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Priority Area #27
Decentralization and participatory governance

Realizing Shared Governance Decentralization of Philippine Basic Education

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The Asia Foundation (TAF) is an international nonprofit organization working to solve the toughest social and economic challenges in Asia and the Pacific. Informed by more than 70 years of experience and deep local knowledge, we work with partners across more than 20 countries through 17 offices to improve lives and expand opportunities.

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Executive Summary

Background

In response to the Philippines' ongoing learning crisis, the Second Congressional Commission on Education (EDCOM II) was established in 2022 to evaluate the education sector and propose transformative reforms. EDCOM II's Year One Report highlighted the education system's failure to deliver quality services due to decades of poor governance and inadequate financing, particularly in basic education, managed by the Department of Education (DepEd), which serves 28 million learners.

EDCOM II's Governance and Finance Committee, under its Priority Area 27, indicated the need to decentralize and improve education governance for enhanced agility, participation, innovation, and responsiveness. Two approaches to decentralization have emerged from EDCOM II's work: 1) administrative decentralization of the DepEd and 2) a phased and asymmetric devolution of functions to Local School Boards (LSBs) and Local Government Units (LGUs).

While steps toward decentralization have been introduced through policies like R.A. No. 9155 (Governance of Basic Education Act of 2001) and R.A. No. 7160 (Local Government Code of 1991), their effective implementation continues to be challenging.

Objectives

This study aims to analyze the barriers to decentralizing basic education governance in the Philippines to ensure future reforms are effective and sustainable. Conducted by The Asia Foundation (TAF) and EDCOM II, the study reviews existing decentralization policies, examines factors influencing the success or failure of

their implementation, and proposes actionable recommendations for education reform. The research explores how decentralization can be effectively implemented, targeting policymakers, experts, and stakeholders committed to improving education governance.

Methodology

This study draws on a comprehensive review of relevant laws and policies, local and international studies, and reports commissioned by EDCOM II. It is further supported by data gathered from focus group discussions (FGDs) conducted by EDCOM II.

Key Findings

- **DepEd's long history of centralization and entrenched culture of control and over-compliance makes it resistant to reform.** The Department of Education remains heavily centralized despite decades of reforms aimed at decentralization. Decision-making and financial resources are concentrated in its Central Office. There is a prevailing culture of control and over-compliance, which stifles innovation and initiative at Regional, Division, and School Levels and constrains efforts towards shared governance.
- **DepEd is overstretched with ballooning responsibilities inhibiting its capacity to deliver responsive education services.** A vast array of competing tasks coupled with limited resources and an inability to fully delegate authority to Regional and School levels, have strained DepEd's capacity to deliver responsive education services, further exacerbating challenges in achieving equitable education outcomes.

- **R.A. No. 9155 institutionalized ‘shared governance’ but reinforced vertical hierarchy and missed opportunities for stronger collaboration at the local level.** There continues to be limited capacity at Regional, Division, and School levels to implement decentralization effectively. Financial constraints and inadequate resources hinder meaningful decentralization, especially in underserved areas.
- **DepEd’s centralization overwhelms SBM’s intent and implementation.** School-based management (SBM) often lacks the necessary support, funding, and stakeholder ownership to drive impactful change, and its implementation and intention are overwhelmed by DepEd’s centralized structure.
- **LGU support in education is limited by the law.** Since education is not devolved, the willingness of Local Chief Executives to be co-drivers in education face legal limitations. Opportunities to align planning and budgeting between DepEd Field Offices and Local Government Units are underutilized.
- **Shared governance and responsive education services cannot be realized without pursuing further decentralization.** A centralized, top-down approach to decision-making will always fall short of meeting the diverse needs of the Philippines’ growing student population. It is essential to recognize that centralized control hinders the government’s ability to provide targeted and differentiated services, which are critical to improving learning outcomes.

Recommendations

Decentralization and shared governance entails deconcentration within DepEd and recognizes the important role of Local Government Units (LGUs) in education service delivery. It involves defining responsibilities at every level of governance and aligning them with authority, fiscal resources, and administrative, technical, and political capacities. By enabling local decision-making in both LGUs and DepEd Field Offices and facilitating a phased, well-coordinated approach, the government can pave the way for a more inclusive and efficient education system that responds to the diverse needs of Filipino learners.

1. DepEd must lead the process of decentralization. As the primary authority in basic education, the Department of Education should spearhead efforts to fully realize the vision of shared governance and decentralization outlined in R.A. No 9155.

2. A comprehensive Decentralization Framework and Implementation Plan that links decentralization to improved learning outcomes must be developed by DepEd. The framework should clearly define shared governance, differentiate between deconcentration and devolution, specify roles and responsibilities across governance levels, and outline the resources and support required at each level. Collaboration strategies with local governments, national agencies, and community stakeholders must also be detailed.

a. The Implementation Plan must have a preparation phase. The phase should include clearly defined outcomes (e.g., legislative amendments or internal policy changes), short—and long-term milestones, and resource requirements, ensuring DepEd leadership, legislators, civil society, and local governments have clear markers for participation.

b. Encourage innovation through iteration. To encourage innovation, DepEd can implement initiatives on a smaller scale in targeted Regions or Divisions with higher readiness levels to test reforms, refine strategies, and identify best practices with stakeholders, who are engaged in the entire process from design to monitoring and assessment.

c. Strengthen stakeholder engagement and build a community of support for decentralization. Stakeholder engagement is crucial to building collective ownership of decentralization reforms. This includes aligning Local School Board (LSB) priorities with DepEd's decentralization goals, fostering partnerships with civil society organizations, and creating platforms for consultation and feedback.

3. Begin deconcentration of select PAPs. DepEd can initiate the deconcentration of select programs, activities, and projects (PAPs) by delegating tasks such as beneficiary selection and procurement to Regional and Division Offices. At the same time, the Central Office can focus on setting standards, monitoring, and capability building. Programs like the DepEd Computerization Program and the Last-Mile Schools Program can be initial candidates for this approach. Accountability and transparency must be ensured in the entire process of deconcentration. Additionally, a comprehensive evaluation of DepEd's services and functions must be conducted to identify what can be deconcentrated or devolved without compromising program effectiveness.

4. Reconceptualize School-Based Management (SBM). Recognizing that SBM is not a stand-alone initiative, DepEd policies that contradict its principle of allowing principals to manage their schools effectively must be reviewed. Parallel with reorienting Division and Regional personnel on leadership and management, an equitable funding mechanism for SBM must be institutionalized to ensure that principals have the mechanisms they need to lead their schools.

5. Build capacity towards redefined roles. Retooling and skills-building must recognize the shift in roles, with the Central Office focusing on policy development and monitoring instead of directly implementing programs and Regional and Division Offices taking on delegated functions. Localized and short-term programs can be deployed through NEAP and Regional Offices that have training institutions within their area to promote localized training.

6. Increase School-level resources. Reviewing the MOOE formula to ensure higher and more equitable allocation, incentivizing innovation through separate school funds, and monitoring the disbursement and utilization of Special Education Funds (SEF) must be undertaken.

7. Establish a robust monitoring and evaluation system. The Decentralization Framework and Implementation Plan must outline clear outcomes and indicators, data collection and analysis methods, and accountability and transparency measures. Setting up mechanisms for real-time feedback can support a process of continuous learning and iteration.

8. Strengthen change management and communications. To sustain the reform, DepEd should form a dedicated team to oversee decentralization, supported by multiple cross-functional teams. A communications plan to drive and sustain public and political support must be carefully crafted. Internally, transition support such as reorientation, retooling, upskilling programs, Help Desks, and other resources must be provided, coupled with regular updates to the Executive and Management Committee.

9. Strengthen feedback and participatory mechanisms. Opportunities include Regional and Division Offices presenting Education Plans to Development Councils, enhancing School Governing Councils (SGCs) as community engagement platforms, improving the effectiveness of School Report Cards and School

Improvement Plans, fostering collaboration among principals, and strengthening communication between the Central Office and Field.

10. Empower Local Governments. Finally, empowering local governments through harmonized local planning, stronger partnerships, expanded LSB membership, and broader SEF utilization will ensure that education governance becomes more localized, participatory, and responsive.

Committing to Decentralization and Shared Governance

Decentralization is an essential reform process to transform the Philippine basic education system and address its persistent challenges. Despite existing policies aimed at shared governance, decades of centralization have created a culture that stifles innovation at the local level, perpetuating inefficiencies and inequities in service delivery.

