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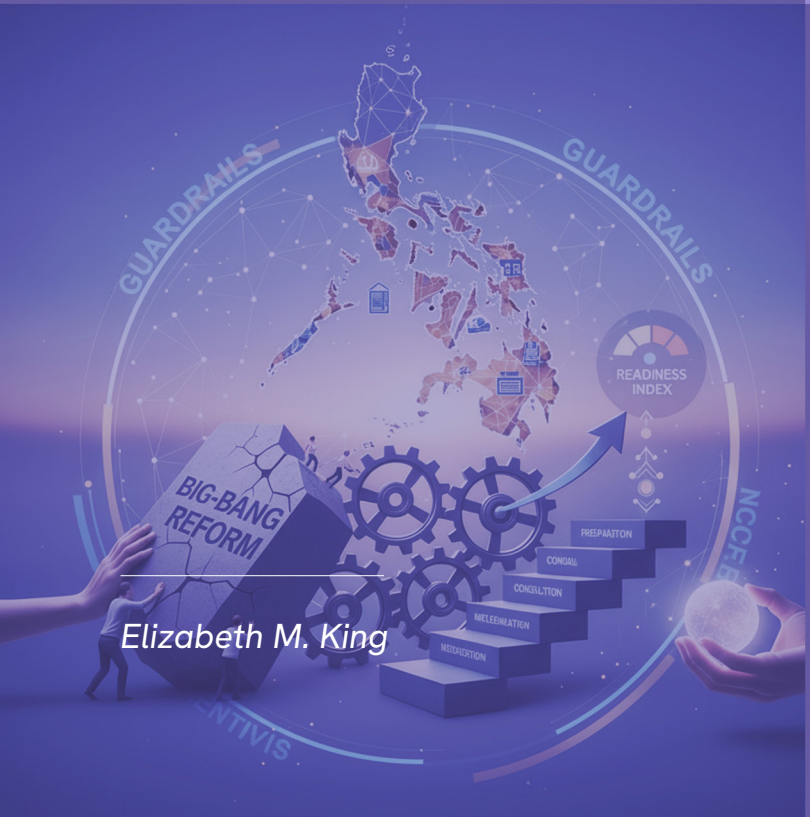
Can Decentralization Improve Philippine Education?

Lessons from Global Experience



Elizabeth M. King

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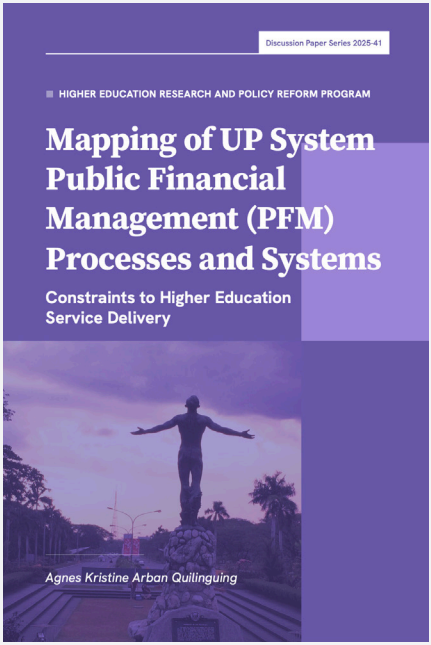

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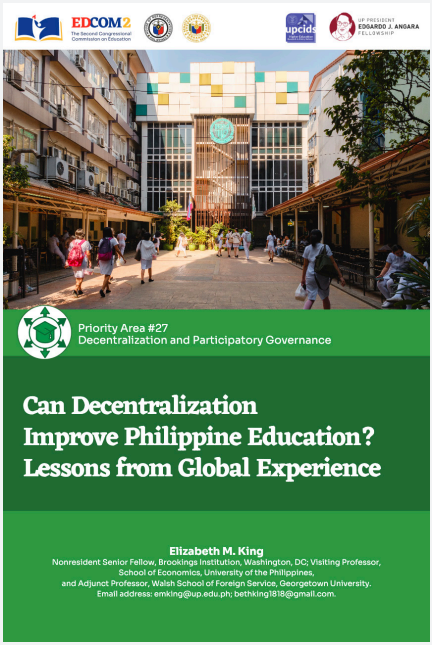

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CAN DECENTRALIZATION IMPROVE PHILIPPINE EDUCATION?

Lessons from Global Experience

Elizabeth M. King[1]

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ABSTRACT

This paper discusses the important design and implementation challenges that must be addressed in a decentralization reform, reviews how countries have attempted to resolve those challenges, and distills key lessons that could apply to the Philippines. A key lesson from the many countries that have decentralized is that a big-bang reform is likely to face tremendous implementation challenges, such as confusion about the functions and powers that are being transferred, political pushback, inadequate planning, and costly reversals. In contrast, this paper argues for a phased, selective, and iterative reform process, with adequate time allotted for preparation, consultation, and implementation. It suggests the development of a readiness index to guide the process, specifically, the choice of subnational governments that will be more quickly able to take advantage of the devolution of authority and responsibility to contribute to national education goals. It also calls for a combination of incentives and guardrails that encourage responsible decision-making by subnational governments, while thwarting political capture by local rent-seeking interests. (164 words)

Keywords: education decentralization, phased and selective reform, Philippine education reform

