verdict only shows a few good LGUs as evidenced by the *Galing Pook* Awards. The majority still are dependent on nationally-derived resources, and could not depend on their own at all. Such a situation only makes the old system of asking the NG for more and more assistance, a beggar mentality.

The challenge is on how the LGUs can overcome such behavior of always asking the NG to help them. Giving them more resources and funds is only one such strategy; it cannot be relied on as the only one for there are other mechanisms to make LGUs less tied up with NG resources and assistance. What these other alternative mechanisms are not at all well understood however, as well as not at all laid out as identified alternatives. The proposition of asking for more resources in the form of money and funds has always been the clamored solution. The governance of leaders needs to look and examine what other resources can these leaders may rely on, and not to just keep on mouthing for more and more money.

Errors and Changes in Public Policy Making – Issues and Challenges

Policies are supposed to be right actions by policymakers because of their expertise. However, many policymakers do it the armchair way, without verifying their assumptions via consultations with the public or undergoing public hearing sessions, pretending that their expertise is enough. There are also situations when policies are intended for selfish ends such as in the case of autocrats and dictators. Any which way, the unknowing public suffers or are the victims of wrong policies. The challenge is then that policymakers make a thorough analysis of what legislations, laws, rules and regulations that they would like to implement so that both their intentional and unintentional consequences shield the public and the nation from undue damage. This is easier said than done because other variables are difficult to gauge. Emerging variables, for instance, because their outcomes are still to be felt in the future, are harder to study in the pre-planning and planning stages of policy making.

Undeniably, policies are subject to changes in the variables that underlie them. The future cannot stay the same as today, which also means that policies are bound to change, or are bound to be replaced by a new set of policies. Sometimes, this occurs slowly; in other times, abruptly.

It is fortunate that the decentralization process, as well as the SC ruling, have been implemented to go slowly but surely. The transition plans make the impact of the shift less painful for some actors and sectors of Philippine society. True, preparations have to be done, things have to be put in place, all of which have to take some time before the expected objectives are realized.

Lessened Role of NGAs; Role Limited to Steering – Issues and Challenges

This implication is related to Implication 1 on decentralization, only that it highlights the reduced role of NGAs in the governance of the nation. As it is now, NGAs are passing their former powers and functions to LGUs since 1992. Their powers/functions are further clipped with the SC ruling such that these are merely described as “steering.”

So far, the NGAs are in a sort of “identity crisis” because their mindset has been used to being at the helm of planning to implementation of all government PPAs while being asked to give up some of these or even most of these in the coming years. The schedule for complete decentralization is 2024. Is this feasible, in that bureaucrats in the NGAs still think of themselves as the powerholders with supervision and oversight functions on LGUs? How can they strictly limit their behavior to what the supervising-oversight role entails them to do? Will their supervision-oversight role still make them the authority over LGUs? Will they abuse the supervision-

oversight role as people are wont to who are given the right to exercise supervision and oversight over some government entity like the LGUs?

Strengthened Role of LGUs to Manage Governmental Affairs – Issues and Challenges

The LGUs have been receiving the bounty of powers/functions that formerly were exercised by the NGAs. They are again privileged to receive more as a consequence of the SC ruling. The important issue to ask is: Can the receipt of more resources strengthen LGUs' roles in governance and delivery of quality services to the public? Can having such inspire local leaders to think of more relevant PPAs for their constituencies? Will such increase in resources only increase local leaders' selfish motives – more rapacity for channeling the resources for personal uses, just like before? In short, can placing more resources at the feet of the LGUs work, when there are other variables to consider?

Most observers like to think of what positive outcomes can happen. For example, the WB director, Ms Diop, as abovecited, assume too much goodness from the SC ruling, telling us that this improves social service delivery in the Philippines, improves the lives of people and communities especially those that are far from the country's economic growth centers, which means that this enables local governments to directly feel citizen's needs and aspirations, encourage them to respond promptly and to better match government services to local needs. This is WB rhetoric trying to sell decentralization, which is far from the real reality of how developing and poor countries struggle with problems. So how can this issue be met?

Fiscal Impact and the Difficulties in the NTA Distribution – Issues and Challenges

There are formulas in the IRA that are also used in the NTA calculation. They remain the standards in calculating for the differences among the statuses of the LGUs. The population formula is biased for cities. Can policymakers factor in other formulas other than population?

If Dillon's Rule can favor the interpretation in favor of the LGUs, why can't the NTA formula favor the poor in remote areas of the country? The population rule needs to be replaced by a formula that gives more NTA funds to local governments in remote and geographically isolated areas (the so-called GIDAS). Areas that are inaccessible by transportation have to be given more NTA.