Meaningful decentralization is not just an option—it is a necessity to ensure that education governance responds to the unique needs of learners and communities to achieve learning outcomes. For the Philippines and its leaders, embarking on this reform process offers a pivotal opportunity to steer the education sector into one that is inclusive, dynamic, and capable of delivering long-term national progress.

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List of Abbreviations

ACRONYM	MEANING
ABC	Approved Budget of Contract
ADB	Asian Development Bank
ALS	Alternative Learning System
APAT	Assessment Process and Tool
ARO	Allotment Release Orders
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BHROD	Bureau of Human Resource and Organizational Development
-SED	–School Effectiveness Division
CHED	Commission on Higher Education
CCP	Cultural Center of the Philippines
CO	Capital Outlay
CWC	Council for the Welfare of Children
DBM	Department of Budget and Management
DECS	Department of Education, Culture, and Sports
DEPED	Department of Education
DILG	Department of the Interior and Local Government
D.O.	DepEd Order
ECCD	Early Childhood Care and Development
EDCOM	Congressional Commission on Education
EDCOM II	Second Congressional Commission on Education
EO/E.O.	Executive Order
FGD/FGDS	Focus Group Discussions
FY	Fiscal Year
GAA	General Appropriations Act
ICESCR	International Covenant on Economic, Social, and Cultural Rights
IRA	Internal Revenue Allotment

ACRONYM	MEANING
IU	Implementing Units
LCC	Literacy Coordinating Council
LGU/LGUS	Local Government Unit(s)
LSB/LSBS	Local School Board(s)
MBHTE	Ministry of Basic, Higher, and Technical Education
M&E	Monitoring and Evaluation
MOOE	Maintenance and Other Operating Expenses
NAS	National Academy for Sports
NEAP	National Educators Academy of the Philippines
NEP	National Expenditure Program
NIRC	National Internal Revenue Code
NIRT	National Internal Revenue Taxes
NNC	National Nutrition Council
PAPS	Programs, Activities, and Projects
RA/R.A.	Republic Act
SAC	School Advisory Council
SBM	School-Based Management
SDS	Schools Division Superintendent
SEDIP	Secondary Education Development and Improvement Project
SEF	Special Education Fund
SGC	School Governance Council
SIIF	School Innovation and Improvement Fund
SIP	School Improvement Plan
SRC	School Report Card
SRA	Social Reform Agenda
TEC	Teacher Education Council
TEEP	Third Elementary Education Project
TESDA	Technical Education and Skills Development Authority
USAID	United States Agency for International Development

Chapter 1

Introduction

1. Background and Objectives

In 2022, the Philippine Congress formed the Second Congressional Commission on Education (EDCOM II) to comprehensively evaluate the education sector and propose transformative policies that will address the country's learning crisis. EDCOM II, in its Year One Report, concluded that the education system failed to provide quality services to Filipino students, in part due to decades of poor governance and financing of education. These issues are prominent in basic education, managed by the Department of Education (DepEd), the government's largest bureaucracy, responsible for educating 28 million learners.

EDCOM II's Governance and Finance Committee, under its Priority Area 27, indicated the need to decentralize and improve education governance for enhanced agility, participation, innovation, and responsiveness. Two approaches to decentralization have emerged from EDCOM II's work: 1) administrative decentralization of the DepEd and 2) a phased and asymmetric devolution of functions to Local School Boards (LSBs) and Local Government Units (LGUs).

The motivation behind pursuing decentralization lies in its promise. Theoretically, decentralization leads to better delivery of goods and services because of local leaders' proximity to the recipients of such goods and services.¹ Some form of decentralization has already been put into policy through Republic Act No. (R.A.) No. 9155, or the Governance of Basic Education Act of 2001², with succeeding issuances that

decentralize the management and governance of education at the school level through School-Based Management (SBM). Devolution of basic education is also provided under R.A. No. 7160 or the Local Government Code of 1991³, albeit to a very limited extent.

Given existing policies that provide for decentralization and the historical challenges of devolution in the Philippines, a more thorough analysis of the barriers to decentralization must be conducted to ensure that succeeding policy actions will be implementable and sustainable. Due to the political, administrative, and financial risks associated with further restructuring the governance of basic education, The Asia Foundation (TAF) and EDCOM II conducted this joint research to:

1. Review the decentralization policies in Philippine basic education
2. Analyze the factors that influence the success or failings in its implementation
3. Develop recommendations for decentralization reform that will engage education stakeholders toward a common goal

This study specifically asks: *Why is basic education governed in a centralized manner? Given existing policies such as R.A. No. 9155 and SBM, how should decentralization be undertaken?*

This research is addressed to a broad audience of policymakers, government officials, experts, and international organizations who aim to support the development of basic education in the Philippines.

¹ Elizabeth M. King, *Decentralization and Participatory Governance in Education Systems: From Global Experience to Lessons for the Philippines* (2024).

² Republic of the Philippines, Republic Act No. 9155: Governance of Basic Education Act of 2001, Official Gazette, August 11, 2001.

³ Republic of the Philippines, Republic Act No. 7160: Local Government Code of 1991, Official Gazette, October 10, 1991.

2. Research Methodology

This study draws on a comprehensive review of relevant laws and policies, local and international studies, and reports commissioned by EDCOM II. It is further supported by data gathered from focus group discussions (FGDs) conducted by EDCOM II. This research also draws from the direct experiences and insights of one of the authors who served as a former DepEd Undersecretary.

3. Scope and Limitations

To analyze decentralization in Philippine basic education, this study looks at the historical context and legislative framework of education governance, established during the American colonial period. While a system of education existed prior to the American Occupation, the current system of governance is more directly rooted in the public education system introduced by the American government.

This study placed significant attention on the implementation of key laws, such as R.A. No. 9155, R.A. No. 10533, and R.A. No. 7160, as well as relevant DepEd Orders and other executive issuances. It further highlights the governance framework established under R.A. No. 9155 and its two main features—shared governance and emphasis on school-level management.

This study does not cover the governance of education in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), governed by the Ministry of Basic, Higher, and Technical Education (MBHTE) mandated by its own Education Code.⁴

Further, this study relies on policy reviews and FGDs conducted by EDCOM II. Although these data provide valuable insights, they may not fully capture the diversity of perspectives.

⁴ Bangsamoro Parliament, *Bangsamoro Education Code* (Bangsamoro Autonomy Act No. 18), enacted May 2021, <https://officialgazette.bangsamoro.gov.ph/2022/02/23/ba-act-no-18/>.

4. Definition of Decentralization and Other Terms

In its common usage, “decentralization” refers to the dispersion or distribution of functions of powers. In government affairs, decentralization means the delegation of power from a central authority to regional and local authorities.⁵ Philippine laws do not provide a direct definition for decentralization in the context of education, but related terms have been used in various laws and DepEd policies. R.A. No. 10533 or the Enhanced Basic Education Act of 2013, for example, used the word “devolution” to refer to the power of approving the production of locally produced teaching materials to regional and division education units.⁶ As early as 1995, DepEd used the term “deconcentration” in granting fiscal authority to Directors of bureaus and centers.⁷

On the other hand, the laws of the Philippines regarding local government clearly define the concept of decentralization. The 1987 Constitution guarantees the autonomy of local government units (LGUs)⁸, describing decentralization as a way to establish a “more responsive and accountable local government structure.”⁹ R.A. No. 7160, or the Local Government Code of 1991, further expands this concept by defining “decentralization” as a system that grants LGUs greater powers, authority, responsibilities, and resources to establish the responsive and accountable local government structure¹⁰ outlined in the 1987 Constitution.

The case of *Mandanas et al. v. Executive Secretary, et al.*¹¹ (Mandanas ruling) defines four categories

⁵ Merriam-Webster.com Dictionary, <https://www.merriam-webster.com/dictionary/decentralization>.

⁶ Republic Act No. 10533, *Enhanced Basic Education Act of 2013*, Section 5(h) (2013).

⁷ Department of Education, DepEd Order No. 60, s. 1995, Granting Fiscal Authority to Staff Bureaus and Centers

⁸ Constitution of the Republic of the Philippines, 1987, art. II, sec. 25.

⁹ Ibid., Article X, Section 3.

¹⁰ Republic Act No. 7160, § 2 (1991) (*Local Government Code of 1991*).

¹¹ *Mandanas v. Executive Secretary*, G.R. No. 199802, July 3, 2018.

of decentralization from the national government to the LGUs: political decentralization, administrative decentralization, fiscal decentralization, and policy-making or decision-making decentralization. A brief background on the Mandanas ruling is provided in Annex A.