INTRODUCTION

Since the 1990s, many developing countries have implemented education decentralization reforms, driven by dissatisfaction with centralized governance, concerns over inefficiencies, and the need to distribute financial and administrative responsibilities (Bardhan and Mookherjee 2006; Gunnarsson et al. 2009; Glewwe and Muralidharan 2016; Saguin and Ramesh 2020). Education systems are inherently complex, involving multiple stakeholders, diverse inputs, and long-term outcomes. Decentralization has been promoted as a strategy to improve efficiency, enhance equitable access, and balance the roles of public and private providers. Decentralization shifts the decision-making to local levels and aims to ease the administrative burden on central governments while empowering local officials, who are often better positioned to understand community needs and capacities. Beyond being passive consumers, households and communities can play a crucial role as co-producers of education, advocating for increased funding, better management, and higher quality. This localized approach can help reduce information asymmetries and foster more responsive governance. In large and geographically dispersed education systems, such as that of the Philippines, decentralization's potential benefits can lead to more effective, context-specific solutions.

But decentralization is not a panacea; its success depends on various factors such as political dynamics, local capacities, and the quality of implementation, and their influence is often unclear. Unequal fiscal and administrative resources within countries can create disparities, with larger and wealthier jurisdictions benefiting from economies of scale, while poorer regions struggle with limited resources (Prud'homme 1995; Oates 2001). Although intergovernmental grants can help mitigate these disparities, they remain imperfect instruments (Bellofatto and Besfamille 2018). Moreover, power dynamics—shaped by land ownership, kinship, and political or ethnic affiliations—can exacerbate inequalities through local elite capture, corruption, and political manipulation (Bardhan 2002; Dasgupta and Beard 2007; Fan, Lin, and Treisman 2009).

This paper reviews the experience of countries with decentralized education systems, and examines the key design and implementation challenges of those reforms, with the aim of extracting lessons relevant to the Philippines. It is structured as follows: Section II reviews international experiences, focusing on governance structures, fiscal allocation, and regional inequalities, with

evidence drawn mostly from studies on Asia and Latin America. It discusses the roles of central government, the distribution of decision-making authority to subnational governments, and fiscal allocation. Section III briefly reviews past decentralization in the Philippines, highlighting key takeaways from the experience. Section IV presents five recommendations for designing and implementing a future reform approach in the Philippines.

DECENTRALIZING EDUCATION SYSTEMS: LESSONS FROM OTHER COUNTRIES

The education reforms of countries over the past three decades show that governments have experimented with various modalities of decentralization, with different levels of success. The reforms ranged from delegating administrative and decision-making functions to lower tiers of government, to devolving autonomy to communities and providers. With the delegation of authority or responsibility, governments also transferred financial control and obligations, empowering lower tiers of government to generate and manage public resources, directing them towards local initiatives and services. The effectiveness of these reforms depended on the capacity of subnational governments to generate revenue, utilize it efficiently, and ensure accountability to various stakeholders (Bahl 1999; Yilmaz, Aslam, and Gurkan 2010).

Countries have also decentralized authority to citizens through elected regional, state, or local leaders, as well as through community-based organizations such as school boards. Political decentralization empowered communities and local citizens to make decisions with the expectation that local institutions and communities are better equipped to gather information, monitor behavior, and enforce contracts (Bardhan 2002; Park and Shen 2008; Saguin and Ramesh 2020). Active citizen engagement in governance was expected to facilitate consensus-building, mitigate market and government failures, improve policy formulation, and enhance government accountability (Mansuri and Rao 2013).

The experiences of many countries with decentralization reveal complex insights into effective reform design and implementation. However, a key overarching lesson is that no single model fits all contexts. Successful reforms often require a trial-and-error approach and a willingness to make midcourse adjustments based on evidence.

No One Path Leads to Effective Decentralization

Decentralization reforms have taken diverse paths, with countries often struggling to design systems that effectively address their key educational goals and challenges. This has frequently led to cycles of progress and setbacks. A notable example is the People's Republic of China, where leaders have long debated the merits of decentralizing the country's vast education system. After an initial decentralization effort followed by recentralization, the Communist Party reaffirmed its commitment to decentralization in 1985, with the central government maintaining a guiding and supervisory role, overseeing major policies, principles, and overall planning (Hawkins 2000). In 1993, to address systemic weaknesses, the State Council established a multi-tiered educational supervision structure, involving the National Educational Supervision Agency alongside corresponding local agencies (Tsui and Wang 2004). Under this framework, the central government set overarching regulations, provincial authorities developed region-specific policies aligned with national objectives, and local governments—townships in rural areas and districts in urban settings—ensured the implementation of nine years of compulsory education. However, early implementation revealed that township governments lacked the capacity to manage schools effectively. As a result, in 2001, the responsibility for financing and overseeing basic education in rural areas was transferred back to the county level.

In the 1990s, Indonesia's regional governments had little autonomy over education (Bjork 2003). In 1994, in a significant change towards decentralization, the central government mandated that all elementary and junior high schools dedicate 20 percent of their total instructional hours to locally-tailored subject content. While control over the curriculum was decentralized to the provinces, districts, and individual schools, neither the provincial offices nor the local schools received additional funds to implement the program. Schools had to rely on their own general operating budget or raise additional funds, including fees from parents. The 2000 "big bang" decentralization attempted to resolve this misalignment between authority and fiscal resources and expenditures (Hofman and Kaiser 2004). It granted sweeping political power as well as revenue-collecting rights to districts and municipalities, shifting the governance and management of primary and junior secondary education to district governments, the responsibility for upper secondary education to provincial governments, and the authority over tertiary education to the central government. The reform expanded the revenue-raising ability of district governments and

allowed them to determine their own financial management, accounting, and procurement systems within broad guidelines, but the reform limited local spending autonomy (Bjork 2003; Leer 2016).