Poverty incidence should also be another variable to input in the formula. The higher the poverty incidence, the more the NTA to give to those LGUs. The poorer the region, province, municipality, and barangay, the more the NTA transfers – seem to be a fair and just standard or formula to adopt – not population.

Capacity Building for LGUs – Issues and Challenges

This is another area full of issues and challenges. In the 30 years of decentralization experiment, have the capacity building exercises been successful in enhancing the values, knowledge, and skills of the local government officials and employees? There have been plenty of such orientations, seminars, workshops, conferences, and professional plus personal development courses imparted to the LGUs, have they been able to imbue the participants with the zeal as the training objectives inform us?

So far, there are no serious studies about measuring the capacity of LGUs and their LCEs to see if they have been capacitated at all. Filipinos know very well that the LGUs show the same behavior in governance as before. One thing that can be said is that the above capacity-building exercises cannot really permeate the hard-wired values inside people's heads because the overall social, economic, and political environment of the Philippines has not changed at all. In fact, the more so that this environment has declined and deteriorated. This is like assuming that a fresh apple will not get contaminated in a basket of rotten apples.

In such a case, the challenge is to capacitate the participants about some other learnings. They need to first love their own communities, civic pride in short. Have the capacity-building exercises showed them how to build up civic pride? And in what way? Well, participants need to know about their geography of their region, then the geography of their province, their city and municipality, and then their own barangay. The more one knows about his region's geography, the more he will find out the situation of the environment he lives in, and the more he will see the gaps and the resources needed to solve the gaps. Instilling civic pride is knowing first the geography of the place one lives. Oftentimes, policymakers and capacity building planners omit this in their modules.

Towards Federalism – Issues and Challenges

Federalism became a popular mantra in the 1990s up to the early 2000s. Since then, it has been relegated to the sidelines, although there are still voices that advocate for such form of government, and that it is a better political structure than the present presidential form of government.

Why is federalism attractive to some Filipinos? Is it a form of government worth its salt, especially to the Philippines? Policymakers are just rushing to federalism justifying it all because the present system is not working. Many are also rooting for federalism because it is something that is new, and would try to experiment with it, perceiving that anything old needs to be replaced by the new. Others cite the experience of countries which are federal in structure, pointing out that it worked in these countries. The question is: is the socio-cultural situation in the Philippines the same as these compared countries? India sustains its federalism because it is one compact country. Australia is also the same. So too with Canada and the United States (except for the state of Hawaii). But the Philippines is divided into many islands!

It is not the form of government that is the root of the causes of whatever is not good with it. It all depends on the leader and his values. So adopting federalism will not work if the people's values and their leader's values remain the same, or as morally stained as before.

The other issue, other things being equal, would the Philippines as a nation remain united and integrated as one country, with federalism? Or will it only see regions, like the Bangsamoro region, go away, thus splintering what has been one geographic entity? Who and what will save the Philippines from such disintegration? So far, the national leadership has not conceived of what to do once such disintegration sets in. The naïve and unwise assumption is that there will be no such disintegration but that the Philippines will remain united in a federal structure. The challenge is for the present national leadership to study if federalism will be the panacea or not for this country. But one thing policymakers should do is to prevent any future disunity among Filipinos. Decentralization leading to federalism would seem to be the path to disintegration.

Many also like federalism because it opens the way for them to be leaders in their own regions, freed from the interference of their national counterpart leaders. Indeed, there are also self-interests thrown in if some leaders profess their love for a federal structure. The challenge then is for the present leadership to educate the public on the pros and cons of federalism. The present training on this seems one-sided with only the strengths of federalism being taught and disseminated to the public without telling the participants about our geographic reality, which works against the federal form of government. If the move towards federalism is really definite, the leaders need to build modern water and air infrastructure – service-oriented and fast – because these are the conditions for national unity. Without modern water and air infrastructure, disunity is the Philippines' future.

Public Policy Making Process – Issues and Challenges

The public policy making process goes through several stages from the start to its completion. The stages are as theorized in the books of public administration and policymaking. But as far as the Mandanas-Garcia case points out, there are other stages that need to be delineated. The theoretical issues to ask: Are the stages in said case as neat as theories have stated? Are there some sub-stages that have been skipped which upon closer look can also be a stage in the whole process?

Transition Anxieties – Issues and Challenges

The Department of Budget and Management (CNN Philippine Staff, 2021) echoed some of the apprehension of the DBM once full devolution of the LGUs will be implemented. The DBM predicted that some employees on the national level could be displaced as national agency duties would be transferred to the LGUs. Another anxiety is that the transfer funds may not necessarily be channeled by the LGUs in the implementation of formerly national programs and projects. The DBM cited "separation anxiety" and for this it is proceeding slowly, calibrating what proper actions need to be done, so that only minor pitfalls may be incurred.

