GOVERNANCE OF THE EDUCATION SECTOR

JESS ALFONSO A. MACASAET

I. THE IMPORTANCE OF EDUCATION

It has been long self-evident to many educators and parents that education, in addition to its immediate benefits, is also a form of investment, building peoples’ capacity to be more productive, earn more, and enjoy a higher quality of life. The rise of human capital theory in the 1960s, and its widespread acceptance now after thorough debate, has provided conceptual underpinnings and statistical evidence. Estimates by economists have shown that education is one of the best investments, outstripping the returns from many investments in physical capital. Related analysis has demonstrated that the total stock of human capital worldwide has a higher value by far, in terms of its contribution to production, than the stock of physical capital.

While human capital ideas focus on links among education, productivity, and economic growth, other disciplines have emphasized additional reasons why education is important. These further reasons stress the contribution of education to building social cohesion. They note that education transmits values, beliefs, and traditions. It shapes attitudes and aspirations, and the skills it develops include crucial inter- and intra-personal capabilities. It empowers people. It frees them to learn and think for themselves. It has benefits for health and environment. The more rapidly the world changes and the more complex it becomes, the more important are the skills that a good quality education can provide. The trends driving change today (such as, democratization, market economies, globalization) have an implication on education. Countries such as the Philippines need educated and skilled citizens who can operate in a democratic society, workers who can meet changing labor market needs and compete in global markets, learners capable of benefiting from the technology revolution, and policies capable of harnessing the evolving public/private interface. Thus, education is important because it contributes to improving peoples' lives and reducing poverty. It does so through several tracks, including:

- Helping people become more productive and earn more (because education is considered an investment, strengthening their skills and abilities – their human capital);
- Improving health and nutrition;
- Enriching lives directly (through the pleasure of intelligent thought and the sense of empowerment it helps give); and,
- Promoting social development through strengthening social cohesion and giving more people better opportunities (and thus greater equity through opportunity).

In addition, many of the world's states, through international conventions and commitments, have recognized education as a human right. Education thus contributes, within the context of a sound macroeconomic and political environment, to the entire society's growth and development, which in turn raises incomes for all.

This paper looks at the state of Philippine education and assesses how current governance systems relate to the persistent issues that beset the sector. The discussion also includes problems regarding education costs and financing in the sector, and concludes with a set of suggested governance reform initiatives aimed at
improving public sector responsiveness to education needs at various levels – basic education, technical-vocational education and training, and higher education.

II. STATE OF PHILIPPINE EDUCATION

Structure

Under the current structure, education is offered through the formal and non-formal systems. The new entry age for elementary education is six years, made effective in School Year (SY) 1995-1996; for secondary education, it is 12-15 years; and for higher education, it is 16-19 years. The number of years of formal schooling in the Philippines is one of the shortest in the world. The educational ladder has a 6-4-4 structure: six (6) years of elementary (primary) education, four (4) years of secondary education, and another four (4) years of higher education for a degree program. Pre-school education is optional; private organizations and some public schools offer nursery and kindergarten classes. Some private exclusive schools offer seven years of primary education while others require pre-school or kindergarten education.

Based on curricular offerings, there are two types of secondary schools: the general high school and vocational high school. General high schools offer the four year general academic secondary curriculum while vocational high schools offer the same secondary curriculum with additional vocational courses. There are also specialty schools such as regional science high schools established in each of the country’s regions, as well as one high school for the arts. Science high schools offer an enriched Science, Mathematics and English curriculum in addition to requirements of the New Secondary Education Curriculum (NSEC). On the other hand, the Philippine High School for the Arts is attached to the Cultural Center of the Philippines.

The tertiary education level is comprised of degree and non-degree programs. Post-secondary or technical-vocational courses are non-creditable to degree programs and these cover one month to three years of schooling. The higher education or degree programs normally require at least four years of schooling except for some courses such as Engineering, Medicine, and Law that require five years or more. Non-formal education is an alternative educational delivery system mainly catering to out-of-school youth and adults. It focuses on the development of literacy and employable/productive skills coupled with citizenship training.

Profile of the Education Sector

The Medium Term Philippine Development Plan (MTPDP) 2001-2004 mentions certain indicators that frame its assessment of the education sector. As a gauge of quality of life, the MTPDP noted that the human development status of Filipinos has been improving over time. Between 1995 and 1998, the Philippines was the only ASEAN country where the human development index (HDI) rose. The gains in gross enrolment ratio (to be mentioned later in this subsection) accounted for the increase in HDI during the period. However, the MTPDP qualified that the index conceals disparities among socioeconomic groups, and gaps in access to education services.

The Asian financial crisis of 1997 and the El Niño phenomenon worsened conditions of the poor. The number of poor families with children from 6-16 years old enrolled in elementary and secondary schools declined from 1998 to 1999. Moreover, the MTPDP also mentioned that only a small percentage of poor families were able to send their children to tertiary school and receive scholarships from the government or the private sector.
Government spending on education increased in 1999-2000, although its share in total expenditures slightly declined. Nevertheless, allocation for education, culture, and manpower development continued to account for the bulk of total government spending. The following subsections discuss other important indicators that cut across sub-sectors: basic education, technical-vocational education and training (or middle level skills development), and higher education.

**Students.** Participation rates remain high, with the country sending 96.4 percent of its six year-olds to primary school and 72.3 percent of its twelve year-olds to secondary school during SY 2000-2001. Historically, the Philippines has enjoyed high participation rates as well, underscoring a strong social demand for education.

### Table 7-1: Human Development Index of Selected Southeast Asian Nations, 1995 and 1998.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>0.69</td>
<td>0.57</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.83</td>
<td>0.77</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.68</td>
<td>0.74</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.9</td>
<td>0.88</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.84</td>
<td>0.74</td>
</tr>
</tbody>
</table>


### Table 7-2: Education Indicators from the Annual Poverty Indicators Survey (APIS), Philippines, 1998-1999.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1999 All Families</th>
<th>1998 All Families</th>
<th>1999 Poorest Families*</th>
<th>1998 Poorest Families*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) with children 6-12 years old in elementary school</td>
<td>83.9</td>
<td>91.1</td>
<td>82.1</td>
<td>89.6</td>
</tr>
<tr>
<td>b) with children 13-16 years old in secondary school</td>
<td>58.9</td>
<td>69.9</td>
<td>45</td>
<td>56.3</td>
</tr>
<tr>
<td>2. Tertiary Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) with children in tertiary school and received government/private sector scholarship</td>
<td>12.8</td>
<td>9.4</td>
<td>12.6</td>
<td>10.9</td>
</tr>
</tbody>
</table>

*Lowest 40 percent.

*Source: Annual Poverty Indicators Survey, 1998-1999 (MTPDP, 2001).*

### Table 7-3: Allocation of National Government Expenditures, by Sector, 1999-2000 (in Million Pesos).

<table>
<thead>
<tr>
<th></th>
<th>1999 Actual</th>
<th>2000 GAA</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Levels</td>
<td>% Share</td>
<td>Levels</td>
<td>% Share</td>
</tr>
<tr>
<td>Economic Services</td>
<td>116,019</td>
<td>29.9</td>
<td>122,935</td>
<td>29.3</td>
</tr>
<tr>
<td>Social Services</td>
<td>164,892</td>
<td>42.5</td>
<td>176,662</td>
<td>42.1</td>
</tr>
<tr>
<td>Education, Culture &amp; HRD</td>
<td>113,695</td>
<td>29.3</td>
<td>117,986</td>
<td>28.1</td>
</tr>
<tr>
<td>Health</td>
<td>15,045</td>
<td>3.9</td>
<td>14,745</td>
<td>3.5</td>
</tr>
<tr>
<td>Social Security &amp; Labor Welfare</td>
<td>24,394</td>
<td>6.3</td>
<td>27,189</td>
<td>5.5</td>
</tr>
<tr>
<td>Land Distribution (CARP)</td>
<td>2,536</td>
<td>0.7</td>
<td>5,270</td>
<td>1.3</td>
</tr>
<tr>
<td>Housing &amp; Community Development</td>
<td>3,189</td>
<td>0.8</td>
<td>5,854</td>
<td>1.4</td>
</tr>
<tr>
<td>Other Social Services</td>
<td>6,033</td>
<td>1.6</td>
<td>5,818</td>
<td>1.3</td>
</tr>
<tr>
<td>Defense</td>
<td>29,858</td>
<td>7.7</td>
<td>32,742</td>
<td>7.8</td>
</tr>
<tr>
<td>General Public Services</td>
<td>77,624</td>
<td>20</td>
<td>87,154</td>
<td>23.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>388,403</td>
<td>100.0</td>
<td>419,493</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Budget of Expenditures & Sources of Financing, Department of Budget and Management (MTPDP, 2001)*

Students. Participation rates remain high, with the country sending 96.4 percent of its six year-olds to primary school and 72.3 percent of its twelve year-olds to secondary school during SY 2000-2001. Historically, the Philippines has enjoyed high participation rates as well, underscoring a strong social demand for education.
According to the Asian Development Bank's (ADB) "1998 Philippines Education Sector Study," net primary enrolment rates were already close to 100 percent by the late 1980s. Enrolments fell in the early 1990s, but have recovered nearly to universal levels again by the end of the decade. In secondary education, net rates have climbed throughout most of the 1980s and 1990s, reaching 64 percent by 1997. Cycle completion rates are also quite high, especially in secondary education, where 9 out of 10 students who enter Grade VII finish all four years. The current secondary completion rate of 63 percent approaches the OECD mean of 85 percent and exceeds that of most East Asian neighbors, such as Thailand, 46 percent, or Malaysia, 41 percent (ADB, 1999).