In contrast to China and Indonesia, Colombia followed an iterative design and gradual implementation approach to its decentralization (Elacqua et al. 2021). In 2002, the government transferred the management of public schools to municipalities, but selectively, based on the population size of municipalities. Where population exceeded 100,000, public schools were transferred to the municipality; otherwise, they continued to be managed by their departments. The certified municipalities were given greater managerial and financial autonomy, while non-certified municipalities lost their limited powers to their respective departments. After 2001, other certification criteria besides population size were imposed—the fiscal, technical and administrative capacity of municipalities to manage schools. The resource transfers for education were used to pay teaching and administrative staff of public schools and for construction and maintenance of infrastructure. An evaluation of the reform found that average student performance in the certified municipalities was significantly better than in the non-certified municipalities (Melo-Becerra et al. 2020; Elacqua et al. 2021).

Balancing Centralized and Decentralized Roles, A Design Challenge

A concern regarding decentralization is diminishing the central government's involvement over some key functions that it may be better equipped to fulfill compared to subnational governments. Finding the right balance between centralized and decentralized functions, however, is not easy. Central governments must redefine their most important function from delivery to a more strategic one, that is, to rules-setting, enforcement and adjudication, and establishing incentives and guardrails to improve system performance and equity. Local leaders and managers must also be ready and able to take on additional roles.

Specific administrative design and implementation challenges of decentralization have received substantial attention in the literature. These challenges have to do with defining the locus of decision domains; how far to devolve decision-making, which decisions to devolve, and to whom continue to be debated. The discourse implies that decentralization can be

partial and selective, rather than complete and across-the-board, and that it demands harmonization and coherence in its design. There are a few on-going experiments worldwide about the devolution of limited functions to intermediate governments and local governments, and to community-based management and financing of schools.

Illustrating the scope of the design challenge, Figure 1 summarizes the locus of key decision domains in public lower secondary education in OECD countries,[2] whether at the central or state level, regional or sub-regional level, local level, or multiple levels. Across 36 OECD countries and economies with available data, about one-third of decision areas are made at the central or national level; one-third, at the school level; 13 percent, at the local level, the level just above the school level; and about 5 percent, at the regional or sub-regional levels (OECD 2018). In some countries, decisions are taken by a combination of government levels; in OECD countries, 14 percent of decisions are shared, on average, by multiple levels.

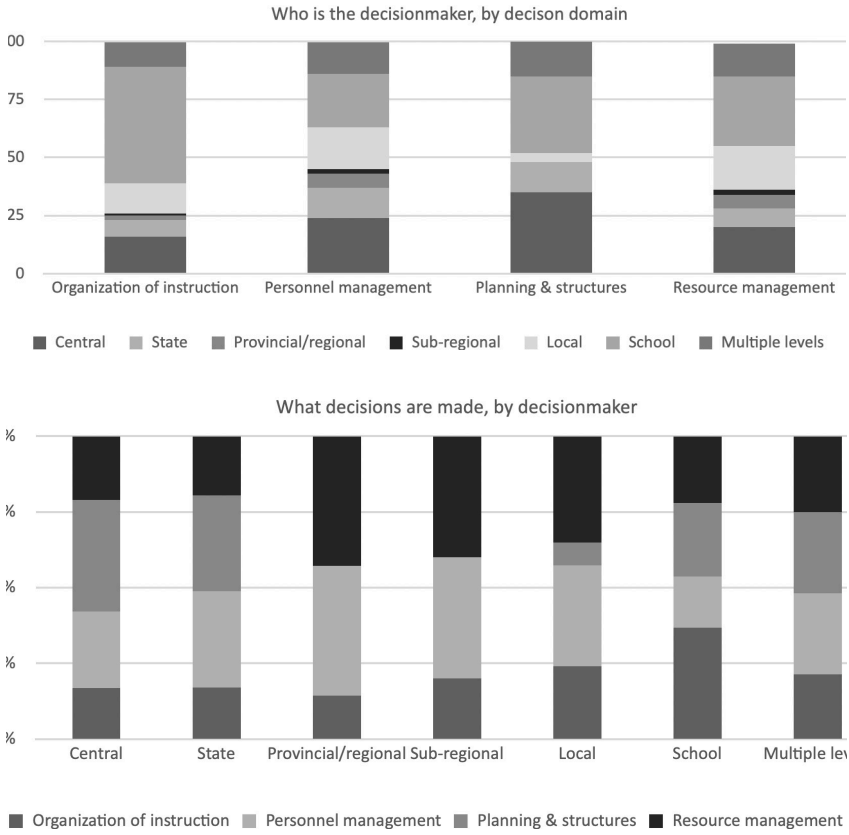
Figure 1 shows that, in most countries, schools or local authorities decide on instruction, while in about half of them, personnel management and resource use are handled locally. Planning, curriculum standards, teacher salaries, and resource allocation typically remain centralized. Responsibilities also vary across education levels, adding complexity.

