

25 September 2019

**REPRESENTATIVE SHARON S. GARIN**

Chairperson  
Committee on Economic Affairs  
House of Representatives  
Batasang Pambansa Complex  
Constitution Hills, Quezon City

Dear **Representative Garin:**

We are pleased to submit the Department's position on House Bill No. 09, entitled:

**“An Act Establishing a National Economic Decentralization Plan to Facilitate Further Growth in All Regions of the Philippines, and for Other Purposes”**

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Very truly yours,

  
**RAMON M. LOPEZ**  
Secretary



**OFFICE OF THE SECRETARY**

DTI Position on

**House Bill No. 09**

**“An Act Establishing a National Economic Decentralization Plan to Facilitate Further Growth in All Regions of the Philippines, and for Other Purposes”**

The Department welcomes the intention of the proposed bill to promote economic and development proliferation throughout the country in pursuit of the mandates derived from Article XII of the 1987 Philippine Constitution. The proposed bill stipulates for the creation of a Philippine Decentralization Committee that shall formulate a 5-year midterm and 10-year long-term Philippine Decentralization Plan which would entail comprehensive studies on: (i) challenges and opportunities for regional economic development; and (ii) assessment of possible relocation sites for government offices and provision of incentives and benefits therefore. The proposed bill focuses on decongesting the National Capital Region (NCR), diffusing the concentration of national government agencies (NGAs) in Metro Manila and distributing them to the regions, as well as to provide each region with its own specialty healthcare center (e.g. Heart Center, Lung Center, Kidney and Transplant Institute, and Orthopedic Center, among others) and centers of excellence for education and skills development.

The Department notes that the Philippines is a unitary state, meaning its government structure is primarily a centralized administration that oversees matters from a national perspective. People-centered democratic reforms instituted during the latter half of the 1980s have since softened this top-down approach, resulting in the enshrinement of decentralization in Article X of the Constitution, and as further operationalized through Republic Act No. 7160, otherwise known as “*Local Government Code of 1991*,” and Executive Order No. 325, s.1996, entitled “*Reorganization of the Regional Development Councils*.”

These sources of law already provide for a decentralized framework wherein local government units (LGUs) are given a lead share in policy and decision-making in their respective jurisdictions besides being empowered to address immediate issues on the ground, manage day-to-day affairs, and provide basic government services as devolved from the national level. The Regional Development Councils (RDCs) were also created to facilitate inter-agency coordination, promote economic development in the regions, determine regional priorities, and enhance government linkages to process concerns. Moreover, NGAs, such as the DTI, operate regional and provincial offices to facilitate delivery of their respective services wherever deemed necessary or appropriate.

In view of the foregoing, the DTI forwards its views on the provisions of the proposed bill, to wit:

## Philippine Decentralization Committee and Philippine Decentralization Plan

A study by former National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan, *et al.*, identified investments in key public goods, physical infrastructure, and human capital as the major drivers of both national growth rate and regional development patterns.<sup>1</sup> The same study posits that the Philippines is significantly under-investing in infrastructure by East Asian standards. Further, this scarcity of infrastructure funds has affected regional development patterns. The Philippine Government and the private sector invested more in internationally-oriented infrastructure (e.g., ports, harbors, and associated facilities) than in domestic transport networks and corridors. This investment pattern has reinforced globally connected enclaves in the country but has inhibited a denser set of domestic connections from forming between regions thereby discouraging intra-country trade and the establishment of unique regional specializations. Thus, investments, particularly in infrastructure and human capital, should be developed with the goal of fostering national linkages between regions which would then strengthen economic growth and provide a more inclusive approach.

The DTI reiterates its efforts to achieve inclusive growth with the regions in mind. In particular, we have launched the Inclusive Innovation Industrial Strategy (i<sup>3</sup>S) which is operationalized, in part, by Regional Inclusive Innovation Centers (RIICs). RIICs provide a platform to address gaps between the academe, industry, and government in order to boost value-adding/upscaling of products and services through research and development.

Furthermore, the Department's attached agencies, the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA), are promoting investments and infrastructure build-up in the regions through the provision of incentives and the establishment of ecozones in coordination with RDCs and LGUs. DTI's work, including its attached agencies', is highlighted by Malacañang Administrative Order No. 18, s.2019, entitled "*Accelerating Rural Progress through Robust Development of Special Economic Zones in the Countryside,*" which stipulates a moratorium on ecozone applications in Metro Manila. In lieu thereof, ecozone formation and development in the countryside must be prioritized with various NGAs directed to provide support in order to hasten the access of countryside ecozones to necessary human capital, infrastructure, as well as forward and backward industry linkages.