In spite of these impressive quantitative achievements, the educational system suffers from poor holding power. Statistics show that the number of students decrease as they move on to the next educational level. For example, the national cohort survival rate (CSR) in SY 1996-1997 was only 67.96 percent for elementary school. This means that out of 100 students that entered Grade I five years ago, 32 of them did not reach Grade VI (meanwhile, CSR for secondary school was at a mere 73.45 percent). This translates to about 700,000 school-age children who swell the ranks of the out-of-school youth, and are themselves would-be illiterates. According to a 1981 EDPITAF-NETRC study, one out of five children who drop out of elementary school reverts to a literacy rate below Grade I and retrogression to illiteracy is found in every grade level at which the dropouts leave school.

In the 1996 Third International Mathematics and Science Survey (TIMSS), which measured the mathematics and science achievement of basic education students, the Philippines placed number 39 in a field of 41 countries with a score of 399. The TIMSS international average is pegged at 500. Singapore placed first with a score of 643. The country's low ranking was not reversed in the 1999 TIMSSRepeat. Even in domestic tests, students perform way below expectations of the examinations section of the Department of Education (DepEd). In 1997, the mean score of students who took the NEAT exam, an aptitude test for elementary students, was 50.8. The average score for students who took the NSAT, the equivalent exam for secondary level students, was 45.6. In virtually every subject, students could answer fewer than half of the questions in these tests. Moreover, the national averages hide considerable variation across the country's regions. In 1997 for example, the NSAT score ranged from a low of 42 percent in Region XII to a high of 53 percent in the National Capital Region (ADB, 1999).

According to the MTPDP, technical-vocational education and training (TVET) has proven to be a viable and cost-effective alternative to higher education, with significant increases in the number of enrollees for various TVET programs. Most notable of these figures is the 62 percent increase in enrolment for dual training programs, from 9,325 students in 1999 to 15,121 in year 2000. However, passing rates are still low in the TVET sub-sector, with only 63.7 percent (57,628) of workers getting certification out of a total of 90,472 workers tested.

As far as students in higher education are concerned, for SY 1999-2000 there were more enrollees in business and training courses (31.7 percent) compared with engineering and mathematics (22.2 percent). There was an improvement in the quality of higher education with the higher average passing rates in national board examinations (43.33 percent in SY 1998-1999, 44.38 in SY 1999-2000), but these were modest and still below targets (45 percent for SY 1998-1999 and 50 percent for SY 1999-2000).

Teachers. One of the reasons for the poor quality of Philippine education is the situation of teachers in the educational system. According to data from the
Philippines' Education for All program (EFA), the percentage of teachers with the required academic qualifications remained at 100 percent between 1990 and 1998 (the minimum entry requirement to become a public elementary school teacher is a bachelor's degree in an education). On the other hand, the percentage of primary school teachers who are certified to teach according to national standards increased from 93.6 percent in 1990 to 100 percent in 1998.

The problem with teachers in the basic education sector is not that there is a shortage in absolute numbers. The problems really are the sub-optimal deployment of teachers (e.g., large numbers of teachers currently assigned to administrative, non-teaching jobs), and the inadequate preparation of the teachers themselves. Many of those entering the teaching profession as new graduates from the teacher training institutes, as well as many already teaching, are simply not up to the task of delivering to students either the full content of the present curriculum or the skills they will really need when they move to the next level of education or when they enter the labor force (ADB, 1999).

In the case of science and math education, for example, the principal constraint at both the secondary and tertiary levels remains the low number of qualified teachers. This is particularly true for chemistry and physics. The Department of Science and Technology (DOST) currently has too few programs to help expand the number and improve on the proficiency of qualified teachers and lecturers. At the secondary level, trained teachers have low levels of content knowledge. In 1998, DOST in-service training programs were only able to reach 2 percent of the estimated 100,000 secondary science and mathematics teachers in need of upgrading. In the country’s higher education system, general qualifications for teaching staff are low (Johanson, 1999). The rules specify that new entrants must have at least a bachelor's degree or a professional qualification. However, many institutions waive this requirement and expect the newly hired staff to raise their qualifications while on the job.

In 1996-1997, only 7 percent of faculty nationwide held doctorate degrees and 26 percent had master's degrees. The rest held less than a master's degree. Most of the qualified teaching staff worked in the public sector. In state universities and colleges, 11 percent of the staff had doctorates, and over a third had master's degrees. The private sector was less endowed, with only 3 percent having doctorates and 14 percent with master's degrees.

On the other hand, trainers in TVET have strong educational qualifications, but lack skills qualifications and industrial experience. Only about 30 percent of the trainers had trade certification and only 9 percent had industrial experience (Biervliet and Morfe, 1996).

As far as the supply of teachers in basic education is concerned, DepEd reported that for SY 1996-97 there was a total of 318,766 teachers that handled 10,959,632 elementary school pupils, and 102,884 teachers that taught 3,544,446 high school students. Average teacher-student ratio was thus 1:34 for the elementary level and 1:33 for the secondary level.

**Curriculum.** Authorities have recommended a number of changes in elementary and secondary curricula – greater emphasis on communication competencies, on personal discipline, citizenship and work values, and on science and mathematics in preparation for the world of work. The poor performance of Filipinos as gauged in the TIMSS prompted a review of the education curriculum. This review led in 1996 to an increase in the proportion of school time allotted to mathematics, the sciences, and the English language, and an increase in the number of school days in a school.
year from 185 to 220. While very appropriate reforms, additional changes may be equally necessary.

For example, the elementary curriculum is overcrowded (Grades 1-3 in particular) with at least as many as seven subjects per day. The large number of subjects limits the extent to which teachers and students can focus on those basic skills critically important for good performance and success in the later grades. According to the PESS, research on student learning suggests that greater emphasis should be given to reading and communication skills, and to understanding basic mathematical concepts (ADB, 1999). Another example is science and mathematics instruction in secondary education, where the focus of instruction is on cognitive building blocks (such as technical terms, formulas, and rules) rather than on the cognitive structures built from these blocks. Instruction thus tends to be mechanical, stressing formulaic approaches rather than problem solving. Moreover, in much of the present science curriculum, there is improper sequencing of instruction, such that scientific concepts needed in a later grade are not taught in an earlier grade.

On the other hand, TVET structure is complicated. Basic skills training, technician training, and engineering training are often provided in the same institution, mainly in state universities and colleges. Even worse, TVET tends to be mixed with general education in the public formal system. Many TVET institutions serve multiple purposes and TVET programs are in a distinct minority of the programs offered.

In other countries, this kind of structure has been found to be least effective in the preparation of technical and vocational skills (Johanson, 1999). Considerable effort has gone into preparation of training materials by various groups in the country, but these generally have not filtered down to the shop floor. Moreover, training curricula tend to be rigid and static. The regional training centers give training in seven occupations that were identified in the early 1970s, regardless of technological change and modified trainee market conditions. A survey on training for manufacturing found that three fourths of TVET institutions had not stopped or revised the curriculum during the previous five years. Another 30 percent of these institutions also viewed that course planning was the responsibility of central government, while the survey also noted that very few institutions perceived the local government as playing a key role in this respect (Biervliet and Morfe, 1999).