When allocating authority and defining roles in education, many governments have been reluctant to delegate curriculum decisions, viewing education as integral to national identity. China, for instance, strictly controls textbooks, school qualifications, and moral-political education, limiting local curriculum autonomy to arts and sports (Hawkins 2000). Similarly, Indonesia has upheld centralized curriculum standards, reversing earlier decentralization efforts

2 Figure 1 is based on the Locus of Decision-making survey developed by OECD (2022). The survey categorizes education decisions into four domains (organization of instruction, personnel management, planning and structures, and resource management). In each domain, the survey determines the roles played by actors at different levels of the system for each of about one hundred different decisions. These decisions are based on a streamlined version of earlier rounds of data collection in 2003, 2007 and 2011. The survey covers 29 developed and 7 developing countries. An earlier study of five East Asian countries using a similar grouping of decisions by King and Guerra (2005) found that curriculum content, instruction time, teachers' salaries, and allocating resources to schools remained the domain of the national or state and provincial governments, whereas the choice of teaching methods and support activities for students (such as remedial classes) was left entirely to schools.

(Arze del Granado et al. 2008; Muttaqin et al. 2016). Brazil and Colombia have also maintained central control over curriculum-setting and quality assurance (Bruns, Filmer, and Patrinos 2011; Elacqua et al. 2021). Teacher management too has been a design challenge and a source of confusion and inefficiencies. In Indonesia, while districts oversee personnel, key functions such as promotions and payroll records remain centralized (Bjork 2004; Ostwald and Samphantharak 2016). In Colombia, local governments manage permanent teacher contracts, yet the central government retains control over hiring limits and temporary teacher contracts (Elacqua et al. 2021).

Figure 1. Percentage of decisions taken at each level of government, OECD countries, and economies, by domain of decision-making



Source: OECD (2018)

Notes: These data pertain to lower public secondary schools in 36 OECD countries and partners.

Vertical and Horizontal Fiscal Imbalances Imperil Reform Effectiveness

Vertical fiscal imbalance occurs when local governments lack sufficient resources to deliver services due to limited revenue sources, inadequate transfers, and restricted fiscal autonomy (Bird and Vaillancourt 1998; Bahl 1999). In contrastS, horizontal fiscal imbalance arises when poorer regions have lower taxable capacity despite higher expenditure needs. Properly designed intergovernmental transfers can help equalize fiscal conditions. Granting local governments greater autonomy over their expenditures also enhances efficiency.

Latin American reforms illustrate different paths to fiscal balance. In Argentina, a long-term federal country with a history of strong provincial governments and politics, approximately one-half of total public expenditures occurred at the subnational level, indicating a high degree of fiscal decentralization on the expenditure side—but the national government still collected the most important taxes. The result was a significant degree of vertical imbalance, and a complicated legal framework of intergovernmental transfers and tax-sharing regime to address horizontal imbalances (Nicolini et al. 2002).

Chile's experience during the past two decades also demonstrates the importance of giving local governments adequate resources to fulfill their responsibilities. Panel data between 2005 and 2013 show that municipalities with greater autonomy performed better when administrating schools, but success critically depended on the level of resources of local governments and whether they had the autonomy to decide on how to use them once all basic municipal obligations were met (Letelier and Ormeño 2018).

Optimizing fiscal transfers remains a challenge. Formula-based allocations improve transparency and predictability, but there are no guarantees that the chosen formula will result in adequate transfers to meet local needs (De Mello Jr. 2000; Bird and Smart 2002). In addition, the implementation of a formula-based mechanism depends on the availability of reliable, accurate, and timely data from local areas, and on the quality and integrity of constructing the allocation formula itself. There are other allocation mechanisms, such as a hold-harmless provision that is based on existing policies and previous allocations, but this approach does not consider significant changes in local

needs and preferences over time that may be due to demographic shifts and economic growth.

To address regional disparities, some countries have adopted additional approaches such as capitation grants to rural schools and scholarships for indigenous and low-income students. For instance, Brazil launched a fund in 1996 to equalize basic education financing, ensuring a minimum per-pupil expenditure across the country. In mid-2023, a constitutional amendment doubled the federal government's contribution to the fund, resources that will be transferred directly to the poorest municipalities to further improve the equity of public investments in education (Loureiro et al. 2020).

Unequal Administrative and Technical Capacities across Regions Weaken Implementation

Regional disparities in education stem not only from fiscal imbalances, but also from mismatches between decentralized functions and local implementation capacity. Many subnational governments lack the expertise to effectively manage devolved responsibilities, and marginalized communities may struggle to voice their needs.

Argentina's experience with devolving secondary education to provincial control and further to local schools and communities in the 1990s illustrates this point. The devolution enhanced average student performance, but unequal local administrative capacities meant that only those schools in non-poor municipalities in well-governed provinces benefited (Galiani, Gertler, and Schargrodsky 2008). It had no discernible impact on schools in non-poor municipalities within poorly governed provinces or on schools in poor municipalities within well-governed provinces. Furthermore, test scores declined in schools transferred to poor municipalities within inadequately managed provinces. These results suggest that decentralization not only exacerbated disparities in educational outcomes, but also diminished outcomes for students in schools in impoverished areas that lacked technical skills and advocacy avenues.

Building local institutional capacities is essential for effective decentralization. In Uttar Pradesh, India, local stakeholders who had previously been excluded from decision-making were neither prepared nor willing to engage without first receiving proper training (Banerjee et al. 2010). In contrast, Ceará, one

of Brazil's poorest states, successfully eliminated geographic disparities by prioritizing technical over political criteria for choosing school leadership (Loureiro et al. 2020). This approach significantly strengthened local administrative and technical capacities within just a decade.