This study will draw on definitions of decentralization from local government law, modifying them to suit the context of basic education governance. Additionally, definitions and categories of decentralization under the Mandanas ruling have been adapted to simplify the understanding of basic education decentralization. Accordingly, this study proposes the following definitions of decentralization as they apply to the Philippine basic education governance system.

- **Decentralization** is the distribution of powers and functions from the national government, particularly the DepEd Central Office, to local bodies and units. This term encompasses both deconcentration and devolution.
- **Deconcentration** is the transfer of powers or delegation of authority from the DepEd Central Office to Regional Offices, Schools Division Offices, Schools, and Learning Centers, which R.A. No. 9155 collectively refers to as “field offices.”
- **Devolution** is the transfer of power, authority, functions, or resources from the national government to LGUs. Under R.A. No. 7160, or the Local Government Code, the only function specifically devolved to LGUs is the maintenance of school buildings and other facilities for public elementary and secondary schools.
- **Fiscal decentralization** is the distribution of fiscal resources to field offices. This concept more specifically refers to proposals to enable the automatic release of funds, increase independence in spending funds, or increase

the ability of the lower levels of governance to generate funds.

- **Policy-making or decision-making decentralization** is the exclusive power of lower levels of governance to make certain decisions. For example, field offices and schools making independent decisions on a wider range of areas subject to monitoring and evaluation by the Central Office.

Other terms used in this study are defined as follows:

Basic Education - is intended to meet basic learning needs, which provides the foundation on which subsequent learning can be based. It encompasses kindergarten, elementary, and secondary education, as well as alternative learning systems (ALS) for out-of-school learners and those with special needs.¹²

Early Childhood Care and Development (ECCD) System - refers to the full range of health, nutrition, early education, and social services development programs that provide for the basic holistic needs of young children from age zero (0) to four (4) years; and to promote their optimum growth and development.¹³

Elementary Education - refers to the second stage of compulsory basic education, which is composed of six (6) years. The entrant age is typically six (6) years old.¹⁴

Enhanced Basic Education Program - encompasses at least one (1) year of kindergarten education, six (6) years of elementary education, and six (6) years of secondary education in that sequence.¹⁵

¹² Republic Act No. 10533, *Enhanced Basic Education Act of 2013*, Section 3 (2013).

¹³ Republic Act No. 10410: *Early Years Act of 2013*, Section 4(a) (2013).

¹⁴ Ibid., Section 4.

¹⁵ RA 10533, Section 4.

Kindergarten Education - means one (1) year of preparatory education for children at least five (5) years old as a prerequisite for Grade 1.

School - is an education institution, private and public, undertaking educational operation with a specific age group of pupils or students pursuing defined studies at defined levels, receiving instructions from teachers, usually located in a building or a group of buildings in a particular physical or cyber site.¹⁶

Secondary Education - refers to the third stage of compulsory basic education. It consists of four (4) years of junior high school education and two (2) years of senior high school education. The entrant age to the junior and senior high school levels are typically twelve (12) and sixteen (16) years old, respectively.¹⁷

Shared Governance - is a principle that recognizes that every unit in the education bureaucracy has a particular role, task, and responsibility inherent in the office, and for which it is principally accountable for outcomes.

5. Structure of the Report

Following this introduction, Chapter 2 reviews the history of basic education governance from the American colonial period to the enactment of R.A. No. 9155 in 2001, focusing on how laws and policies have shaped the current system of education. Chapter 3 examines the principle of shared governance under R.A. No. 9155, including its legislative intent and implementation. Chapter 4 explores the development and implementation of the School-Based Management (SBM). Finally, Chapter 5 presents key findings and recommendations.

¹⁶ Republic Act No. 9155: Governance of Basic Education Act of 2001, Section 4(l).

¹⁷ RA 10533, Section 4.

Chapter 2

Brief History of Education Governance

Any move towards decentralization in basic education must be grounded on a clear understanding of the problems in the current governance system, appreciating that the prevailing system is itself a product of reforms. A historical analysis of education governance can assist education stakeholders in resolving recurring issues, supporting successful initiatives, and recognizing practices that have become so entrenched that they become part of a culture that influences governance.

The prevailing law on basic education governance, R.A.No.9155, was an explicit attempt to decentralize education. Understanding how R.A. No. 9155 came about and how it is being implemented entails tracing the evolution of Philippine basic education governance from the American period to today. This section reveals how the governance structure in education has changed to adapt to changing contexts. Such contexts include the increasing size and scope of the education sector, geographical challenges, loftier targets, and political changes, among others. Despite these changes, the system has retained its character as a highly centralized bureaucracy, with much of the power concentrated at the highest level of governance.

1. Roots of Centralized Control under American Occupation and World War II (1901-1946)

Public education was a key feature of the American occupation of the Philippines. It was a means of spreading American values and the use of the English language. More than any other public service, the civil government focused on introducing and regulating a public school system.

Public education under the American regime was a highly centralized system. Act No. 74¹⁸ was enacted in 1901 by the United States Philippine Commission. It established the Department of Public Instruction and regulated free public education at the primary and secondary levels. Table 1 below shows the positions created under Act No. 74. Powers in basic education governance were heavily concentrated with the General Superintendent, with lower officials handling supervisory roles. The General Superintendent also had the authority to decide which towns receive education from English teachers, favoring “towns showing their loyalty to the United States by their peaceful conditions”¹⁹. This provision explicitly tied acquiescence to the American government with access to education services.

18 Philippine Commission, Act No. 74: An Act Creating the Department of Public Instruction, 1901.

19 Philippine Commission, Act No. 74, Section 3.

Table 1. *Hierarchy and Powers/Roles for the Department of Public Instruction under Act No. 74*

Position	Powers/Roles
General Superintendent	▪ Chief Officer of the Department of Public Instruction ▪ General supervision over the entire department ▪ Established schools or reorganized existing schools in every pueblo ▪ Appointed the City Superintendent for Manila and division superintendents for other territories and fixed their salaries ▪ Appointed teachers and clerks, prescribed their duties, and fixed their salaries ▪ Prescribed the authority to be exercised by the principal teacher of each school over the other teachers ▪ Promulgated rules for the qualifications of applicants for positions for division superintendents and teachers ▪ Fixed the curriculum for primary, secondary, and other public schools ▪ Divided the territory into no more than ten school divisions ▪ Prescribed plans for the construction of schoolhouses to be built by municipalities and made contracts for the purchase of school supplies ▪ Decided in which towns secondary schools were established ▪ Decided which towns received education from English teachers and may favor towns showing loyalty to the U.S.
City Superintendent (Manila)	▪ Appointed by the General Superintendent ▪ Supervised Manila's education system
Division Superintendents	▪ Appointed by the General Superintendent ▪ Oversaw assigned divisions within the territory
Principal Teacher	▪ Appointed by the General Superintendent ▪ Authority is prescribed by the General Superintendent
Teachers and Clerks	▪ Appointed by the General Superintendent ▪ Taught and managed administrative tasks

The American government's particular attention on education continued even as it aimed to gradually recognize the Philippines' independence. The Organic Act of 1916,²⁰ otherwise known as the Jones Law, recognized the country of "The Philippines" for the first time and granted citizenship to its inhabitants. A Governor-General held the supreme executive power over the Philippine Islands²¹ and Vice Governor who, aside from holding the powers of a Governor-General in the case of a vacancy, temporary removal, resignation, or disability, was also the Head of the Department of Public Instruction, which then included the Bureau of Education and Bureau of Health.²²

The Reorganization Act of 1916²³ required all Secretaries to be Filipino citizens, except for the Secretary of Public Instruction, who had "direct executive control, direction, and supervision over the Bureau of Education."²⁴ The American government retained centralized control over education, even as it granted more autonomy to the Philippines.

As early as 1925, the Philippine public school system was already criticized for being highly centralized. A commission headed by Paul Monroe was created to report on the effectiveness of the education system during the American Occupation. Known as the Monroe Commission on Philippine Education, it released a Report²⁵ which found that the Philippine public school system was highly centralized in administration and needed to be "humanized" and made less mechanical.²⁶

20 Philippine Legislature, *Organic Act of 1916 (Jones Law)*, Public Law No. 64-240, 39 Stat. 545 (1916).

21 Ibid., Section 21.

22 Ibid., Section 23.

23 Republic of the Philippines, Act No. 2666: An Act Creating the Department of Agriculture and Natural Resources, 1916.

24 Ibid., Section 4.

25 Monroe Commission, *Monroe Report on the Educational System* (Manila: Bureau of Printing, 1925).

26 Alven I. Magno, *A Brief History of Educational Assessment in the Philippines* (Manila: Educational Research Publishers, 2010), 45.