Concerning the higher education curriculum, recent moves toward deregulation have meant that higher education institutions have some flexibility in determining the content of prescribed courses, provided that the minimum standards are met. However, documents that serve as guidelines for curriculum development remain overly detailed. Few of these documents attempt to describe the cognitive and occupational skills and values expected of graduates once they complete their studies, nor do they mention other relevant issues such as assessment procedures, bridging programs and curriculum evaluation. The courses outlined tend to be too broad, covering a host of unrelated topics. The overload in most curricula means that subjects and topics receive only superficial coverage in the classroom.

Facilities. The lack of adequate school buildings and facilities aggravates the problem in the Philippine educational system. In 2000, the ratio of textbooks to students was 1:6 in public elementary schools and 1:8 in public secondary schools, far from the DepEd ideal of 1:1. To reach the target, P6.6 billion would have been required in 1999. The actual budget was P480 million. In 1999, therefore, DepEd's budget was only sufficient for a textbook/student ratio of 1:4.

Furthermore, a shortage of school buildings exists, as well as the need for replacement or repair of many of them. In 2001, there were 4,569 barangays still
without elementary schools, while only three municipalities do not have high schools (down from 36 municipalities in SY 1996-1997). Administrators of TVET institutions remark that current useable equipment is not adequate to suit the needs of their students. Also, one third of these institutions reported providing capital expenditure for equipment, but the average amount allocated for such (approximately P390 per student) was far below the level required to update and replenish technical training equipment to industry standards (Johanson, 1999).

In higher education institutions, libraries are the most important resource for instruction and learning. According to Johanson (1999), surveys show low absolute volumes of acquisitions and low utilization rates of books (from zero to five borrowings a year). He also noted that the majority of 28 colleges and universities in the surveys had a median number of book titles from 2,500-5,000. Only four institutions reported a total number of books exceeding 20,000. This is due to the low budget allocations for library development, usually 5 percent or less of the institutions' annual budget.

**Funding.** Fund sources for education include the exit tax on college graduates, travel tax, fees for vehicle registration, allocation from the Philippine Amusement and Gaming Corporation (PAGCOR), and loans from government financial institutions such as the Social Security System (SSS), Government Service Insurance System (GSIS), Development Bank of the Philippines (DBP) and a consortium of banks, as well as donations, grants, and savings from operations. In accordance with the 1987 Constitution, the education sector captures the largest share of the national government budget. The education sector's share has increased consistently from the period 1985 to 1997, from 11.4 percent to 17.4 percent.

Local government units (LGUs) also spend for education through the Special Education Fund (SEF). SEF receipts come from a 1-percent tax on real property located in the LGU. SEF collections are shared equally by the province and its respective municipalities. Under the 1991 Local Government Code, proceeds of the SEF are allocated for the operation and maintenance of public schools; the construction and repair of school buildings; facilities and equipment; educational research; purchase of books and periodicals; and sports development; with the actual spending priorities being determined by the Local School Boards. Local government contributions to total government education expenditure have averaged at 7.5 percent since 1992.

**A History of Inadequacy**

In 1989, the Congressional Commission on Education (EDCOM) was set up to review and assess Philippine education. The subsequent EDCOM Report of 1991 gave a set of recommendations for reform in the sector, yet it also noted the lack of resources needed to implement these reforms. In the report, the congressional body mentioned that "over the next five to ten years, government cannot expect to raise the kind of money needed to finance adequately all levels of education."

Generally, the Philippine education sector has remained beset with problems that have persisted through several administrations and its equal number of reform programs. "Our problems are as old as Monroe," a newspaper quoted Reynaldo Peña, former Director of the defunct Bureau of Higher Education under the former DECS. He was referring to Paul Monroe, the United States official who conducted the first review of the Philippine educational system during the American occupation period.
During that survey in 1925, education officials looked at schools in Manila and 25 other provinces, which accounted for a total of 32,000 students and 1,077 teachers. The review focused on the question of which language to use in instruction, as well as the appropriate number of teaching staff and facilities required by the system as a whole. As early as the turn of the century, education officials have already been grappling with the problem of resources. "The problem with the Philippines is we've been under-investing in education through the years, if not through the decades," according to Peña. This means that the backlog grows for every year that the government fails to invest the appropriate amount for education. Although the 1987 Constitution provides that government should allocate a large portion of its funds to education, experts say the actual amount government has been allocating has simply been insufficient.

III. THE GOVERNMENT’S COMMITMENT TO EDUCATION

President Macapagal-Arroyo’s Agenda for the Education Sector

According to President Gloria Macapagal-Arroyo, she anchors her reform program for education on providing equity, access and quality. For the remainder of her three-year watch, she intends to minimize the cost of going to school. She hopes to increase the number of textbooks per student, and upgrade the teaching of math and science in basic education. She also aims to have better paid — and thus better motivated — teachers, as well as increase the teaching force. The MTPDP for 2001-2004 adds to these targets and identifies strategies accordingly.

For basic education, government looks toward improving education delivery by working on their backlog of facilities and instructional materials, and institutionalizing alternative learning systems (ALS) to make basic education pro-poor. Gains in education quality are to be made in systematizing continuous curricular evaluations with the help of the sector's stakeholders – students, teachers, parents, textbook publishers, civil society, and relevant government agencies. Competency testing via the NEAT, NSAT and Licensure Exams for teachers will be unified so that students and teachers are not overburdened by frequent tests. Family-focused intervention programs such as compensatory teaching, home-based learning, school feeding, and health care will be intensified in order to improve retention and reduce dropout rates. Government shall look after teacher welfare by continuously upgrading competence, providing incentives for a two-track career path for teachers, and training them for entrepreneurship. Salary structures and tax exemptions will be rationalized in order to attract quality professionals to teach. Reforms also will be introduced in textbook procurement and the delivery of salaries and educational facilities to reduce administrative costs and corruption. For middle-level skills development (MLSD), the government will look at improving the delivery of TVET by making it technology-driven. The dual training system will also be the preferred TVET mode to promote industry participation in training. The competency assessment and standards certification system of the Technical Education and Skills Development Authority (TESDA) will also be strengthened. These upgrades are intended to improve TVET quality in the Philippines for global competitiveness.

Other strategies include marketing MLSD as a viable career option to increase enrolment, as well as pursuing joint TVET programs with other government agencies. Private sector fund raising to support the planned TESDA Development Fund will also be prioritized. For higher education, the government's Commission on Higher Education (CHED) will continue to regulate the sub-sector by enforcing guidelines on the creation, conversion and upgrading of state universities and colleges (SUCs), and improving accreditation and monitoring systems to ensure
quality. Centers of Excellence and Centers of Development in priority clusters and
disciplines will be further developed, and the higher education information systems
(HEMIS) will be continued and strengthened to facilitate government's efforts in
skills-employment matching.

CHED will put in place a system of student loans, vouchers, scholarships, and other
forms of student assistance to pursue the policy of direct channeling of public
resources to students rather than institutions in a framework of normative financing.
Alternative higher learning delivery systems such as distance learning programs in
open universities will also be promoted in order to broaden the reach of higher
education.

**DepEd Secretary Roco's Reform Agenda and Accomplishments**

Apart from these directives at the national level, the Department also proceeds from
the vision of its current Secretary. When Senator Raul Roco was appointed to the
post in mid-February of 2001, he adopted the vision "Bawa't Graduate, Bayani at
Marangal" for the Department. "We envision graduates of the school system who
are heroes in their own right," notes Roco, who considers teachers and students as
the agency's two constituencies. "The teacher is central to molding our graduate
heroes. She teaches them the skills so that they can be productive in life. She
shows by example the values our children must learn in school – hard work, study
and the dignity that a noble profession is supposed to give." Based on this vision, six
core objectives were identified for the Department thus:

- To produce graduates of the public school system who have the skills and
  values to contribute productively and honorably to society;
- To fight poverty by building the capacity of teachers and students;
- To integrate the participation of civil society in educational planning and
  implementation;
- To improve moral standards in government through transparency,
  leadership by example and by ensuring the public's access to education
  officials;
- To establish internal efficiencies in the DepEd so that public funds reach its
  intended beneficiaries – the teachers and students – with the least
  administrative cost and corruption; and,
- To transform the DepEd into a department for teachers and students by
  encouraging a public service-oriented culture.

Since assuming office, Secretary Roco has initiated reforms in the areas of teacher
and student welfare, curriculum, equity and good governance. The Department has
been able to increase the net take home pay of teachers despite budget constraints
by not withholding taxes in the months when teachers are typically cash-strapped;
by restructuring loans; by making available credit sources with low interest rates; by
correcting unauthorized deductions; by giving the clothing allowance in cash; and by
acting against illegal contributions.