Citizen Participation and School-based Management

School autonomy and greater parental participation have been frequently regarded as ways to improve schools—but under what circumstances does this happen? Theory suggests that schools that have the autonomy and capacity to manage are better at improving educational outcomes. A cross-country study of Latin American countries confirms that schools with more experienced principals, more educated parents, and better socioeconomic standing are more likely to act autonomously, promote parental participation, and provide adequate school supplies, and that central mandates are not sufficient to produce these behaviors (Gunnarsson et al. 2009).

Other studies have also found that engaging the community can make schools more responsive to local needs and accountability. Their involvement makes financial decisions more transparent, curb corruption, and improve legitimacy. For example, in Indonesia, communities where elites and non-elites were able to participate in self-governance were better able to redress elite capture when it occurred (Dasgupta and Beard 2007). What seemed to matter was whether local government officials were elected or appointed (Chowdhury and Yamauchi 2010). But to be effective in schools, community participation requires structured opportunities to support classroom teaching and school management (Silberstein 2023).

School-based management (SBM) transfers decision-making authority to schools. It has been widely adopted and studied, but its impact on education outcomes remains mixed (See Bruns, Filmer, and Patrinos 2011; Santibanez, Abreu-Lastra, and O'Donoghue 2014; Carr-Hill et al. 2018;[3] Barrera-Osorio et

3 For example, Carr-Hill et al. (2018) reviewed 35 quantitative and qualitative studies evaluating 17 individual interventions on the effectiveness of school-based decision-making on educational outcomes. The studies indicate that SBM has yielded robust positive effects on student test scores, especially in middle-income countries, but weaker beneficial effect on drop-out, repetition rates, and teacher attendance. They also find that these reforms are less effective in communities with low levels of education and where parents have much lower status than school personnel and are not able to express their needs and preferences.

al, 2020; Anand et al. 2023). Some of the reasons for the mixed results are that central authorities may have severely limited the autonomy of school managers; the roles of the stakeholders are unclear or confusing, resulting in conflictual power dynamics within the school; and schools do not have adequate financial resources or management and technical capacities. Bloom et al. (2015) found that autonomous government schools, such as U.K. academies and U.S. charter schools, have significantly higher management scores and better educational outcomes than regular government schools and private schools.

Harmonized Public and Private Roles in One System

The private sector plays an increasingly significant role in education across many developing countries, including basic schooling (Bangay 2005; Andrabi, Das, and Khwaja 2008; Sari 2019). One reason for this expansion is that highly motivated students with supportive parents opt for more selective private schools (Yamauchi 2005). Another explanation is that schools which rely more on local funding, such as fees and parental contributions, face stronger pressure for efficiency (Jimenez and Paqueo 1996; James, King, and Suryadi 1999).

Should decentralization reforms include the supervision and subsidy of private providers? Latin American countries have experimented with involving private schools in education reform, highlighting key challenges that must be addressed. Since the 1980s, Chile has minimized regulations for private schools to encourage competition, easing requirements for state funding, curriculum standards, and teacher labor laws (Bellei and Muñoz 2023). School rankings based on standardized test scores aim to help parents make informed choices. The reform assumes competition would improve school performance, but studies have found that it did not benefit students equally (Hsieh and Urquiola 2006; Contreras et al. 2010). While parents could choose schools, private institutions could select students, often excluding disadvantaged students through selective admissions.

Colombia's Concession Schools program took a more targeted approach, contracting successful private school operators to manage publicly-funded schools. These institutions, benefiting from greater flexibility, fewer bureaucratic constraints, and strong performance-based accountability, were expected to deliver high-quality education to low-income students (Gershberg,

González, and Meade 2012). Evaluations of the program confirmed its positive impact, with their students achieving higher average scores in math and reading tests (Barrera-Osorio 2007; Bonilla 2011).

PHILIPPINE EXPERIENCE WITH DECENTRALIZATION

Decentralization is not new to the Philippines. Like many other countries, the Philippines decentralized parts of government three decades ago. The Local Government Code of 1991 (LGC) was the basis for decentralizing several government sectors (health, social welfare, local public works, agriculture). It devolved substantial spending, taxing, and borrowing powers to local government units (LGUs) on the expectation that moving governance closer to the people would generate welfare gains and diversify revenue sources (De Guzman 2007; Balisacan, Hill, and Piza 2008; Diokno 2012; Llanto 2012).

A system of automatic revenue-sharing—block grants transferred through the Internal Revenue Allotment (IRA)—replaced the previous method of negotiated transfers to lower levels of government (Eaton 2001). Instead, 40 percent of the central government's tax revenues were automatically distributed to LGUs based on vertical and horizontal allocation formulas, and within LGUs, the grants were split according to population size, land area, and an equal-sharing provision (Manasan 1992).[4] The law also gave LGUs greater fiscal autonomy and flexibility in managing spending, taxation, and borrowing, but within limits set by the national government, such as the maximum tax rates that they could impose.