How then can the above and other transition anxieties be met by the concerned authorities? Meetings, orientations and seminars may be resorted to, but these have to be done in a sharing atmosphere not in a commanding and instruction-type atmosphere. Filipinos are also sensitive and may trigger in them unfounded anxieties and fears of becoming unemployed, asked to opt for early retirement, be removed and transferred to an office he or she may silently dislike, or even be demoted as restructuring of positions have to take place. Counseling from advisers and mentors may also be resorted to. Or the heads of offices may have to serve for the meantime as counselors to their staff.

D. Prospects for Policy Reform

One caveat that has to be raised is that the policy environment is immensely characterized by a VUCA world, that is, a world or environment filled with volatility, uncertainty, complexity and ambiguity. We cannot completely control the changes that may come to us in the future.

The fiscal challenges are just appalling. The uncertainties brought about by contemporary circumstances that apparently do not offer any universal response template necessitate an innovative public administration approach; policies are tentative, responses need to be constantly revisited, and approaches provisional.

For the moment, people are concentrating on the future gains of the Mandanas-Garcia ruling and EO 138. This may be obstructing us to look at some of the consequences we may tend to overlook. Overexcitement of the future gains may not give us the capacity to look at the future fully well because of our greater focus on the gains.

The SC ruling has to be looked at as a blessing in the first place. It is a blessing because of the following:

1. It discovers additional funds for the LGUs that would help them in their new roles and functions;
2. It hastens the decentralization process with the LGUs strengthening their powers and consolidating and encouraging them to exercise their newly found powers according to how the LGC would like them to do;
3. It prepares both NGAs and LGUs to assume new roles – steering role for NGAs and leadership roles for LGUs independent from NGAs. It alerts NGAs to focus on steering and develop knowledge, skills and attitudes on supervision and oversight to favor LGUs, not to go against LGUs;
4. It provides opportunity for LGUs to develop themselves through capacity-building exercises, whether training via seminars-workshops, mentoring, professional development, and formal schooling for advanced courses;

At the same time, the SC ruling raises risks and negative consequences, to wit:

1. It rushes decentralization and NGAs and LGUs may find themselves “rushed” to implement the ruling while catching them unprepared;
2. It may impact affected civil servants, giving them unfounded fears and anxieties on demotion, transfer, replaced, early retirement, if not losing their job. The new roles and functions to do may also bring in other anxieties;
3. It may pave the way for a federalism structure that may not be suitable to the geographic reality of the Philippines. In addition, the federal structure may be cause for the disintegration of the regions and the loss of unity among Filipinos.

For the positive prospects, the action plan to do is to provide all the encouraging initiatives and incentives to provide leeway for these positive prospects to be facilitated and sustained. For the negative prospects, the action plan is to craft preventive or deterring strategies so that their negative consequences may not crop up.

The paper presents Table 1 to show comparatively the nine implications of the SC ruling, and their respective issues, challenges, and prospects.

Table 1. Matrix of implications, issues, challenges and prospects.

Implications of the Mandanas-Garcia case	Issues	Challenges	Prospects
Decentralization	Can decentralization be hastened and improved? Can giving more resources to LGUs be the key strategy that works in favor of decentralization?	How to hasten and improve the process of decentralization; Need to not rely on just the grant of more powers and resources but to search for other mechanisms/strategies	So far, decentralization has worked with a few LGUs – those with determined/committed leaders – but many languish and dependent on NG resources.
Errors and changes in public policy making	Policies may be right at the start but in time may be found defective	How to make policies suit their purposes to prevent negative impact and damage Need for thorough research, participatory hearings to get the facts	Policymakers are made by people who are also prone to errors, as well as by armchair study. As a result, there is no perfect policymaking; in fact, there are leaders who intentionally twist the policy for their own ends.
Lessened role of NGAs	Up to what point can NGAs give up their powers and roles? To what degree can decentralization work without repercussions on the steering functions of NGAs? How can NGAs continue supporting LGUs?	How to balance the relationship between a supporting NGA and a strong governing LGU. How such a harmonious balance, with less conflict between the NGA and LGU, can be sustained. Would such balanced relationship not have conflicts?	NGAs have to start a mindset that they are working to support LGUs, that they are there to enable LGUs to do their job. The stress that impact on NGA officials and employees may need to be mitigated through meetings, orientations, seminars, and workshops, if not group or individual counseling and guidance on how to perform well their steering functions.