Teachers also have been freed of many non-teaching duties so they can
concentrate on instruction and preparation for their classes. More than 70,000
teachers and non-teaching personnel received training in relevant short-term
courses, while an additional 619 teachers and non-teaching personnel were given
scholarships to pursue graduate programs mostly in Science and Math.

To benefit students, the Department has banned compulsory collection of fees. It
has re-energized the World Bank-funded Third Elementary Education Project
(TEEP) to compensate for the four-year delay in project implementation. The
restructuring will enable the Department to catch up with program’s original goals of improving student participation and learning achievement, reducing dropout rates in the 22 poorest provinces and strengthening institutional capacity to deliver education.

At the end of last year, 857 classrooms were finished and an additional 1,407 were rehabilitated under the TEEP, a vast improvement from the 274 and 427 classrooms built and rehabilitated respectively in the two years before project restructuring. Some 280,000 students also benefited from government’s Education Service Contracting Scheme, up by 17,000 from year 2000 figures.

Improvements in curriculum involved focusing on five learning areas: English, Filipino, Math, Science and Makabayan (Sining, Kultura, Musika, Physical Education, Produktibong Pamumuhay, Edukasyong Pantahahan at Pangkabuhayan, Heograpiya, Kasaysayan, Sibika, Araling Panlipunan, Technology and Home Economics, Health, Character Education). Social Studies and Values Education are to be integrated across the curriculum. In addition, by SY 2002-2003, the Department hopes to shift high school math away from the spiraling approach to the layered curriculum approach to improve continuity between levels and facilitate teaching.

The basic features of this restructured Basic Education Curriculum (BEC) include a greater emphasis on helping every learner (particularly those in Grades 1 to 3) become a successful reader. The BEC also focuses on interactive learning approaches as well as integrative teaching approaches where appropriate. The revised curriculum promotes values formation in all subject areas and the development of self-reliant and patriotic citizens.

The Department has also provided computers to 1,107 public high schools under its DepEd Computerization Program and the Department of Trade and Industry-DepEd Personal Computers for Public Schools Project. It also organized 1,428 preschool classes and an additional 1,000 classes under the Early Childhood Service Contracting Scheme for the benefit of 25,000 pupils.

Focus on Governance-Related Reforms

The MTPDP 2001-2004 also lays out strategies for governance reform in the education sector. For basic education, government will realign the functions of the Education Department at the national and sub-national levels in an effort to ‘deconcentrate’ basic education management. It will broaden the roles of LGUs, civil society, the community and the private sector in the delivery and management of basic education services. Government will also look at decentralizing MLSD tasks to LGUs, which will also involve building local government capabilities to conduct community-based education and training. For his part, Secretary Roco’s initiatives in good governance include a 35-percent reduction in the cost of textbooks and classroom desks by applying the ‘sunshine principle’ or transparency in bidding procedures, increased civil society participation in formulating education policies, and a reorganized Office of the Secretary for service-friendliness.

IV. GOVERNANCE IN THE EDUCATION SECTOR

Governance of the education sector has remained largely centralized since the American occupation of the early 1900s. The Education Department long had sole responsibility for the formulation, planning, implementation, and coordination of all levels of formal and non-formal education in the Philippines. It supervised all
education institutions, both public and private. EDCOM's recommendations on structural reform paved the way for the creation of the Commission on Higher Education in 1994 to oversee tertiary degree programs. In the same year, the Technical Education and Skills Development Authority or TESDA was created to supervise technical and vocational non-degree programs.

The trifocalization of education management allowed the DepEd to narrow its focus and direct its attention toward basic (elementary and secondary) and non-formal education exclusively. This also enabled the Department to pursue its mission of establishing and maintaining "a system of free public education in the elementary and high school levels" as provided for by the 1987 Constitution.

Governance in Basic Education

Republic Act (RA) 9155, also known as the Governance of Basic Education Act of 2001, provides the overall framework for principal empowerment by strengthening principal and leadership goals, and local school based management within the context of transparency and local accountability. The objective of basic education is to provide the school age population and the youth with skills, knowledge, and values to become caring, self-reliant, productive, and patriotic citizens.

The Department of Education's principal goals are thus to raise the academic standards of basic education, and enhance administrative efficiency in the delivery of educational services. Given these goals, DepEd organized itself into two major structural components. The Central Office maintains the overall administration of basic education at the national level. The Field Offices are responsible for the regional and local coordination and administration of the Department's mandate. In providing the quality of services it has been given responsibility for, the Department is organized and operates with four Undersecretaries for Programs, Regional Operations, Finance and Administration, and Legal Affairs. It also has four Assistant Secretaries for Programs, Planning and Development, Budget and Financial Affairs, and Legal Affairs.

In the decade prior to having the legal basis for decentralization, the Education Department had gradually decentralized some of its functions to the regional and, to a lesser extent, divisional levels. Community control over basic education has grown as parents and local authorities have assumed an increasingly important financial role. However, even though the Philippines has a more decentralized system than most other countries in the region, the policy of de-concentration has done little to increase autonomy and control at the school level (Asian Development Bank, 1999).

With RA 9155, DepEd is pursuing decentralization further at the basic education sub-sector under a policy of shared governance, principal empowerment, and school-based management. According to George Garma, DepEd Regional Director for the Cordillera Administrative Region (CAR), "Governance of basic education begins at the national level. It is in the field offices at the regions, divisions, schools and learning centers where this is translated into programs, projects and services developed, adapted and offered to fit local needs."

One of the mechanisms that DepEd is currently employing in the practice of shared governance is allowing other stakeholders in the sector to participate in decision making at the central level via management committee (MANCOM) meetings. "In the management committee meeting we hold every month," explains Ramon Bacani, Under-Secretary for Operations, "aside from the regional directors and the bureau directors from central office, we invite the heads of the superintendents association, the district supervisors association, principals associations." Local
school officials who attend the MANCOM welcome this representation because “the voices of the stakeholders are now heard and acted on,” says Joy Fernandez, who sits in meetings in behalf of the Philippine Association of Secondary School Administrators (PASSA).

Among the points raised during the MANCOM meetings are issues and concerns at the regional level. However, it is not enough for the regional directors to bring up their problems to the central office. "Two weeks before the meeting, I write the regional directors to ask them what they'd like to take up," says Under-Secretary Bacani. "Not only do they raise the issues but the Secretary requires them to also propose solutions. Central office cannot think of all the solutions to these problems. And since they're the ones affected, they can also identify what needs to be done."

To disseminate what was discussed during the MANCOM, a regional executive conference is likewise conducted in the region, attended by the school division superintendents, assistant school division superintendents, chiefs and assistant chiefs, unit heads of the regional office, selected principals and parents-teachers community association (PTCA) presidents. Issues involving the school divisions and regional divisions/units are also discussed during the conference. A number of functions have also been decentralized to the field units, from small procedures such as choosing school uniforms to crucial processes such as hiring school teachers.

According to Under-Secretary Bacani, "Previously it was a central office decision, what should be the uniform for all the teachers throughout the country. But Secretary Roco thought, 'why should I be worried about how you look? You should be the ones who should be more concerned about how you look.' That decision is left with the principals in consultation with the teachers. They can just agree among themselves what the proper school attire should be instead of having a uniform. The situations in our schools vary from campus to campus. Some in the urban areas, some in the really remote areas where teachers may have to do a lot of travelling by public transport or even have to walk, or in some cases, ride on horseback or a banca. So with the decision being at the school level, they can decide on what is their appropriate attire."

"In the past, the hiring of teachers was basically an operation of the division office," Under-Secretary Bacani explains further. "The schools just get the teachers hired by the division offices and who get assigned to their schools. They have very little participation in identifying who gets to teach in their schools. This time, the recruitment starts at the school level. Applications are filed there, principals as heads of the school selection committee interview the applicants and then they submit their recommendations to the superintendents."

"These are concrete steps in making sure that the school principals really get to exercise some real decision making," adds Under-Secretary Bacani.

An Interim Step: Managing Basic Education through Divisional and Municipal School Boards. It is worthwhile to note that there are existing provisions for governance at the local level with the creation of local school boards (LSBs). The 1991 Local Government Code requires a school board to be established in every province and in every city or non-urban municipality. The Code stipulates the membership and functions of the school boards. According to the Code, each divisional and district school board will:

- Review the operational and maintenance needs of public schools in the area;
• Determine, according to criteria set out in the code and monitored by the DepEd, the use of the Special Education Fund (SEF), derived from a special levy on real property in each province and each municipality and meant as a supplement to the centrally allocated funds from the national budget;
• Authorize the school board treasurer to disburse funds from the SEF according to the SEF budget;
• Recommend changes in the names of public schools in the area; and,
• Serve as an advisory committee to DepEd on other local educational matters.