On the expenditure side, the LGC left a need for a clearer and more accountable assignment of expenditure. National government agencies were able to control devolved activities, and national politicians were able to insert funding for pet projects, distorting local decision-making and preferences (Diokno 2012; Llanto 2012). Nonetheless, Diokno-Sicat, and Maddawin

4 The LGC has a specific vertical allocation formula which assigns 23 percent to provincial governments, 23 percent to city governments, 34 percent to municipal governments, and 20 percent to barangays. Likewise, it has a horizontal allocation formula which distributes the allotment to individual local governments as follow: 50 percent based on population, 25 percent equal share to all, and 25 percent by land area (Manasan 2009). The block grants of 40 percent of internal revenues, however, were eventually not considered sufficient to undertake the functions devolved to LGUs (Manasan 2009).

(2018) estimate that local policymakers exercised an average of 72 percent discretionary power over LGU expenditures in 2009-2016.

The LGC was a historic and ambitious decentralization act. Soon thereafter, however, legislators attempted to claw back authority over devolved functions, reflecting national politicians' strong resistance to transfer authority to, and broaden the fiscal autonomy of, local leaders (Eaton 2001). This resistance derived from concerns about the capacity of local governments to deliver. Twenty-five years since, reviews of the Philippine experience with decentralization find only mixed evidence about its impact (Manasan 2009; Diokno 2012; Llanto 2012; Abrigo, Ortiz, and Tam 2017; Diokno-Sicat and Maddawin 2018).[5] This assessment was partly due to significant variation in how the reform was implemented across LGUs and the wide heterogeneity in their political and economic conditions. This past decentralization experience serves as a cautionary note for the future reform of the education system.

The LGC was applied in a very limited way to the education system. Elementary, secondary, and tertiary education remained the responsibility of the national government. LGUs were permitted to establish their own schools and universities, but these operated under the overall supervision of the corresponding central government agencies. The LGC also devolved the construction and maintenance of elementary and secondary school buildings to municipalities and cities. To finance these responsibilities, education gets a share of general block grants (IRA) and a Special Education Fund (SEF), which is a one-percent tax on assessed values of real properties owned by the LGU. Half of the SEF is remitted to provinces for education projects and the other half is spent at the municipality or city level, with the provincial Local School Board allocating the SEF among its municipalities. It is sometimes used to cover the costs of construction and repair of schools, as well as equipment, educational research, books, and sports development. Many LGUs have also used it to establish new secondary schools and hire more teachers, or to top off the salaries of the centrally-hired school teachers (Manasan 2002).

Besides some fiscal decentralization, the education system experienced an early form of administrative decentralization, but as part of a World Bank-

5 Abrigo, Ortiz and Tam (2017) cite the large knowledge gap that needs to be filled to fully understand the impact of decentralization on the health sector because the analytical method used in previous studies does not lead to causal inference.

supported project launched in the 1990s through the Third Elementary Education Project (TEEP). The project introduced school-based management in selected provinces, initially in 23 provinces considered as the most socially depressed areas by the Social Reform Agenda. In 2006, SBM was scaled to other non-TEEP provinces with the support of neighboring TEEP divisions. Two impact evaluations found generally positive effects. One revealed the effects of implementation delays, but found a small positive effect on student test scores after two years of exposure to the project (Khattri et al. 2012). The other evaluation found significantly larger effects after three years (Yamauchi 2014).

A FUTURE AGENDA FOR DECENTRALIZING THE PHILIPPINE EDUCATION SYSTEM

The 2022 Programme for International Student Assessment (PISA) results underscore the significant gap between Philippine students and their OECD and Southeast Asian peers (OECD 2023). In a knowledge-driven world, educational disparities can directly impact future competitiveness. Recognizing this challenge, the Department of Education launched *Sulong EduKalidad* in 2019 to strengthen basic education and better prepare students for the global economy.[6]

But can decentralization drive the transformative change needed in the vast and dispersed Philippine education system? The experiences of other countries, discussed above, provide valuable lessons on the design and implementation of decentralizing an education system, as well as the pitfalls to avoid. Drawing from these insights, we identify five key agenda items for education decentralization in the Philippines. These are:

1. Adopt a phased, selective, and iterative decentralization process, instead of a "big bang" or wholesale reform;

6 It includes four components: a review and update of the K to 12 curriculum review so that third-graders become readers and secondary school graduates are employable; upgrading the learning environment, providing schools with appropriate technology for learning and administrative use; teacher upskilling and reskilling through harmonized training and development programs; and greater engagement of stakeholders for support and collaboration.

2. Prioritize and focus on the strategic roles of the central government;

3. Assign clear functions, responsibilities, and authority to lower levels of government, communities, schools, and the private sector;

4. Address vertical and horizontal fiscal imbalances, aligning fiscal transfers and resource sharing with the assigned roles and responsibilities of subnational governments, and reduce regional disparities;

5. Integrate a monitoring and evaluation system at the outset of the reform process and establish reporting mechanisms.

1. Adopt a phased, selective and iterative decentralization process

Decentralization can enhance Philippine education, but success requires careful planning. Reforms must restructure institutions, adjust fiscal and personnel policies, and involve key government agencies. A phased, selective, and evidence-based approach is crucial. Options include implementing reforms by education level, transferring functions first to provinces and chartered cities, phasing geographically, or initially devolving a limited set of functions. Clear role delineation is essential to prevent inefficiencies and maintain trust.

This recommendation is consistent with the careful study by Juco et al. (2023) which concludes that, despite 2021 Executive Order No. 138 (EO No. 138) which laid the guidelines for the effective transition of functions and responsibilities to local governments, there is wide variation in local government prioritization of devolved functions and capacity. The self-assessment of local governments identifies the importance of providing training to local governments during a transition phase and the need for a mechanism to collect accurate and comprehensive baseline data for devolved functions. The study also argues for an asymmetric decentralization strategy, and for greater coordination and guidance from national agencies.