Centralized control over education may have been partially driven by necessity. Considering that universal access to education was not yet legally guaranteed, centralized management of education may have been more practical for the American government to systematically expand education services over the Philippines' archipelagic territory. Due to practical and fiscal considerations, common standards and methods for teaching and administration had to be put in place.²⁷

The lack of resources prevented local governments from exercising authority over education. An analysis²⁸ of the American public education system cited that schools were originally meant to be financed by municipal and provincial governments, but due to the sheer lack of resources, the central government had to finance all elementary schools. Contrary to the United States, where towns and counties had sufficient resources, the sheer poverty in many municipalities meant that schools were dependent on the Department of Public Instruction. The report further cites that "the local primary schools lost a large degree of autonomy in matters such as curriculum and educational material, and the capacity to innovate and respond."

Although the American colonial government introduced Local School Boards, its functions and membership were limited. Adopting the US education model, Local School Boards (LSBs) were introduced through Act No. 74²⁹. LSBs had the authority to conduct school visits and report the conditions of schools and the attendance of the pupils to the division superintendent. LSBs

27 Digna B. Apilado, "A History of Paradox: Some Notes on Philippine Public Education in the 20th Century," in *The Paradox of Philippine Education and Education Reform: Social Science Perspectives*, ed. Allan B.I. Bernardo (Quezon City: Philippine Social Science Council, 2008), 89–98.

28 Ibid.

29 Philippine Commission, Act No. 74 of the Philippine Commission (1901), Section 2.

also had the authority to recommend the sites and plans for schoolhouses and report the amount of money needed to be raised by local taxation for school purposes to the municipal council.³⁰

2. Paradigm Shift in Education - *Post World War II until the Marcos Sr. Administration (1947-1986)*

In 1966, the International Covenant on Economic, Social, and Cultural Rights (ICESCR) underscored the increasing global acknowledgment of education as a fundamental human right. Article 13 of the ICESCR mandated that primary education be compulsory and free for everyone, while secondary education should be broadly accessible to all through appropriate means.³¹

The Philippines committed to the ICESCR and enshrined the right to education in the 1973 Constitution. The 1973 Constitution provided that the State “maintain a system of free public elementary education and, in areas where finances permit, establish and maintain a system of free public education at least up to the secondary level.”³² This effectively expanded the right to education as the 1935 Constitution only provided for free public primary instruction.³³ This paradigm shift in the right to education is the backdrop of the country’s basic education governance policies.

The move towards universal education triggered an expansion of the education agency. The Department of Instruction, through Executive Order No. 94³⁴ became the Department of Education,³⁵ which had executive supervision over

the Bureau of Public Schools, the Bureau of Private Schools, the Bureau of Public Libraries, the Board on Textbooks, the Institute of National Language, and the Philippine Historical Committee.³⁶ Several changes³⁷ were made to the name of the Department of Education until B.P. No. 232, or the Education Act of 1982³⁸, created the Ministry of Education, Culture and Sports.

The Ministry of Education, Culture, and Sports was in charge of almost all aspects of the education system. The Ministry was responsible for the formal and non-formal systems in public and private schools at all levels, including elementary, secondary, and tertiary education³⁹. The Ministry was also responsible for formulating policies, developing and implementing programs, administering, supervising, and regulating schools, coordinating with other concerned agencies, and proposing legislation⁴⁰. Essentially, the Ministry was in charge of almost all aspects of the education system.

Due to its broad scope, the Ministry’s organizational structure was heavily expanded, introducing hierarchy. Additional bureaus and offices were established to manage the various functions of the Ministry. Bureaus were mandated to formulate policies and programs and design instructional materials, while Regional Offices were tasked with implementing the policies within their territorial jurisdiction.

The Education Act of 1982 gave limited authority to Regional Offices, which is seen to be replicated in succeeding laws. Regional Offices were mandated to implement national plans and policies, with discretion only on addressing specific local needs. The concentration of policy-making and decision-

30 At the end of the war and upon the resumption of the Commonwealth Government in 1945, basic education was under the jurisdiction of the Department of Instruction.

31 United Nations, International Covenant on Economic, Social, and Cultural Rights (ICESCR), adopted December 16, 1966, Articles 13(2)(a) and (b), 993 U.N.T.S. 3.

32 Republic of the Philippines, 1973 Constitution of the Republic of the Philippines, Article XV, Section 8(5).

33 Ibid., Article XIV, Section 5.

34 Republic of the Philippines, Executive Order No. 94: Reorganizing the Different Executive Departments of the Government of the Republic of the Philippines (1947).

35 Ibid., Section 83.

36 Executive Order No. 94, Section 84 (1947).

37 Section 1, Presidential Decree No. 1397 (1978).

38 Batas Pambansa Blg. 232 (*Education Act of 1982*).

39 Ibid., Section 2.

40 Ibid., Section 57.

making at the highest level of the bureaucracy has remained relatively the same, even with the enactment of new laws.

Despite this, different forms of decentralization to schools and LGUs were pursued during this period. The Education Act of 1982 provided additional responsibilities to LGUs in financing education and recognized schools' power to organize themselves. While the national government mainly funded public elementary schools⁴¹, LGUs were encouraged to assume the operation of local public schools based on the availability of resources and as assigned by the national government.⁴² LGUs were mandated to appropriate funds in their annual budgets for the operation and maintenance of public secondary schools, with the national government extending financial aid.⁴³ The Education Act also governed the establishment of all schools⁴⁴, which were tasked to establish their internal organization that would enable them to carry out their academic and administrative functions.⁴⁵

The Special Education Fund was also established, recognizing the need for additional funding sources. R.A. No. 5447 established the Special Education Fund (SEF) to be derived from the additional real property tax and a portion of taxes on Virginia-type cigarettes and duties on imported leaf tobacco. The SEF was meant to be used exclusively for educational purposes, including the organization and operation of extension classes, construction and repair of school buildings, and payment of salaries of public school teachers, among others. Today, the SEF under R.A. No. 7160 is similarly derived from the real property tax collections of LGUs and is meant to be exclusively used for education.

41 Education Act of 1982 (BP 232), Section 34.

42 Ibid.

43 Ibid.

44 Ibid.

45 Education Act of 1982 (BP 232), Section 34.

3. Creation of DECS and Trifocalization - *Aquino Administration until the Enactment of R.A. No. 9155 (1987-2001)*

In the post-Martial Law period, the 1986 Provisional "Freedom" Constitution⁴⁶ pursued a complete reorganization of the government. President Corazon C. Aquino issued an Executive Order (E.O.) No. 117 reorganizing the Ministry of Education, Culture and Sports, which ultimately became the Department of Education, Culture, and Sports (DECS)⁴⁷.

DECS was responsible for all types and levels of education, including other functions, such as cultural development and sports. DECS oversaw elementary, secondary, and higher education, including physical, non-formal, vocational/technical, and international education. It was also responsible for the development of culture and foreign and locally assisted projects and activities related to education.⁴⁸

As the government specified DECS' functions, it continued to create new layers in the bureaucracy. E.O. No. 117, which was the basis for DECS, established five (5) Deputy Ministers reporting to the Minister and added additional personnel under Regional Directors.⁴⁹ Regional Offices were established in each of the country's administrative regions, headed by a Regional Director and supported by an Assistant Regional Director. The Regional Director oversaw Schools Divisions and Superintendents within its jurisdiction.⁵⁰

Even then, the education sector was riddled with complex problems, triggering the creation of the first EDCOM. In 1991, the first Congressional

46 Republic Act No. 386, Civil Code of the Philippines, Chan Robles Virtual Law Library, https://laws.chanrobles.com/otherlaws/1_otherlaws.php?id=2.

47 Administrative Order No. 15, s. 1987, Lawphil, https://lawphil.net/executive/ao/ao1987/ao_15_1987.html.

48 Section 5, Executive Order No. 117, *Reorganizing the Ministry of Finance (1987)*.

49 Ibid., Section 10.

50 Section 10, Executive Order No. 117, *Reorganizing the Ministry of Finance (1987)*.

Commission on Education undertook a 12-month intensive study on the state of education in the Philippines.