The Code requires DepEd to consult the LSB on the appointment of division superintendents, district supervisors, school principals, and other school officials. The LSB's allocation of the SEF should give priority to: construction, repair and maintenance of school buildings and other facilities of public elementary and secondary schools; establishment and maintenance of extension classes, where necessary; and, sports activities.

**Education Governance at the School Level through School-based Management.** School based management (SBM) involves the devolution of important decision making authority to principals/school heads, teachers, parents and students. The assumption behind school level decision making is that reducing bureaucratic will encourage principals, teachers, and parents to exert greater initiative in meeting the needs of students and the community. In 1996, the Education Department commissioned the preparation of a decentralization plan for the bureaucracy funded by the Canadian International Development Agency (CIDA). The plan mentioned the advantages of school based management thus:

- **SBM empowers schools and brings senior administrators closer to those who really care for students.** The current multi-layered, hierarchical organization ignores personalities and cultures. It tries to fit schools with diverse characteristics and consequent resource needs into a simplistic and rigid set of rules, procedures, and resource allocation norms. Teachers and parents become passive and frustrated due to long delays and lack of appreciation for the specific needs of their schools. School empowerment through SBM is therefore essential for school improvement and effectiveness.

- **SBM outlines the responsibility for planning and management of school improvement plans on schools themselves.** In a real sense it implies that it is the schools who determine their personnel requirements, the kind of teachers they need, the types of relevant learning material, and the kind of resources necessary to implement a successful school program.

- **SBM makes schools accountable to the stakeholders.** Parents and members of the local community are partners in school management. They are an integral part of the decision making process.

In discussing the school based management framework, the study noted the functional areas of SBM that cover the operating areas of schools. These are:

- **School policies.** School mission statements and goals, a clear perspective on school outcomes, commitment for inclusive education for all children in the community, guidelines for teachers and parents, and curriculum access for all children, must be decided in a community context.

- **Curriculum, instruction and assessment.** Curriculum adjustments for the specific needs of multi-level, multi-age, multi-grade students, and school readiness teaching contexts are required. Guidelines are required for active
learning and child-centered pedagogy, formative evaluation procedures, and student promotion policies. The selection of textbooks and supplementary reading materials (taking into consideration school context), guidelines for the use of language used in the classroom by students, and transition to the official media of instruction, must be initiated.

- **Teaching programs.** Active learning and learner focused teaching, classroom teaching resources, the use of common resources in different classrooms, classroom organization and teacher involvement in allocating classes, must be initiated. Classroom supervision, strategies to increase the learning time of all children, and strategies to meet individual student needs are an integral part of SBM.

- **Staff development.** Working out common training needs, the unique needs of teachers and other staff members, the identification of potential activities for deputized staff, are also an important part of the SBM process.

  - Periodic review and a consultation process. This is an ongoing requirement within a school by teachers, parents and members of the community.
  
  - School and community relationships. Resource mobilization and management, school improvement, areas in which schools can extend help to a community to ensure a mutuality of contribution, are all necessary.
  
  - Resource mobilization and management. Includes resources that are to be mobilized from the division, the local school board or municipality, and from the community. Allocation of resources should ensure that supplies such as textbooks and supplementary reading materials are received.

The study also endorsed that SBM results in local community ownership of the school that, in turn, becomes a strength to achieve the school's planned mission. Stakeholder participation in school management is also helpful in the mobilization of local resources to complement public resources. When implemented, SBM builds a climate that makes teachers and schools feel that they are trusted in the community by the line management authority.

**Gaps in Basic Education Governance.** There is so much to do in education," bewails DepEd Under-Secretary for Programs Fe Hidalgo. "With school based management, there are certain powers that would now be relinquished to the principal. There is always this lack of trust on the principal's managerial abilities. In reaction to a centralized set-up, principals also have suspicions on certain decisions made up the hierarchy."

This tension has always existed between central and local interests in, and goals for, the education sector. On the one hand, the central government, which mobilizes financial resources for the sector, wants to monitor the use of these resources to ensure that centrally mandated standards are satisfied in all parts of the system and that equal access is maintained for all members of society. On the other hand, local communities want a voice in the determination of educational outcomes and the running of educational programs so as to ensure that their priorities and needs are reflected. Though the idea of increasing autonomy and control at the school level is sound, certain structural constraints may impose on the implementation of SBM.

The Education Department itself observed that the current system of budgeting and management discouraged innovation at this level, that few schools generated their own funds or had access to discretionary resources, and that few school heads exercised a genuine instructional leadership or financial management roles. Despite good arguments for extending autonomy to the level of the individual school, or at
least to the level of the municipality, one rigid aspect of policy has managed to curtail this initiative: the system of decision and control over allocations for basic education from the central government budget.

In putting together the annual budget for basic education, Congress requires that proposed expenditure items be specified very precisely. Once specified and embodied in the General Appropriations Act (GAA), there is little or no room for DepEd or for local education authorities to change or redirect expenditures within the budget. For primary education, Congress provides DepEd with a budget for every division. For secondary education, a separate budget line is enacted for every school. Such detailed specification of the budget is justified by Congress as necessary in order to limit opportunities for misappropriation, but it reflects as well the clear intent of individual members of the legislature to scrutinize the allocations to municipalities and schools within their own constituencies. An undesirable effect of this practice is that it restricts flexibility to respond to the changing requirements of individual schools. Together with a system of single-year budgeting that prohibits the carryover of unused funds from one year to the next, this often results in the underutilization of the education allocation in the national budget. The 1998 budget, for example, provided for the recruitment by DepEd of 7,000 new teachers for basic education, but the Department of Budget and Management's release of the funds for this was very slow (the fault was partly with the Education Department, which was unable to produce the necessary supporting documentation). The unused allocation cannot be reallocated for other purposes, and the likely result is the loss of at least some of these resources to the education sector (ADB, 1999).

"What concerns (school administrators) is fiscal management responsibility because in general, the elementary school principals don't really get any cash resources from the division office," remarks Under-Secretary Bacani. "They just get all the assistance in kind in terms of supplies and others. So we're working on a system by which they will also be getting some maintenance expenses that they will really manage in accordance with their needs. That would more or less complete the substantive authorities of principals, covering from the financial, to hiring, even to deciding on teachers' as well as pupils' uniforms."

**Financing Basic Education.** According to an ADB-commissioned study on education costs and financing in the Philippines, basic education accounted for more than three-quarters of total central government education financing over the period 1988 to 1999. However, the nationalization of barangay high schools as well as the Constitutional mandate for secondary education dating from 1988 resulted in a contraction of the elementary education budget share (from 61 to 51 percent) and an expansion of the secondary education share (from 20 to 31 percent) over the two years 1988 to 1990. However, elementary education soon regained its priority position with its expenditure share rising from 52.8 percent in 1991 to 60.8 percent in 1997 (Maglen and Manasan, 1999).

Personnel expenses is the biggest single expenditure item in any education budget, but it has grown to take an inordinately large share of the DepEd budget in recent years: personnel services in the DepEd budget increased from 74 percent in 1990 to 88 percent in 1999. The dramatic rise in personnel expenditure is largely attributable to the increases in public school teachers salaries implemented in the late 1980s and 1990s. Between 1985 and 1997, remuneration of government teachers went up 4.5 times. Given that over this period there was no corresponding cutback in the rate of teacher recruitment, or any attempt to rationalize their employment, the growth in teacher salaries was absorbed at the expense of MOOE. Consequently, the share of MOOE in the DepEd budget contracted from 16.5 percent in 1990 to 9 percent in 1999.
Capital outlays have also suffered as a result of steep increases in teacher salaries, thus highlighting the vulnerability of capital works programming. Effective capital development cannot occur when capital budgeting is on an annual basis. With reference to financing access to basic education (specifically secondary education), government has introduced two schemes under the Government Assistance to Students and Teachers in Private Education (GASTPE) program. The Education Service Contracting (ESC) scheme was designed to enable students to enroll in private schools in places where there were no public schools or where there was excess enrolment in the existing public school. The Tuition Fee Subsidy (TFS) scheme is designed to help families cover the tuition fees charged by private secondary schools. In 1998, the ESC provided a subsidy of P1,700 per grantee and the TFS paid a maximum of P290 per grantee. In 1997-1998, there were 219,048 students supported by ESC and 209,936 supported by TFS. This represented, respectively, 16 percent and 15 percent of total private secondary school enrolments. Neither scheme has been effective, however, since they cover only a small portion of the costs of tuition, not to mention the direct social costs of education. The ESC subsidy of P1,700 covers around 70 percent of the ceiling fee level provided under the scheme and about 40 percent of the estimated average tuition in private secondary schools. The TFS grant of P290, on the other hand, is a mere 12 percent of the ceiling fee level and about 7 percent of the estimated average tuition in private secondary schools in that year. The low levels of support, combined with lengthy delays in the processing and release of payments, discourage needy families from participating in these schemes.