Phasing and sequencing the decentralization process should be based on a clear framework of reform readiness.[7] To illustrate what this means, consider the third option of selecting the regions to decentralize first. The concept of reform readiness implies applying specific criteria that are based on a region's capacity to fulfill the functions and responsibilities transferred to it. Given the large variation across regions, a one-size-fits-all reform is not likely to be the wisest model to adopt. Reform readiness refers to a region's administrative, technical, and fiscal capacities, as well as to its level of political commitment to the reform and its goals and the presence of effective leadership. A region's previous experiences with implementing past programs (e.g., decentralized health services) could be predictive of its future performance regarding decentralized education services.

Once the political decision to decentralize is made, a preparation phase to develop coherent and realistic design and implementation plans is the first step. Uncoupling reform design from an implementation plan spells trouble. This preparation phase of analysis, consultation, and communication, and training activities is essential and should involve key stakeholders. And, the commitment to an iterative reform process means a readiness to regard the reform as an opportunity to launch future promising approaches, with an openness to redesign or retrofit, as needed, on the basis of hard evidence, towards better solutions.[8]

2. *Prioritize and focus on strategic roles for the central government*

Decentralization debates often focus on transferring functions, but strengthening the national agencies is equally vital. Healey and Crouch

7 Bahl and Martinez-Vasquez (2006) propose a six-step sequencing of fiscal decentralization that minimizes its chances for failure: Step 1 is to launch a national debate on the issues related to decentralization policy; step 2 is to design the policy and write a policy paper on it; step 3 is to pass the decentralization law; step 4 is to develop the implementing regulations; step 5 is to implement the decentralization program; and step 6 is to monitor, evaluate and retrofit.

8 The analysis of efficiency of education provision in Colombia by Melo-Becerra et al. (2020) suggests an approach to defining reform readiness and to identifying which local municipalities are most likely to perform well under a decentralized context. The causes of regional disparities may be based on institutional, historical, political and even geographical differences, so these are factors to consider in the development of a readiness index.

(2012) list four basic principles to guide the choice of which functions to devolve and which ones more appropriately belong to central agencies. They are the presence of economies of scale;[9] the pursuit of national goals; the importance of having national standards because of the presence of national markets; and jurisdictional spillovers. A fifth principle to add to this list is greater equity across regions. The Philippines already implements a revenue-equalizing formula for central government transfers to cities and municipalities that distinguishes among geographical areas by "class" (Manasan 2009), but the experience of other countries and of the Philippines indicate that more pro-poor programs are needed.

Governments have two powerful tools in their toolbox to fulfill their functions—providing incentives, such as taxing authority, fiscal distribution, and performance-based autonomy, and using guardrails, such as legislative and fiscal constraints, and enforcement—to balance decentralization's benefits and risks. Guardrails are important because the benefits from decentralization may be counterbalanced by risk of corruption and capture by local elites (Bardhan and Mookherjee 2006; Albornoz and Cabrales 2013). Ultimately, the path, depth and reform outcomes depend on how effectively these tools are used and on the quality of leadership at multiple levels of government.

3. *Assign clear functions, responsibilities and authority to lower levels of government, communities, schools, and the private sector*

Clear delineation and consistency in the assignment of functions and responsibilities among subnational governments help to avoid confusion, duplication, inaction, and inefficiencies due to overlapping or redundant functions. Within each of the broad decision domains shown in Figure 1 are specific decisions that also must be assigned. For example, the

9 This principle refers to an extremely important design decision in decentralization – on what basis to define agglomerated or decentralized areas. For example, as mentioned earlier, Colombia initially defined eligibility for decentralization only on the basis of population size. On one hand, the decision can result in fragmenting subnational areas such that each local government is unable to benefit from the economies of scale of delivering public goods; on the other hand, decentralization can help ensure that local populations are able to meet their needs for public services (Capuno 2012; Canare 2021).

design of a basic curriculum will continue to rest with the central government, but provincial and municipal governments are authorized to add local content to this basic curriculum. Teachers and principals design how to assess student performance in their school, but the central government requires schools to apply also a national student assessment for the purpose of monitoring the overall quality (and equity) of the country's education system or for regulating the transition of students from one school cycle to another. Table 1 includes a long, though not comprehensive, list of decision domains and their constituent functions.

Table 1. Constituent functions under each major decision domain in education systems

ORGANIZATION OF INSTRUCTION	PERSONNEL MANAGEMENT	PLANNING AND STRUCTURES	RESOURCES AND FINANCES
■ Instruction time (required days in school year, number of hours) ■ Design of programs of study & course content ■ Textbooks (development & selection) ■ Teaching methods (development & use) ■ Mode of grouping students in classrooms ■ Support activities for students ■ Creation/closure of schools ■ Creation/abolition of grades ■ Setting qualifying exams ■ Setting credentials ■ Student assessments (design & application) ■ Education technology (selection & use)	■ Recruiting and selecting teachers, principals and non-teaching staff ■ Firing of teachers, principals and non-teaching staff ■ Teacher deployment ■ Assignment of principals to schools ■ Setting salaries and non-salary compensation of teachers, principals and non-teaching staff ■ In-service training for teaching and non-teaching staff ■ Career development of teachers, principals and non-teaching staff	■ Establishing or closing a school ■ Relocating a school ■ Expansion of school infrastructure (e.g., adding a school building, classroom, or gym) ■ Improving school infrastructure (maintenance, repairs)	■ Preparing annual school budgets ■ Allocation for pay of teaching staff ■ Allocation for non-salary current expenditures ■ Allocation for capital expenditures ■ School use for capital expenditure ■ Special funds for minority or disadvantaged students

Source: Author, based on OECD (2022); King and Guerra (2005)

The assignment of these functions and subfunctions must meet key principles:

- Responsibility must align with authority. Central governments may resist full decentralization for political reasons, leading to restrictive, partial reforms.