In its 1991 Report,⁵¹ EDCOM identified fundamental problems with DECS' organizational structure. DECS was a huge bureaucracy that administered and supervised almost every aspect of education. EDCOM observed that the extent of DECS' responsibilities limited the effectiveness and efficiency of its performance. Because of the magnitude of its tasks, DECS struggled to develop its institutional capability in several areas. Further, the staff and line operations of DECS were not well delineated, and there were unclear lines of authority and responsibility even between the Regional offices and the Central office, as well as between the Regional and Division offices.⁵² There was also a problem with DECS duplicating the functions of other agencies, particularly in terms of culture and sports.⁵³

EDCOM recommended drastic changes to the governance of education, including an agency focused primarily on basic education. EDCOM recommended that DECS concentrate mainly on elementary and secondary education. It also suggested establishing new institutions for ECCD and higher education while assigning technical education and skills development to existing agencies.⁵⁴

EDCOM's recommendation paved the way for the trifocalization of education. R.A. No. 7722, or the Higher Education Act of 1994, was enacted, creating the Commission on Higher Education. R.A. No. 7796 was passed shortly thereafter, creating the Technical Education and Skills Development Authority (TESDA). Trifocalization aimed to

distribute responsibilities across the three government bodies to streamline governance and enhance educational quality. DECS oversees basic education at the pre-primary, elementary, and secondary levels. The Commission on Higher Education (CHED) regulates tertiary institutions. TESDA manages technical and vocational training.

EDCOM also made specific recommendations to decentralize DECS administration through deconcentration:

- Regional Offices can focus on coordinating and monitoring functions by deconcentrating authority, powers, and responsibilities to Divisions.
- Division Superintendents can have an expanded role as a Division Educational Manager or Leader, responsible for the planning and approval of school infrastructure programs or projects to be recommended to the secretary; approval and acceptance of completed school infrastructure; recommending appointments of non-teaching personnel; representing the Secretary in LGU councils and bodies; preparing budget program and Educational Plan for submission to the Secretary through the Regional Director.⁵⁵
- The division level can be responsible for the procurement of supplies, materials, and equipment, payroll disbursements, and appointment of teachers.⁵⁶

EDCOM also found a consensus on the need for quality teaching and, consequently, for quality supervision through principals.⁵⁷ It thus recommended that the principal's role be reimagined as an instructional manager primarily responsible for teaching supervision, consonant with the principle that the principal shall be directly

51 Congressional Commission on Education (EDCOM), *Making Education Work: An Agenda for Reform* (Manila: Congressional Commission on Education, 1991).

52 *Making Education Work: An Agenda for Reform* (EDCOM, 1991), Book IV, p. 65.

53 *Ibid.*, Book IV, p. 66.

54 *Ibid.*, Book IV, p. 45.

55 *Making Education Work: An Agenda for Reform* (EDCOM, 1991), Book IV, p. 98.

56 *Ibid.*, Book IV pp. 98-100

57 *Ibid.*, Book IV, p. 100.

responsible for the school's academic achievement. Thus, the principal would be responsible for directing, motivating, and supervising teachers, ensuring adequate teaching materials, and ensuring that the school environment is conducive to teaching and learning, among others.⁵⁸

58 Ibid., Book IV, p. 101-103.

EDCOM's examination of education issues led to the first major change in governance—trifocalization. The government narrowed DECS's horizontal structure by making it exclusively responsible for basic education, culture, and sports and creating other agencies to oversee higher and technical-vocational education. It also increased hierarchical definition within its vertical structure by setting up School Divisions and directly assigning Regional Offices to oversee them. These structural changes laid the groundwork for an agency focused on basic education and led to the establishment of R.A. No. 9155.

Chapter 3

Policy and Implementation Review of Shared Governance Under R.A. No. 9155

The enactment of R.A. No. 9155, or the Governance of Basic Education Act of 2001, marked a significant step toward decentralization in Philippine education. The law aimed to institutionalize shared governance, emphasizing the delegation of authority and accountability across various levels of the education system. However, while the law sought to create a balance between centralized oversight and localized implementation, its execution has revealed persistent challenges rooted in systemic inefficiencies and overlaps. This chapter examines the formulation and operationalization of shared governance under R.A. No. 9155, including the legislative intent behind the law and persistent issues that continue to inhibit its effectiveness.

1. Omitted Provisions in the Enactment of R.A. No. 9155

Findings and recommendations from the first EDCOM gradually gained traction over the course of a decade. Bills to reform basic education filed in 1999 led to the enactment of R.A. No. 9155, or the Governance in Basic Education Act, in 2001. R.A. No. 9155, and to some extent, R.A. No. 10533, or the Enhanced Basic Education Act of 2013, which introduced the K to 12 curriculum, are the key governing laws on basic education.

R.A. No. 9155 reorganized DECS into DepEd.⁵⁹ DepEd was vested with authority, accountability, and responsibility to ensure access to, promote equity in, and improve the quality of basic education in the Philippines. The law was enacted to provide

the framework for basic education governance, which sets the general directions for educational policies and standards and establishes authority, accountability, and responsibility.

However, R.A. No. 9155, as written, did not adhere to the critical recommendations of EDCOM:

- **Authority, powers, and responsibilities were not deconcentrated to SDOs so ROs could focus on coordinating and monitoring functions.** ROs have important functions in the development of regional policies and plans consistent with national policies, plans, and standards.
- **SDOs do not have the responsibility for the planning, approval, and acceptance of school infrastructure programs.** SDOs were also not given explicit authority by the law to procure supplies, materials, and equipment. In practice, however, SDOs are given responsibility for payroll disbursements and procurement of supplies, materials, and equipment, but procurement of other materials, such as science equipment, was retained in the Central Office.

Senate and House Bills that led to the creation of R.A. No. 9155 had some key differences⁶⁰. The Senate and House versions were generally united in creating a separate department for basic education and identifying the different levels of governance in basic education. However, there are some key differences in their priorities:

⁵⁹ Section 6, Republic Act No. 9155 (Governance of Basic Education Act of 2001).

⁶⁰ Republic Act No. 9155, Governance of Basic Education Act of 2001, originated from Senate Bill No. 2191 (originally Senate Bill No. 1558), introduced by Senator Teresa Aquino-Oreta, Chair of the Committee on Education, Arts, and Culture, and House Bill No. 10732, introduced by Representative Francis Escudero et al., 11th Congress of the Philippines.

The Senate version emphasized:

- **Improving public schools and making them as efficient and effective as private schools.** It aimed to enable the public schools to make the decisions that will help them achieve higher learning outcomes and be efficient with resources.
- **Defining each level in the bureaucracy's accountability to learning outcomes.** The proponent declared that the bill “is not about restructuring or reshaping the DECS...[but] is about establishing authority and accountability for achieving higher pupil learning and defining the duties and responsibilities of each layer in the...bureaucracy.”⁶¹
- **Encouraging school initiatives to break the culture of dependence on the central office.** The bill also “encourage[d] local school initiatives and hopefully will break the [then] unhealthy culture of too much dependence on the central office.”⁶²
- **Providing a School Innovation and Improvement Fund (SIIF) on top of the school's MOOE.** It proposed establishing a School Innovation and Improvement Fund (SIIF) to be funded regularly under the General Appropriations Act (GAA) and shall be in addition to the regular Maintenance and Other Operating Expenses (MOOE) of the schools under the GAA.⁶³ The fund aimed to encourage principals to generate ideas to improve the teaching and learning process.⁶⁴

Meanwhile, the House version viewed decentralization as a means “to make the administration and supervision of education more effective and efficient” through the following:

- **Principles of decentralization** laid out were: democratic consultation for decision-making at all levels; accountability and transparency in personnel and financial management and monitoring by the regional and division levels; stronger communication channels and expansion of linkages; and active participation of teachers organizations, non-teaching school personnel, and parents-teachers associations.⁶⁵
- **LSBs as a primary advisory committee on major educational matters** “in line with the thrusts of decentralization.”⁶⁶
- **Creation of a School Advisory Council (SAC) at the barangay level composed of the school head and representatives from the community.** The council would be tasked with formulating the school improvement and effectiveness plan and mobilizing funds to finance the school's needs, among other functions.⁶⁷

The outcome, R.A. No. 9155, left out key proposals, including additional school-level funds and stronger collaboration at the local level. By combining the bill's main features, the resulting law excluded the creation of the SIIF and the SAC and disregarded policy directions, such as the imagined role of the LSB.

From the massive DECS, R.A. No. 9155 narrowed DepEd's functions and institutionalized shared governance, but gaps remain. These succeeding sections examine the policy behind and implementation of the principle of shared governance and how omitted proposals, such as the SIIF and the SAC, might have prevented existing issues in governance.