Governance in TVET

One of the results of the 1991 EDCOM assessment was the need to rationalize technical and vocational education. The congressional body recommended the integration of public and private TVET programs as well as bringing together the government's various TVET activities under one organization. TESDA, or the Technical Education and Skills Development Authority, established when RA 7796 was signed into law in 1994.

TESDA was created to mobilize the full participation of industry, labor, local government units, and technical-vocational institutions in the country's skilled manpower development programs. It absorbed the functions of three government agencies: the National Manpower and Youth Council (NMYC) of the Department of Labor and Employment (DOLE), the Bureau of Technical and Vocational Education (BTVE) of the Department of Education, Culture and Sports, and the Apprenticeship Program of the Bureau of Local Employment (BLE), also of the DOLE.

Under the law, TESDA is mandated to: integrate, coordinate, and monitor skills development programs; restructure efforts to promote and develop middle-level manpower; approve skills standards and tests; develop an accreditation system for institutions involved in middle-level manpower development; fund programs and projects for technical education and skills development; and assist trainer's training programs.

Over time, TESDA also is expected to: devolve training functions to local governments; reform the apprenticeship program; involve industry and employers in skills training; formulate a skills development plan; develop and administer training incentives; organize skills competitions; and manage skills development funds. To fulfill its mandate, TESDA was structured with a coordinating body, the TESDA Board, which is responsible for the formulation, continuation, coordination and
integration of technical education and skills development policies, plans and programs.

The TESDA Secretariat, established to assist the TESDA Board, is tasked with recommendation and formulation of planning processes, as well as provision of inputs for policy-and decision-making, and resource allocation. A 1999 assessment of TVET in the Philippines noted TESDA’s unique role in providing coordination and substantive leadership in the sub-sector. The agency is trying to weed out low quality providers among private institutions. It has introduced a system of registration and accreditation designed to achieve minimum levels of quality. Under the UTPRAS (or, the Unified TESDA Program Registration and Accreditation System), both public and private institutions must seek advance approval for all courses and pass a minimum threshold for authorization. This system, when sensibly administered, promises to stimulate substantial changes and improvements in private education. It will eliminate some of the ‘fly-by-night’ operations and will cause others to merge or undertake improvement programs (Johanson, 1999).

TESDA has also converted to a system of competency-based training, which places the emphasis on determination by employers of the competencies required for particular occupations, training modules focused on achieving those outputs, and certification of results through final testing. Competency-based training is the basis for the new registration and accreditation program. This system promises to make TVET more effective by focusing on the essentials and eliminating unnecessary content from training. TESDA is also providing positive incentives for quality improvement in training through its awards for training excellence. These provide considerable leverage on the system without much cost.

**Gaps in Governing TVET.** Despite these achievements, TESDA still faces several constraints in the conduct of its mandate. The TESDA law does not contain any provision for direct administration of training institutions. Rather, TESDA is supposed to facilitate and supervise the overall system of middle level skills development (MLSD) through indirect means such as standards setting, accreditation, research and development, training of trainers, development of teaching materials, provision of information, and advocacy. Contrary to the original conception, TESDA has been forced to operate training institutions. As of 1999, it directly operated much of public non-formal training through its 14 regional training centers and 45 provincial training centers. In that year as well, TESDA also received an unsolicited technical-vocational high schools from the former DECS at the prompting of some congressional authorities. TESDA has since managed to transfer back some 150 of these schools, keeping only those with a hint of post-secondary training programs.

The vocational schools and centers take up almost two thirds of TESDA’s budget. Training provision takes up about 39 percent of the programs included in the agency’s five-year action plan. Operation of training centers gets in the way of TESDA’s performance of its broader functions in two respects. First, the operation of the schools consumes considerable staff time and attention that could be better applied to TESDA’s core functions. Second, it is inconsistent for TESDA to both operate training institutions and register/accredit training institutions. The process of regulation has to be separated from training provision.

The issue of devolution is thus fundamental to TESDA’s ability to govern successfully, specifically devolving its responsibilities for the actual delivery of technical education and skills development to the LGUs and other stakeholders, including its responsibility for the operation of regional and provincial training centers and technical-vocational schools. However, a 1998 study completed by the Development Academy of the Philippines (DAP) identified major gaps that are
fundamental to the effective delivery of TVET programs and projects. The study pointed out that there appears to be a lack of coherent vision or framework for devolution that is necessary to guide TESDA's work over the medium to long term. Among its stakeholders, there also is little or no common understanding of the devolution process. There also seems to be no clear model for governing the devolved functions and institutions.

Consequently, this has affected the capability for delivering TESD at the local level. Though studies have shown that TVET institutions operate better under private ownership and management, some attempts at privatizing TESDA institutions have not met with interest from the private sector. For the time being though, TESDA is opting for greater cost recovery through income mobilization, at least by its non-formal training centers.

The law provides that TESDA should implement and finance a specific plan to develop the capability of local government units to assume the responsibility for effectively providing community-based technical education and skills development opportunities. Although there are examples within the TESDA network of significant involvement of LGUs in technical-vocational education and training, there is currently "no specific plan to develop this capability" (DAP, 1998). TESDA thus needs to focus on its core functions with devolution as a key policy priority.

Another gap in TVET governance is the span of authority of TESDA for middle level skills supervision. The agency is charged with providing professional oversight on all middle level skills development, both formal and informal, and including skilled, semi-skilled, and technician levels. TESDA performs oversight on private formal and non-formal education mainly through its registration and accreditation system. However, TESDA has no mechanism whatsoever to provide input and guidance into the various kinds of training provided within state universities and colleges (SUCs). This is a significant omission because the training part of SUCs absorbs over half the national public spending on TVET. Moreover, SUCs provided an astounding 86 percent of craft training, as well as a significant share of the technician training. Graduates from training programs in SUCs receive certificates and diplomas issued by these institutions. SUCs are not subject to external testing for quality of skills acquisition.

This gap in TESDA's mandate impinges negatively on two mandates. The first, is on its ability to influence and upgrade middle-level training, in particular to extend competency-based training throughout the system. The second is on the quality of outputs from SUCs that could tend to be of lower quality in terms of skills than they would otherwise be under TESDA's technical supervision.

Financing TVET. The TVET sub-sector not only suffers from under financing, but more so from inadequate and unstable public sector financing. Throughout the period 1988 to 1999, central government expenditure for TVET (as a percentage of total spending for education) ranged from 1.13 percent to 4.10 percent, with 1999 figures pegged at 1.99 percent. As mentioned earlier, SUCs with TVET programs take up half the allocation, not leaving TESDA much to cover personnel expenses, MOOE, and capital outlay. A substantial part of TVET expenditure thus originates from foreign donor agencies in the form of official development assistance (ODA). A year-on-year estimate of ODA for TVET suggests that it amounts to 62 percent, or nearly two thirds of total ODA for education and training. Further spending for training is also undertaken by a large number of NGOs, community groups, and LGUs (Prosser, 1998).
On the other hand, options for students in TVET are also available via GASTPE. However, the bulk of these funds go to private high school and university students possibly because they are more familiar with the program's benefits and criteria. Within GASTPE there are three types of funding modes – grants, loans, and vouchers – that can support TVET students, yet are not being availed of. These are tuition fee supplements (TFS), the "Study Now, Pay Later" student loan scheme, and the Private Education Student Financial Program (PESFA). This is a voucher system for students enrolling in specified tertiary programs identified as important for national development. The scope of the Education Service Contracting (ESC) scheme also can be expanded to cover TVET students in the private sector.

The TESD Act also makes a provision for a TESDA Development Fund that allows a once-only government endowment as a lump sum with the income to be used for public and private TVET. This one-time grant was first set at P5 billion, but due to the 1997 Asian financial crisis, Congress reduced the grant amount to P1 billion. TESDA officials, however, say that the development fund still remains without financing.