The Department reserves its support for the creation of the Philippine Decentralization Committee and the Philippine Decentralization Plan since their intentions are already being actualized by NGAs in each of their roles which have since been cognizant of decentralization and promoting regional prosperity. Moreover, NEDA is *de facto* performing the functions of the proposed committee and plans through its formulation and monitoring of the AmBisyon Natin 2040 goals as well as the targets from the periodic Philippine Development Plans (PDPs). These goals and targets already incorporate the need to distribute

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<sup>1</sup> "An Overview, The Philippines and Regional Development" by Arsenio M. Balisacan, *et al.* Retrieved from <https://www.adb.org/sites/default/files/publication/159365/adbi-dynamic-regional-dev.pdf>

inclusive wealth throughout the country and promote a decentralized framework to achieve a government responsive to local needs.

### **Relocation of National Government Agencies (NGAs)**

The Department notes that the standing Presidential Decree (PD) 940, s.1976 explicitly determines the city of Manila as the capital of the Philippines and Metro Manila as the permanent seat of government. Thus, any initiatives for relocation are actually in violation of the law unless the proposed bill would incorporate the explicit repeal of PD 940, s.1976.

Furthermore, we reiterate our arguments against relocation from the previously submitted DTI Position on the 17<sup>th</sup> Congress' House Bill No. 6968, entitled "*An Act Relocating the Seat of Government from Metro Manila to Davao City*" which are, to wit:

- (i) Relocation of the administrative center would only transfer the current problems in Metro Manila regarding traffic congestion, as well as concentration of economic and political resources, to the relocation site/s;
- (ii) Relocation itself would be costly not just from a financial/budgetary perspective but also socially (family members of affected employees would have to also relocate or otherwise commute long-distances) and economically (ease of doing business would be hampered since entrenched coordination bases would now have to commute back and forth between Metro Manila and the relocated site/s unless they too relocate);
- (iii) Concerns regarding inadequate readiness and absorptive capacity of the relocation site/s to cater the immediate and long-term necessities/concerns of relocated NGAs, their ancillary support structures, and private sector organizations that would follow-suit; and
- (iv) Achieving the objectives of decentralization, i.e., empowerment of the regions and proliferation of development, can be addressed by improving efficiency and effectiveness in the overall government bureaucracy hand-in-hand with domestic linkage networks.

The proposed dispersion of one major NGA for each region (Section 5 of the proposed bill) must be carefully studied insofar as agency coordination and service delivery that involve/cut across NGAs may be adversely affected – to the detriment of stakeholders.

### **Philippine Healthcare Development Program and Regional Centers for Excellence Development Program**

The Department supports the proposed development programs, entailing a dedicated budget, in order to establish regional offices of specialized healthcare centers such as the Philippine Heart Center, Lung Center of the Philippines, National Kidney and Transplant Institute, and Philippine Orthopedic Center,

among others. The Department recognizes that the above government-affiliated entities only have a presence in Metro Manila but their services need to be brought out to other beneficiaries as well in the regions. Nonetheless, we defer to inputs from the Department of Health (DOH) on this matter.

On the other hand, the Department is cognizant of the Commission on Higher Education (CHED)'s authority to award tertiary educational institutes with the Center of Excellence (COE) recognition. As per their latest issuance, there are already a number of COEs conferred to in the regions.<sup>2</sup> Nonetheless, the Department supports the proposed development program for regional COEs as it would ensure that there would be quality tertiary educational institutions present in each region. We defer to inputs from CHED on this matter.

### **Decentralization of Procurement Procedures for Major NGA Projects**

The Department notes that procurement procedures for major NGA projects are held in the most convenient venue for the procuring entity. Since major projects, regardless of where it would actually take place, are handled directly by the main offices of the NGA, the procurement process would likewise also be held where the procuring entity is based – at present, most of them are in Metro Manila. The Department reserves its support to this provision of the proposed bill but defers to inputs from the Department of Budget and Management.

### **Provision of Tax Incentives for Industries Locating Outside NCR**

The Department notes that the existing framework followed by BOI and PEZA allows the granting of incentives to industries locating outside the NCR. There are also specific incentives granted by LGUs within and outside NCR under their respective Local Investment and Incentives Code (LIIC).

The DTI reserves its support to this proposed provision in consideration of the on-going Comprehensive Tax Reform Program (CTRP) which seeks to modernize the present fiscal regime. In particular, the Department is supportive of the rationalization and harmonization of fiscal incentives under the proposed bills known as the *Corporate Income Tax and Investment Rationalization Act* (CITIRA). The DTI believes that there should be no competition on the basis of fiscal incentives but rather in terms of facilities, services, and streamlined procedures.

The Department remains sympathetic to the objectives of the proposed bill but firmly reiterates for consideration its specific views and recommendations on each provision.

  
**Bureau of Trade and Industrial Policy Research**  
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<sup>2</sup> <https://ched.gov.ph/centers-excellence-centers-developmentcoescods/>