61 Transcript of Committee Meeting, June 1, 1999, p. 9.

62 Ibid., p. 10.

63 Section 12, Senate Bill No. 2191, 13th Congress of the Philippines, 2004.

64 Transcript of Committee Meeting, June 1, 1999 p.10

65 Ibid., Section 5.

66 Ibid.

67 Ibid., Section 11.

2. Hierarchy and Duplication of Roles

R.A. No. 9155 aimed to decentralize and govern education based on the principle of shared governance. Every unit in the education bureaucracy has a particular role, task, and responsibility for which it is principally accountable for.⁶⁸ Basic education governance starts at the national level, with Regions, Divisions, Schools, and Learning Centers—known as Field Offices—developing, adapting, and delivering programs, projects, and services to meet local needs.

- The Secretary holds overall authority and supervision over DepEd's operations.
- Each region will have a Regional Office led by a Regional Director, supported by an assistant RD and office staff. Currently, there are 16 ROs, excluding BARMM.
- A division made up of a province or city is managed by a Schools Division Superintendent (SDS), who is assisted by at least one Assistant SDS and office staff.
- Based on recommendations from school division superintendents, the RD may create additional school districts within a division. Each district is led by a school district supervisor and supported by office staff. The country has over 200 School Division Offices (SDOs).
- Each public elementary and high school, or a cluster of schools, will have a School Head. Adopting the first EDCOM's recommendations, R.A. No. 9155 defines the School Head as both an instructional leader and an administrative manager. An Assistant School Head may assist in this role, and together, they will lead a team to implement quality educational programs, projects, and services. Teachers, learning facilitators, and non-teaching staff will form teams to manage the school's administrative, financial, and support services.

By design, decision-making appears to be concentrated at the Central Office, not far from what was legislated in 1982. The relationship between the functions and responsibilities of the different governance levels mirrors those in the Education Act of 1982. The field offices, particularly the ROs and SDOs, take cues from the central office and implement policies and programs within their jurisdictions. They are also in charge of ensuring compliance with standards and the overall management of their domains. This is illustrated in Table 2 below.

Further, legislated functions reveal duplicate roles, resulting in hierarchy and inefficiency. Table 2 compares the functions and roles of each layer in the bureaucracy. Generally, the lower level replicates or duplicates the functions of the higher level but on a smaller scale, possibly leading to inefficiency.

68 Section 5(a), Republic Act No. 9155 (*Governance of Basic Education Act of 2001*).

Table 2. *Comparison of Roles and Responsibilities of Regional, School Division, School District, and School Heads under R.A. No. 9155*⁶⁹

Aspects	Regional Director	Schools Division Superintendent	Schools District Supervisor	School Head
Scope of Responsibility	Responsible for developing regional educational policies and educational standards, monitoring, evaluating, and assessing regional learning outcomes.	Develops and implements division education development plans and manages division resources.	Provides professional and instructional advice to school heads and teachers.	Oversees the entire school or cluster of schools. Sets the mission, vision, goals, and objectives of the school. Responsible for creating a conducive environment for teaching and learning and for implementing the school curriculum and development programs.
Level of Supervision	Evaluates all Schools Division Superintendents and Assistant Division Superintendents within the region.	Evaluates division supervisors, school district supervisors, and all employees in the division, both teaching and non-teaching (except the assistant division superintendent)	Does not have administrative supervision over school principals (unless authorized).	Serves as an instructional leader and administrative manager. Administers and manages all personnel.
Curricula Supervision	Develops regional educational standards and benchmarks. Focuses on the policy framework and high-level standard setting.	Strengthens the role of division supervisors as subject area specialists. Ensures adherence by all schools and learning centers to accreditation standards prescribed by the Secretary.	Provides curricula supervision.	Implements the school curriculum, introduces innovative teaching methods, and is accountable for achieving higher learning outcomes.

69 Republic Act No. 9155, Governance of Basic Education Act of 2001, <https://www.officialgazette.gov.ph/2001/08/11/republic-act-no-9155/>. The table is limited to the functions and responsibilities as stated in R.A. No. 9155.

Aspects	Regional Director	Schools Division Superintendent	Schools District Supervisor	School Head
Hiring and Staffing	Responsible for hiring, placing, and evaluating all employees in the regional office (except for the Assistant Director).	Responsible for hiring, placing, and evaluating all division supervisors, school district supervisors, and division employees, both teaching and non-teaching (except the Assistant Division Superintendent).	No direct role in hiring or staffing.	Recommends staffing based on the school's needs and manages the school's personnel. Encourages staff development and ensures efficient use of human resources.
Budget and Resource Management	Formulates the regional budget (in coordination with the regional development council) to support the regional education plan and manages personnel, physical, and fiscal resources of the regional office.	Manages the division's resources and ensures the effective and efficient use of division personnel and resources.	No role in budget management	Manages school resources, including those raised through grants and donations, to improve school facilities and resources.
Policy Formulation	Defines regional education policies that reflect the needs and expectations of the community, consistent with national standards and objectives.	Implements and ensures compliance with division education development plans and policies, consistent with national education policies, plans, and standards.	Primarily focuses on curricula supervision and instructional advice, with no role in policy formulation.	Sets the school's mission, vision, and goals. Ensures alignment with both national policies and community needs. Promotes active participation from the school community, including teachers, parents, and the local community.

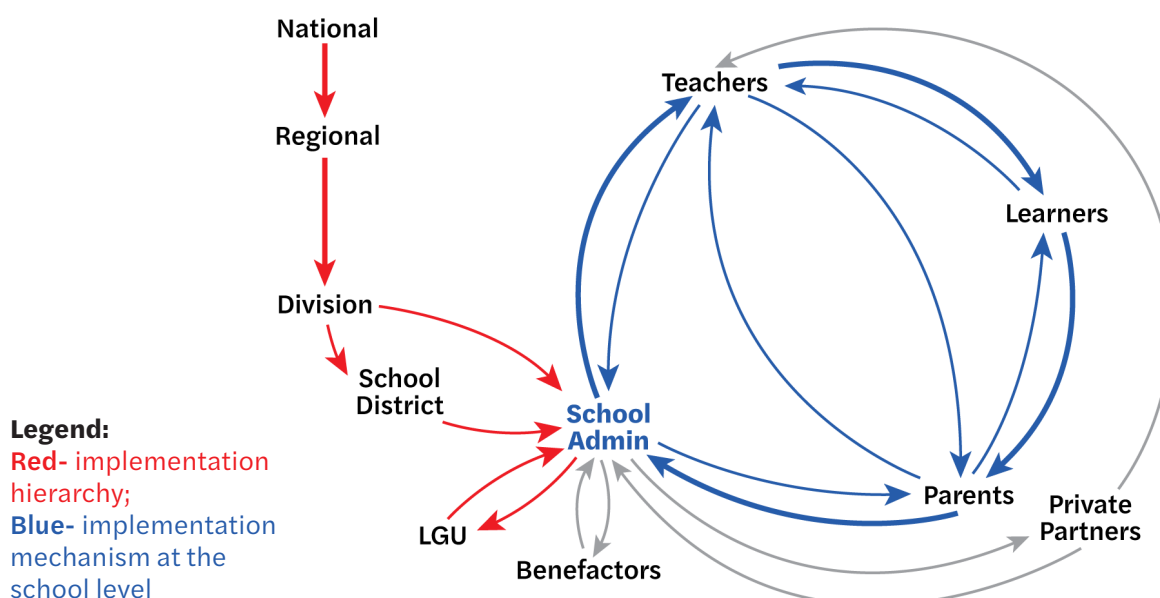
In practice, this has relegated Field Offices as implementers. Recent EDCOM II findings note that the Central Office's priorities take precedence⁷⁰. Program development and resource allocation are still mostly controlled by the Central Office. Regions and schools have little involvement in creating new programs. Even when they share their ideas in meetings or through the Regional Development Council, these ideas are rarely funded. With the Central Office retaining most of the decision-making on programs and resources, field offices operate mainly as implementers.⁷¹

Hierarchy and centralization are also reflected in DepEd's budgeting processes, where field offices have limited influence over budget allocation. Allocations are primarily determined using formula-based methods or through programs established by the DepEd Central Office in coordination with the Department of Budget and Management (DBM). Only about 4% of 47,000 public schools are designated as implementing

units (IUs), which have the capacity to manage their financial affairs independently after meeting specific DepEd requirements⁷². The remaining schools are classified as non-IUs and must access their funds through School Division Offices (SDOs). Additionally, EDCOM II's FGD consultations revealed that it is a prevalent practice for some SDOs to withhold portions of the MOOE funds allocated to non-IU schools instead of releasing the full amount, beyond the necessity of risk management.