**Governance in Higher Education**

The Higher Education Act of 1994, which prompted the creation of the Commission on Higher Education (CHED), was EDCOM's recommendation for reform at the higher education sub-sector. CHED reports directly to the Office of the President and covers both public and private higher education institutions (HEIs) as well as degree-granting programs in all post-secondary institutions. CHED's has five Commissioners that direct the organization and an extensive secretariat to carry out policies and implement its programs. The Commission's function can be grouped under four main headings:

- To develop plans, policies, priorities and programs on higher education and research;
- To set and enforce minimum standards for programs and institutions;
- To recommend the allocation of resources to institutions and programs; and,
- To monitor the performance of the system of higher education.

A policy-led innovation in higher education governance was initiated through the enactment of RA 8292. The Higher Education Modernization Act of 1997 standardized the governing boards of chartered SUCs in an attempt to achieve a more coordinated and integrated system as well as to improve the effectiveness of internal governance. It placed the CHED Chairman as the head of all the boards, and specified the membership to include congressional representatives; regional technical representation; faculty, student and alumni representation, and two distinguished citizens. The Board selects the president upon the recommendation of a search committee. RA 8292 further gave the governing boards power to receive and appropriate all income – including retention of all income generated from tuition fees and other charges and auxiliary services, fix tuition fees after consultations, appoint all staff of the institutions; fix salaries of employees; approve curricular and instructional programs; and absorb non-chartered institutions; and establish research and extension centers. Though termed ‘limited financial autonomy,’ its most important effect was to extend institutional autonomy.

**Gaps in Higher Education Governance: The Issue of SUCs.** At present, the public higher education system consists of a large and growing number of SUCs that vary greatly in terms of their course offerings and overall quality. At the high end of
the quality spectrum, there are departments within SUCs in the country that rival their global counterparts. At the other end, however, are some recently converted secondary schools and technical institutes now designated as tertiary institutions that do not qualify as such based on objective criteria as faculty qualifications, level of course offerings, library and laboratory facilities, and employment outcomes of graduates (Johanson, 1999).

Public higher education institutions fall into two main categories – SUCs and CSIs (or, CHED-supervised institutions). As of 1999, out of some 270 public higher education institutions (HEIs) in the Philippines, 107 are SUCs and the rest are CSIs. In addition, there are local public HEIs over which CHED exercises not even nominal oversight. CHED has a degree of budgetary control over the CSIs but, in practice, none over the SUCs. While CHED is empowered to approve the decision by Congress to create each new SUC, this power is exercised in practice with little or no attention to the merits of the individual proposal, since the decision is largely driven by political interests that CHED is supposed to defer to.

In recent years, Congress has created SUCs with little thought as to what would be required to equip the institution to function as an authentic college or university. More often than not, what was a secondary school or a technical institute is upgrading by a legislative act and, hence, designated as a tertiary institution with little, if any, change in the institution's staffing profile or course offerings. These decisions carry with them major budgetary consequences, such as salary increases for teachers who will now be paid as lecturers. Every Congressional decision to create another SUC appears to be quite popular with the staff members who benefit directly. It is also popular with parents and students, who gain access to a local, degree-granting institution that charges very low fees, or no fees even. It is usually welcomed by the community as a whole, which once lacked but now enjoys the prestige and the advantages of having its own tertiary institution, heavily subsidized by the central government.

The steady creation of new SUCs has inflated the budget for higher education at the expense of basic education. During the eight-year period from 1986 to 1994, the share of central government's education budget going to tertiary education (SUCs and CSIs) rose from 17.8 percent to 20.8 percent (Johanson, 1999), notwithstanding the Constitutional mandate that basic education should receive "the highest budgetary priority." The proliferation of SUCs, with no effective counter force to uphold higher education standards, has had the effect of diluting the average quality of the system and undermining the perception of Philippine colleges and universities internationally.

**Financing Higher Education.** Though CHED endorses all of the budgets prepared by the boards of the SUCs, this process seems to have little or no impact on the behavior of individual SUCs or the policy direction of the system as a whole. In 1999, each of the SUCs back then received a separate budget line in the General Appropriations Act (GAA) to a total of P13.5 billion, or 13.3 percent of the national expenditure program for education. For this large slice of the education budget, the quality of education service is highly skewed. At the top end, a few of the leading SUCs meet most of the international criteria by which higher education institutions are judged. However, the rest of the field performs poorly. They are generally more costly to operate than their private counterparts, but are of poorer worth. Moreover, they frequently duplicate the programs offered by private institutions. Many retain their secondary school and vocational college programs, and most achieve SUC status without undertaking the necessary staff development and upgrading, or without developing the required education infrastructure such as laboratories and libraries.
A 1999 ADB background paper on education costs and financing in the Philippines mentioned that a rough indication of the extra cost burden of SUCs on the public budget may be obtained by comparing the budget allocation for these SUCs with what it would have cost to operate them if they had the same unit costs as private higher education institutions. ADB's analysis suggests that savings roughly equivalent to 50 percent of the aggregate budget of SUCs would have resulted if the operating costs of SUCs were reduced to approximate those of private institutions. This is coupled with the fact that the fees charged by SUCs (except for the University of the Philippines) are minimal and not income-contingent, even though the majority of the students come from the higher income groups. Consequently, cost recovery in public HEIs is considerably lower than in private HEIs.

One measure of regulating the tertiary education sub-sector can be CHED's responsibility over the Higher Education Development Fund (HEDF). The Higher Education Act of 1994 allowed for the establishment of the HEDF under CHED for strengthening higher education. The HEDF is financed from the income of an initial P500 million in seed capital, 40 percent of the proceeds from the travel tax, 30 percent of the charges for the Professional Registration Fee, and 1 percent of the lotto operation of the Philippine Charity Sweepstakes Office. The Act also called for the establishment of Technical Panels to help in setting standards for programs and in evaluating minimum standards for establishment of new institutions. The HEDF is a supplementary funding source that is over and above the regular GAA allocations to the SUCs and could be used as an incentive for rewarding efficiency and quality enhancing measures on the part of individual HEIs (both public and private).

V. RECOMMENDATIONS FOR GOVERNANCE REFORM

Basic Education

On Strengthening Local School Boards. In order to enhance local autonomy and local control over basic education (an ultimate objective of the decentralization movement) changes will be needed in current budgeting and management arrangements. One thing needed is a body at the local level that can effectively represent community interests. It needs to have authority to influence how budgets are allocated across schools in the community and, within schools, across expenditure items – including the hiring, firing, and deployment of teachers. In order to do this, a formal transfer of functions and additional financial resources from the center to such a body at the local level is necessary.

Since the Department of Education has yet to develop a comprehensive program for school-based management, it would do well for DepEd to begin by maximizing the role of local school boards (LSBs) in the decentralization effort. LSBs already exist at both divisional and municipal levels, established in the early 1990s as a means of coordinating central and local government involvement in basic education. As mentioned earlier in the chapter, the composition, functions, and authority of LSBs at this time are spelled out in the 1991 Local Government Code. The divisional LSB is co-chaired by the Governor and the Provincial Education Superintendent, who represents the interests of DepEd. Similarly, the district SB is co-chaired by the Mayor and the District Education Supervisor. The elected members of the SBs include representatives of parents and teachers. Each SB appoints a treasurer (usually a regional official of DepEd) who is responsible for the disbursement of all locally raised funds. These consist principally of a Special Education Fund (SEF), a resource earmarked for basic education and financed from a levy on real estate in every division and every municipality. The SEF is primarily devoted to construction,
repair, and maintenance of school buildings and facilities, extension classes, and sporting activities.

The budget for the use of the SEF is decided by the LSB according to guidelines laid down in the LGC and monitored by DepEd. The LSB, on the other hand, has little or no power to influence the allocation of the national budget or to redirect expenditure items within the budget once enacted by Congress. In order to increase the internal efficiency of the basic education sector, more power could and should be devolved to these school boards, especially in regard to the redirection of the DepEd budget and the deployment of teachers. Such a move would reflect more closely the circumstances and the aspirations of the particular community and particular schools. In the future, this devolution should continue down to school level boards (in addition to divisional and municipal level boards).

**On School-Based Management.** With the mandate for decentralizing basic education already enshrined in law, government recognizes that effective governance of education cannot be implemented without stakeholder participation in a decentralized management system if it intends to meet the obligation of quality education for all. Before putting into place its SBM program, however, DepEd needs to revisit certain positions in its hierarchy and redefine these in the eventual SBM set-up. In this regard, the role of district supervisors needs to be assessed. School district supervisors are currently required to provide facilities to schools, receive information from schools and provide it to the division, supervise pre-elementary and elementary schools, coordinate inputs from other agencies, and act as chairperson of the municipal school board. In its 1996 study, CIDA noted that in many cases, functions of more than 50 percent of these district supervisors are being performed by supervising principals or by head teachers. The study also mentioned that wherever there are district supervisors, they do not have more than 30 percent of their time available for school visits and supervision. This is largely due to the unavailability of travel funds for on-site supervision.