Strengthened role of LGUs	Can giving more resources to LGUs improve their governance? Are more resources the answer to effective LGU governance? Can they tackle the job of governance laid on their laps?	The shift or transition may have to be matched by a shift in governance performance as indicated in values, knowledge, skills, and attitudes. More receipt of resources is only one means; this must be matched by performance in terms of quality delivery of services to the constituents.	Decentralization has been slowly clipping NGA powers and giving these to the LGUs. With the SC ruling, more are to be given to the LGUs. The latter, should not look at this as bonanza but as a wake-up call that they must do what they are expected to do. Philippine culture however is a stumbling block. The values of Filipinos have already been ingrained in the mindset.
Difficulties in NTA distribution	How can policy makers arrive at the right formula when local governments differ in class status? How to attain the right distribution formula?	The DBM and DILG need to study thoroughly the formulas and the estimates for a fair distribution among the levels of local governments.	So far, some formulas on population are retained. The DILG-DBM have to include the situation of poverty incidence and location of GIDAs, for example, for a fair and just formula.
Equipping LGUs with governance capacities	What education and training on PPAs can transform LGUs from the traditional or existing mindsets to the new mindsets, skills, and attitudes? Can these capacity building exercises translate to real capacities of LGUs?	The challenge is to fit academic and training modules to the skills needed for governance; but most of all, they must inculcate civic pride, love of country and the values of honesty and integrity. A leader with such capacity can truly realize the goals of local government development.	Prospects are not so optimistic given the record of capacity-building exercises that the LGUs have undergone since. Values have remained the same. There seems to be no other alternative to changing mindsets, values and attitudes except through seminars, workshops, professional development courses, and formal training for the master's and PhD degrees.
Paving the way for the federal form of government	Does the SC ruling lead towards the longer term goal of federalism? Does hastening decentralization indicate a move towards a federal structure of government?	The challenge is to educate the public, using TV and YouTube. This effort however is not intensively done. There are online powerpoint presentations, but the most attractive format is discussion-talk forum.	Prospects on educating the public are rare. Filipinos are no longer a reading people due to the advances in visual technology. It seems that they want information to be given right on their laps. In this case, those concerned must go down to the grassroots level by conducting hearings and open forums in the neighborhood.
Public policy making process	Do the events before, during, and after the SC ruling match the studies and theories on the public policy making process? The theoretical issue is whether or not the SC ruling process is true to what the books say. In the SC ruling, there seems to be an overlooked second stage – the determination of whether a problem existed or not.	The challenge is to study and analyze all processes of policy making actions, from the start to the end. The suggestion is that when a stage occurs for some long time, this may be considered a stage in the process. Other policy making processes may also be different from each other. The analyst need to look pretty well at the variables involved.	Only a few observers and students are really studying the stages in policy making. The SC ruling may be a different policy making process for justices who study government actions and behavior of government actors take much time before giving their decision. In the Philippines, anyway, justice is often delayed anyway. The decision takes years to be formulated and handed down.
Transition anxieties	Do the events, actions, and processes that are now occurring cause stress and anxieties on the employees affected? The assumption is that people can easily follow what they are told to do without much damage on their feelings and sentiments.	The issue is on how to measure the stress of those affected. The analyst may have to find indicators for stress among the NGAs and the LGUs affected by the SC ruling. The transition anxieties are supposed to be hidden behavior because those affected may pretend that they are not affected at all. A	Prospects to determine the stresses and anxieties may be suggested to students of public administration – the results of which may give policymakers good ideas on how to proceed with their policymaking acts.

		participant observation methodology would capture such stresses through verbal reactions, feedback, and comments about what they are going to do in the face of changes.	
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E. Lessons Learned and Insights

The paper has derived a few lessons learned as well as draw some insights from the Mandanas-Garcia case.

These include:

Public policies cannot mean to last forever. The more so if these are defective policies. They may be deemed right and proper for a time, with people complying and seeing nothing wrong with it. But sooner or later, the defect of the policies may be detected. At the same time, conditions change, and so do policies.

There are many ways and means to make/decide on what a policy should be in this or that public administration area. Policymakers should not focus on one strategy or mechanism; they need to explore or introduce new strategies and mechanisms as they plan and implement policies.

Implementing a policy has to prepare people to be able to accept the policy via information campaign, prepare their mindsets, values, skills and attitudes. To do these multiple preparations, they need time, or work them out slowly but surely. It is a waste of thinking, effort, and resources to craft policies that later turn out to have more damaging impact on the affected sectors.

Also, policymaking needs to adopt a whole-of-society approach because the problems of today are interconnected. The problem in one sector cannot be solved without the assistance and support of other sectors. No one, no entity, can do governance alone especially in times of globalization, increasing intensity of climate changes resulting in more natural disasters, digitalization of technology, and a more VUCA (volatile, unstable, chaotic, and ambiguous) world.

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