A recent study⁷³ illustrated DepEd's workflow as vertical and one-directional. Dr. Cuyegkeng analyzed DepEd policies and found that each DepEd Bureau develops its own programs, which are then downloaded to the Field offices and schools. Schools absorb the service delivery tasks but with limited autonomy and funding, which will be discussed in the succeeding chapter.⁷⁴ Figure 1 below shows top-down workflow.

Figure 1. DepEd Workflow⁷⁵



70 Second Congressional Commission on Education (EDCOM 2), *Year 1 Report: Miseducation – The Failed System of Philippine Education* (Manila: EDCOM 2, 2024), 302.

71 The functions of School Heads will be elaborated in the next chapter on School-Based Management

72 *Synthesis of Insights on School Governance*, EdCom 2, 2023.

73 Cuyegkeng, *Systems Analysis of the Philippine Basic Education System*, 19.

74 Cuyegkeng, *Systems Analysis of the Philippine Basic Education System*, 19.

75 Cuyegkeng, *Systems Analysis of the Philippine Basic Education System*, 17.

The principle of shared governance, as articulated in RA. No. 9155 aimed to introduce accountability at all levels of the education system, striving for a balance between central oversight and local autonomy to better address regional needs. However, current practices still reflect centralization, with decision-making concentrated at the highest levels of the bureaucracy. Duplicate roles across DepEd's organizational structure also introduce inefficiencies in the system, which constrain the efficient delivery of services.

3. Overstretched Bureaucracy

The scale and scope of DepEd's responsibilities have ballooned since 2001. As of 2024, the population of the Philippines is estimated at approximately 115.8 million, a substantial increase from 76.5 million recorded in 2000.⁷⁶ This growth highlights a significant rise in the school-aged population over the past two decades, expanding the demand for educational resources and infrastructure. The enactment of R.A. No. 10533 in 2013 added two additional years to basic education, accommodating an even larger number of learners. Today, DepEd serves approximately 28 million students.

DepEd's centralized structure hinders its ability to respond adaptively to varying needs. As the number of students continues to rise, the demand for new schools and more teachers also increases, creating delays in service delivery, which will be discussed further in succeeding sections.

Although the first EDCOM successfully recommended that DepEd focus on basic education, it still maintains various roles in agencies and councils. The DepEd Secretary is the *ex officio* Chairperson of the Early Childhood

Care and Development Council (ECCD Council).⁷⁷ DepEd also has administrative supervision⁷⁸ over the National Book Development Board (NBDB)⁷⁹, the National Council for Children's Television⁸⁰, and the National Museum,⁸¹ all of which were originally under the Office of the President.

DepEd continues to share roles in culture and sports. Philippine High School for the Arts⁸² and the National Academy for Sports (NAS)⁸³ are both attached to DepEd in coordination with the Cultural Center of the Philippines and the Philippine Sports Commission, respectively.

DepEd sits in different inter-agency councils with mandates relevant to children and learners. The DepEd Secretary is the Chairperson of the Teacher Education Council (TEC)⁸⁴ and the Literacy Coordinating Council (LCC)⁸⁵. DepEd is also a member of the Council for the Welfare

77 Republic Act No. 10410, Early Years Act of 2013, ECCD Council is responsible for providing the full range of health, nutrition, early education, and social services development programs necessary to meet the basic holistic needs of young children from age zero (0) to four (4) and to promote their optimum growth and development.

78 Administrative supervision over the NBDB was transferred from the Office of the President to DepEd under Executive Order No. 189 (2003), Executive Order No. 189. Transferring the Administrative Supervision of the National Book Development Board to the Department of Education. 2003..

79 Republic Act No. 8047 (*Book Publishing Industry Development Act*), 1995. NBDB is tasked with fostering progressive growth and viability of the book industry,

80 Administrative supervision over the NCCT was transferred from the Office of the President to DepEd under Executive Order No. 203 (2003). NCCT was created to foster the development of high-quality, locally-produced children's television programming

81 Executive Order No. 610, "Transferring to the Department of Education the Responsibility of the Office of the President over the Budgetary Requirements of the National Museum," March 13, 2007, https://lawphil.net/executive/execord/eo2007/eo_610_2007.html.

82 The Philippine High School for the Arts implements a special curriculum geared to the early recognition of children exceptionally gifted in the arts

83 Republic Act No. 11470 (*National Academy of Sports Act*), 2020. NAS was created to develop students' athletic skills and talents through the provision of world-class sports facilities

84 Republic Act No. 7784 (*Excellence in Teacher Education Act*), as amended by Republic Act No. 11713, 1994 and 2022. Teacher Education Council is tasked with establishing a roadmap and basic requirements for teacher education.

85 Republic Act No. 7165 (*Literacy Coordinating Council Act*), as amended by Republic Act No. 10122, 1991 and 2010. Literacy Coordinating Council is an inter-agency coordinating and advisory body tasked with synchronizing and strengthening policies and towards universalizing literacy

76 Philippine Statistics Authority. 2003 Philippine Statistical Yearbook. 32nd ed. Manila: National Statistical Coordination Board, 2003. <https://psa.gov.ph/system/files/psy/2003%20PSY.pdf>.

of Children,⁸⁶ the Philippine Council for Mental Health (PCMH),⁸⁷ the Inter-Agency Committee on Tobacco,⁸⁸ and the National Nutrition Council (NNC).⁸⁹

Due to their importance, these roles are concentrated at the highest level of DepEd, stretching the capacity of the Secretary and their designates. Participation in inter-agency bodies and councils adds to the workload of the Secretary and designated officials, typically Undersecretaries and Assistant Secretaries. Given the nature of tasks such as policy formulation and inter-agency coordination, these responsibilities are not easily delegated.

DepEd also implements programs in partnership with or as assistance to other government agencies. Republic Act No. 11908 created the Parent Effectiveness Service (PES) Program to help parents and guardians improve their parenting skills, protect children's rights, support early childhood development, and boost education. The DSWD develops PES modules for cities and municipalities, and DepEd assists in their implementation.

Due to DepEd's national presence, it is often a partner for LGUs in delivering basic services. For example, R.A. No. 11307 or the *Masustansyang Pagkain para sa Batang Pilipino* Act establishes the National Feeding Program to combat undernutrition among Filipino children. The law mandates DepEd to run a school-based feeding program by providing at least one (1) fortified meal to all undernourished public school children in Kindergarten to Grade 6 for at least 120 days each year. LGUs are required to assist and may use their Special Education Fund (SEF) and development

funds to supplement the program's budget from national funds.

Not to disregard the importance of national coordination and the clear impact of health and nutrition on students' learning outcomes, **a thorough evaluation of DepEd's services and functions must be undertaken to determine what can be deconcentrated or devolved without compromising the effectiveness of programs.**

4. Deepening Culture of Control and Compliance

Due to decades of centralization and hierarchy, DepEd is set back by a culture of control and over-compliance. With decision-making and power concentrated at the Central Office, lower levels of governance, such as schools, are expected to obey and comply.⁹⁰ To illustrate a case in one of EDCOM II FGDs, participants shared that schools must wait for the issuance of a memorandum before they can take action, referring to a "memocracy." These recent findings and reports from EDCOM II mirror critique from a 2006 study by Bautista, Bernardo, and Ocampo⁹¹ which observed that no policy or practice in the lower levels of the hierarchy may change or take place unless there is an explicit memorandum from the Central Office that allows it. The study quotes Luz (2008):

"The DepEd bureaucracy lives by the DepEd Memo. This is so ingrained in the system that administrators and school heads will wait for [it] rather than act on their own. A common joke made: A principal will wait for a DepEd Memo on 'principal empowerment' before he will act on an issue."

"Memocracy" runs counter to the principle of shared and responsive governance. While policies and standards are essential for ensuring quality,

86 Executive Order No. 233, Further Decentralizing the Powers and Functions of the National Government to Local Governments, 1987.

87 Republic Act No. 11036 (Mental Health Act), 2018.

88 Republic Act No. 9211 (Tobacco Regulation Act), 2003.

89 Presidential Decree No. 491 (Nutrition Act of the Philippines), 1974

90 Cuyegkeng, *Systems Analysis of the Philippine Basic Education System*, 17.

91 Bautista, Bernardo, and Ocampo, *When Reforms Don't Transform*, 60.

excessive regulation, and rigid implementation can hinder effective and responsive action at the local level. National policies may not fully account for the diversity of schools, and standardizing everything runs counter to the value of deconcentrated management, which allows flexibility in managing human and financial resources to better address local needs.⁹²

This culture of over-compliance stifles innovation and collaboration, especially at lower levels. As monitoring standards seldom allow for contextualization⁹³, school leaders often focus on meeting minimum requirements, fearing misinterpretation of policies from the Central Office⁹⁴. This cautious mindset is internalized by school staff, leading to peer shaming when individuals take on tasks beyond their roles or offices and units working in silos to minimize risks, further discouraging initiatives for change or innovation.