- Responsibility must align with fiscal resources. Adequate funding is essential for effective function execution.

- Responsibility must match administrative, technical, and political capacity. Those assigned functions must be prepared and empowered, with training programs considered for capacity gaps. Increased local autonomy can also foster innovation (Capuno 2011).

- Coordination among stakeholders is crucial. Legal clarity does not guarantee effective implementation. In India, differing interpretations and lack of awareness hindered reforms (Pandey 2023).

A discussion of private schools is also relevant here. While public institutions dominate most education systems, many operate as a public-private mix, creating complex relationships between governments, businesses, and religious organizations. In decentralization reforms, private schools can be involved in various ways: government can provide direct subsidies to privately owned and managed schools, issue vouchers for students to attend private institutions, or devolve the management of public schools to private entities. Additionally, specific school services, such as meal programs, textbook production and distribution, and student transportation, can be outsourced to private contractors. And, although private schools typically have autonomy over staffing, operations, and infrastructure, they can still be required to follow a national curriculum to ensure alignment and facilitate student mobility between public and private systems.

4. *Address vertical and horizontal fiscal imbalances*

The central government must ensure fiscal support aligns with devolved functions, particularly for poorer areas, or grant local revenue-generation authority. Fiscal imbalances should be avoided if decentralization is to succeed. Key fiscal decentralization principles include (Bird and Vaillancourt 1998; Bird and Slack 2014):

- Local taxing power is essential. Limitations on the capacity of local governments to raise revenue maintain their reliance on the central government and constrains their ability to deliver public services effective. Addressing the need for vertical fiscal balance, in 2019 the Mandanas-Garcia Supreme Court ("Mandanas") ruling increased the tax base for intergovernmental fiscal transfers in support of local governments' autonomy and revenue-raising capacity (Juco et al. 2023). This is a good start.

- Expenditure autonomy is necessary. Local governments and their constituents benefit from having greater discretion in choosing the local public-good mix. Greater discretion enables local governments to better match public goods to community needs, but reliance on central transfers often restricts local budget autonomy.

- Local governments are more attuned to community needs, but risk elite capture. Local political interests can undermine the accountability of local governments and lead to a weak budget constraint (Albornoz and Cabrales 2013). However, elections seem to be an effective disciplining device in the Philippines. Incumbent governors improve their re-election chances by spending more on economic development services, other things being constant (Solon, Fabella, and Capuno, 2009). Additionally, when local policymakers are able to exercise considerable discretion over their spending, local development depends on the size of their resources (Diokno-Sicat and Maddawin 2018).

5. *Integrate monitoring and evaluation mechanisms at the outset of the reform process*

A consolidated monitoring, tracking and evaluation system is crucially important when implementing a reform as complex as decentralization. When the reform process is designed to proceed in phases and to be open to mid-course tweaks and reversals, a periodic assessment of the process and its immediate and short-term impacts is critical. A monitoring and evaluation (M&E) approach established at the outset should be the basis for learning about implementation and the outcomes and impacts of the reform. And safeguards are needed to protect M&E from political interests to influence their outcomes (Bartsch 2023).

The Philippines, like many other countries, have had an education management and information system (EMIS) for decades. One potential use of EMIS data, for example, is to produce and distribute regular school report cards with aggregate and comparative information on school and student performance. Andrabi, Das, Khwaja (2008) analyzed the impact of school report cards in Pakistan, and found that they significantly improved student test scores and increased primary enrollment.

The desired characteristics of a monitoring and evaluation approach for a phased, selective, and iterative education reform are:

- Relevant and coherent: A clear theory of change should guide decisions about indicators, data collection instruments, sampling design, and analytical methods.

- Independent and impartial: To achieve this, the effort must be led, designed, and undertaken by respected, third-party evaluation experts who are independent of the reform planners and implementors, but advised by a panel of representatives of multiple stakeholders.

- Credible and reliable: Involving specialists in education, finance, policy, and statistics will help obtain political and public support.

- Timely and consistent: Baseline data and follow-ups should align with reform phases to measure impact. If one evaluates too early, there is a risk of finding only partial or no impact; too

late, and the reform may have lost political and public support or corrective changes to the reform may be too late (King and Behrman 2009).

- Transparent and collaborative. Stakeholders who will be contributing to the reform process are also potential collaborators in M&E. Given the ubiquitous instruments for speedy information and communication even in rural areas of the country, such a mechanism should be possible to develop quickly.

- Cost-effective and cost-efficient. Several data collection initiatives provide information on educational progress in the Philippines. Finding ways to link and use these various databases for M&E is analytically challenging because they do not share a sampling design or harmonized survey instrument. Nevertheless, they are important resources for understanding various aspects of the education system.

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The author did not declare a conflict of interest.

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