In areas where there is strong internal supervision with principals and head teachers, the intervention of a district supervisor may not be needed. However, the areas that do require the position of the district supervisor due to distance from the school division or geographical remoteness and difficult terrain should be identified and justified for maintaining the position. The challenge is to put a 'human face' to this restructuring, since some district supervisors will not take their new roles lightly. School divisions should also be redefined in the move toward SBM. A school division is the basic managerial unit for planning and implementing central policies and programs, and providing supervisory support for school effectiveness. It recommends and transmits approval of budgets, recommends teacher and principal appointments, prepares and transmits information and reports to the regional office, and conducts in-service training of staff, field supervisors and teachers.

Despite the critical role of the school division in education sector planning and delivery, it does not have sufficient decision-making authority: it only receives directions from the regional office and DepEd for implementation, and collects information from the districts to transmit to the regional and central offices. Supervisory support to districts is restricted again due to limited travel funds. There is also little room for making local adaptations in policy and plans for implementation according to local, specific situations. Areas that need devolution of decision-making to the school division can include the following:

- Development of education plans for the division, including school wide allocation of resources according to local needs (based on transparent
criteria) within allocations from DepEd, the regional development councils (RDCs) and the provincial school board.

- Monitoring implementation of division education plans according to agreed performance indicators.
- Procurement of equipment, materials and supplies for the division office, and authorization to schools to select and procure textbooks and school supplies.
- Encouraging schools to undertake innovative projects based on relevance to school division needs.
- Determining staff requirements, appointment and deployment.

Finally, DepEd regional offices also need to exercise new functions. As a line office, the regional office mainly implements DepEd’s educational policy and programs, mobilizes resources from the RDC to complement DepEd allocations, monitors program implementation in the region, and conducts testing programs and inservice training. With financial authority and DepEd fund allocations to be delegated to school divisions, regional offices can perform other functions such as the following:

- Advise DepEd to be aware of specific education needs of the region and formulate policies accordingly (e.g. recognition of education needs of tribal children or children with physical disabilities).
- Mobilize funds from the RDCs and NGOs and allocate to the divisions.
- Establish a technical resource group to work on learning materials development specific to the region.
- Monitor and evaluate programs in the divisions TVET.

On TESDA’s Role in Operating Training Institutions. TESDA spends much of its time and resources on direct provision of training, a task that was not intended in the original law. This diverts the agency from its core functions. The operation of training institutions is also inherently inconsistent with its regulatory functions. TESDA should continue its work on developing an immediate plan for extricating itself from the business of operating training institutions. In July 2000 the ADB approved a loan and grant program that is designed to enhance the equity in skills acquisition among the poor. It also will support activities to strengthen the role and capacity of TESDA to devolve its training functions to LGUs and other stakeholders, provide additional equipment, instructional materials and facilities, and strengthen the capacity of private providers of TESD. A prerequisite to the loan disbursement is for TESDA to develop devolution and institutional development plans for its training centers that need to be in place and accepted by the local recipient agency. Such a devolution plan should include a range of solutions, such as:

- Building up the capacity of local government units to assume responsibility for management and financing of the institutions.
- Encouraging public financing with private management: NGO management of publicly financed training, e.g., turn over some training institutions to non-government management on a bidding basis.
- Encouraging private financing with private management. Schemes would include leasing institutions to private management, outright privatization, and funding of training not through direct funding of institutions but by financing training through vouchers, or contracting for training and payments based on performance.

The following issues should be considered in choosing to devolve the training function:
• Developing a framework within which devolution could occur in a phased in and responsible manner.
• Identifying different models for governance to meet local circumstances.
• Developing tools to assess the state of preparedness of LGUs to take on more responsibility.
• Strengthening TESDA's Provincial Directors to plan, negotiate and oversee successful devolution.
• Strengthening LGUs where the potential for devolution exists.
• Strengthening training center administrators to operate a decentralized institution.
• Identifying early models of success for replication.
• How to manage any equity implications. PESFA or other vouchers would need to be provided to poorer students when tuition charges are introduced and raised.
• TESDA would also have to make a case for retaining part of the budgets saved e.g. deposited into the TESDA Development Fund for worthy national purposes. These could include greater research on middle level skills development, information dissemination, teacher training, development and distribution of teaching materials, and possibly raising quality through franchising agreements with top-tier private institutions.
• Staff resources freed up by the divestiture should be redirected to other priority areas such as development of information systems, standards and certification.

On TESDA's Supervisory Authority. TESDA cannot reach a large part of the training programs it is supposed to supervise, namely non-degree technical programs provided by SUCs. This compromises the integrity of its programs and permits a widely variable standard for skills training programs. A joint CHED/TESDA study should be made on the kind of mechanism that can be most appropriate for technical supervision of SUC TVET programs in view of SUC autonomy. TESDA also should be authorized to certify programs in the SUCs. A joint TESDA/CHED commission might be considered for periodic review of training programs with SUCs. A more drastic solution is to have SUCs transfer all their non-degree technical training programs to TESDA or the private sector. Government should cease the financing of such programs within SUCs.

Higher Education

On Rationalizing the Higher Education System. The Philippines has only a few top quality institutions, insufficient for the country to be able to meet the challenges of competitiveness and globalization in the first decades of the new millennium.

It cannot hope to raise all institutions to the level of the present elite institutions, but it must do so for a second tier of HEIs. One of the problems with the proliferation of SUCs is that it dilutes the funds and prevents the delivery of quality programs. Given that SUCs should redefine their roles to focus on graduate studies and research, proper levels of funding are required for this to succeed. Public resources should thus be concentrated in a few institutions to achieve the desired levels of quality.

Apart from allowing the concentration of resources in a manageable numbers of HEIs, the rationalization and streamlining of higher education would (a) achieve economies of scale, and the creation of a critical mass of academics and of scholarly activities (which are vital to the productivity of HEIs); (b) put a stop to the haphazard growth of SUCs; and (c) be regionally equitable.
This report endorses an earlier ADB-World Bank recommendation on establishing a review panel of local and international higher education specialists to consider the claims to university status of the present group of SUCs. Out of this process, there would emerge a small group of state universities (SUs), way smaller than the 100-odd SUCs operating at present. Some 12 to 15 SUCs might be judged either as already meeting the criteria of full university status, or as having the potential to reach this level within a reasonable timeframe if they were to take remedial actions that the review panels deems necessary. During the review process, every effort would be made to identify promising SUCs in all parts of the Philippines to ensure an equitable distribution across the country and avoid a clustering of leading SUCs in the National Capital Region and a few other favored regions.

All SUs would be expected to increase their reliance on income from fees and other independent revenue sources. Each SU would negotiate with CHED a program for an introduction and eventual escalation of fees in an effort to achieve an acceptable level of cost recovery within a certain time period. Over the longer term, income from fees would gradually replace the financial support provided to SUs from the national budget.

In the interim, these SUs would be the only public sector institution eligible for support from the GAA budget allocations to higher education, and also from the HEDF administered by CHED. Existing SUCs and CSIs would thus need to merge with SUs unless they want to raise revenues themselves. Those with significant secondary education or TVET components could rejoin the DepEd or TESDA systems and continue to receive public subsidies as other institutions at this level. In line with the proposed rationalization initiative, this report also supports the recommendation to have a moratorium on the creation of new state universities and colleges as well as the expansion of existing SUCs.

**On Governance at CHED.** Though CHED was intended to be a body for development assistance, strategic planning and coordination of higher education, it has become a regulatory agency instead. CHED has moved forward significantly to lessen its regulatory role by giving more autonomy to HEIs that have performed well, and also by allowing public HEIs to govern themselves based on their own congressional charters. However, CHED should still consider reforms at the following levels:

- Make strategic planning the top priority of CHED, to include strategic analysis of tradeoffs.
- Give itself authority over budget review of public HEIs, and base budget allocations on performance criteria.
- Improve the impact and performance of the HEDF by concentrating its allocations on a few high priority programs rather than spreading its efforts over many small grants.
- Prioritize the completion and implementation of an information system directed at providing the general public much-needed information about costs, quality and performance of all HEIs, including those in the private sector. It also should generate better information about the overall status and performance of the higher education system as a basis for policy development.