Consequences for disobedience create a chilling effect at every level. The 2006 study⁹⁵ describes potential sanctions that include formal punishments, such as poor performance ratings, delayed promotions, threats of a COA disallowance or administrative cases, as well as loss of privileges, assignment to unfavorable or hazardous tasks, or reassignment. In effect, Regional Directors, School Division Superintendents, and School Heads would defer to those above them even if they have more experience and knowledge on the issue.⁹⁶ Even more, teachers would be reluctant to express their complaints to higher authorities.

92 Synthesis of Insights on School Governance, EdCom 2, FGD, 3–4.

93 Maria Regina Hechanova and Camille Therese C. Yusay, *Innovations and Their Enablers and Barriers in Philippine Basic Education: Policy and Governance Implications*, 2024.

94 Cuyegkeng, *Systems Analysis of the Philippine Basic Education System*, 19.

95 Bautista, Bernardo, and Ocampo, *When Reforms Don't Transform*, 60.

96 Ibid., 60–61.

5. Opportunities in Local Education Governance

While education was not devolved in the Local Government Code, the principle of shared governance recognized the important role of Local Government Units (LGUs) in education service delivery. It is worth noting that there have been successful models of shared governance with local government units across the country.

An often-cited example is the work of former Naga City Mayor Jesse Robredo, who, with support from the Ford Foundation, expanded the membership and functions of the Local School Board. Under his leadership, Naga City introduced a performance incentives system for schools, engaged stakeholders in planning, budgeting, and implementation processes, and enhanced education financing by utilizing non-traditional sources such as public-private partnerships.⁹⁷

With support from civil society organizations, local planning and stakeholder engagement in education have been strengthened. Through the work of Synergeia Foundation and USAID, various LGUs were able to participate in the Education Governance Effectiveness (EdGE) to reinvent their LSBs, similar to the approach taken in Naga City.⁹⁸ Further, a collaboration between LGUs' local planning offices and DepEd field officials facilitated through the ABC+ program has resulted in education issues being integrated into municipal and provincial investment plans⁹⁹.

However, as education is not devolved, it can be deprioritized by Local Chief Executives (LCE). The Local Government Code, or R.A. No. 7160, grants LGUs ancillary powers related to the delivery of basic education. For example, the Sanggunians

97 USAID and Synergeia Foundation, *Assessment Study on Local School Boards*, February 2016

98 Ibid.

99 United States Agency for International Development (USAID), and RTI International, *ABC+: Advancing Basic Education in the Philippines: Learning Report*, The Asia Foundation, April 2024.

of municipalities and cities can rename public elementary and secondary schools within their jurisdiction upon the recommendation of the Local School Board (LSB). Additionally, LGUs can offer scholarships to students and provide supplementary allowances and benefits to public school teachers. Unlike health, education was retained at the national level.¹⁰⁰

Despite LCEs' willingness to be co-drivers of education, they are bound by the law. Local Chief Executives consulted by EDCOM II view education as a key responsibility, seeing it as critical to improving human capital, boosting local economic growth, and promoting social development. However, limitations in LSB membership and functions and SEF uses limit willing LGUs from further investing in education.

Box 1. What is the Special Education Fund?

The **Special Education Fund (SEF)** is a fund created under **Republic Act No. 5447**¹⁰¹ and institutionalized under the **Local Government Code of 1991 or R.A. No. 7160**¹⁰². It is derived primarily from an additional **1% tax on real property** collected by LGUs, particularly cities, provinces, and a municipality in Metro Manila. The SEF is specifically allocated to support various education-related activities and projects within a locality. In cities, LSBs receive the full proceeds of the SEF, while LSBs in provinces and municipalities LSBs must share the proceeds of the province's SEF equally.

The Local Government Code allows for the following uses of the SEF as determined and approved by the LSB: "operation and maintenance of public schools, construction, and repair of school buildings, facilities, and equipment, educational research, purchase of books and periodicals, and sports development."¹⁰³ Other laws and regulations, however, also allow the use of SEF for other programs such as the School-Based Feeding Program, Milk Feeding Program, health programs, dental services, WASH programs, utilities, communication, scouting activities, and PTA/Student Council activities

Varying interpretations on the uses of SEF constraints its use¹⁰⁴. COA auditors have differing interpretations regarding which expenditures can be charged to the SEF, as revealed in a focus group discussion conducted by EDCOM II with LGU leaders and staff.¹⁰⁵ For instance, one LGU received a COA audit observation for allocating education-related expenditures to funds other than the SEF. However, when the same expenditures were later charged to the SEF, they were also disallowed. Participants noted that the enforcement of audit observations often depends on the specific auditor assigned to the LGU.¹⁰⁶

EDCOM II FGD participants noted that the guidelines issued by the DBM and COA, along with those governing the SEF, restrict school autonomy. They explained that the prescribed menu of allowable expenditures is overly restrictive, forcing them to categorize certain expenses under approved categories simply to comply with the rules. For instance, a school reading program might be classified as "educational research" because that is the expenditure category recognized in the current guidelines¹⁰⁷.

Opportunities to align planning and budgeting between DepEd field offices and LGUs are underutilized. A World Bank study found that schools are seldom involved in funding decisions, and Local School Boards (LSBs) rarely consider school planning processes when formulating their annual budgets.¹⁰⁸ EDCOM II, in its Year 1 Report, provided a case study in which collaboration between schools and LGUs improved resource allocation.

¹⁰⁴ EDCOM II, *Year One Report*, 280.

¹⁰⁵ Edcom 2, *Focus Group Discussions*, August 9, 2023. Insights were drawn from nine (9) LGU leaders and staff, including incumbent and former LCEs with recognized track records in transformational leadership.

¹⁰⁶ EDCOM II, *Year One Report*, 295.

¹⁰⁷ *Synthesis of Insights on School Governance*, EdCom 2, 2023.

¹⁰⁸ World Bank, *Assessing Basic Education Service Delivery*, 2016, 112.

¹⁰⁰ Implementing Rules and Regulations (IRR) of Republic Act No. 7160, art. 181 (*Local Government Code of 1991*).

¹⁰¹ Republic of the Philippines, *Republic Act No. 5447: An Act Creating the Special Education Fund*, Official Gazette, 1968.

¹⁰² Republic of the Philippines, *Republic Act No. 7160: Local Government Code of 1991*, Official Gazette, 1991.

¹⁰³ *Ibid.*, Section 100.

“One fifth-class municipality developed an electronic monitoring system that consolidates information from school improvement plans (SIPs), barangay reading centers, and other sources. The LSB and the Office of the Mayor use the digital platform to track which projects have been funded by the School MOOE and which need supplementary funding from the LGU. A focal person is assigned to each school and barangay to update the system.”

Further, LSB membership is limited by law. Former Naga City Mayor Robredo exercised discretion in transforming the role of LSBs, taking a progressive view that “what the law does not prohibit, it allows.”¹⁰⁹ However, such an approach can pose a risk to other LGUs.

Legislative initiatives such as Senate Bill No. 155 or the 21st Century Schools Board Act filed by Senate Committee on Basic Education Chairman Sherwin T. Gatchalian seek to expand the LSB membership to involve other relevant actors in the community and stakeholders, extend the functions of the LSB, broaden the utilization of the Special Education Fund, establish and maintain a School

Governing Council in every school, and mandate the participatory and transparent execution of the budget process.

Without committed LCEs and amendments to the Local Governance Code, LGU support for education would be difficult to scale. In the case of ABC+’s support of local planning processes, political will and leadership were seen to be essential drivers of change within the local education sector.¹¹⁰ Other initiatives by LGUs discussed required the financial support of external organizations through grants.

There is an opportunity for reform to empower LGUs and LSBs to take on greater responsibilities. Without necessitating legislative amendment to R.A. No. 7160, as proposed in pending bills in the Senate and the House of Representatives, the DepEd, DBM, and Department of the Interior and Local Government (DILG) may study its legal position on whether the SEF may be legally used for purposes outside of the express listing in R.A. No. 7160. Table 3 shows policies that have expanded the uses of the SEF, including joint circulars between DepEd, DBM, and DILG.

109 USAID and Synergeia Foundation, Assessment Study on Local School Boards, February 2016

110 United States Agency for International Development (USAID), and RTI International, *ABC+: Advancing Basic Education in the Philippines: Learning Report*, The Asia Foundation, April 2024

Table 3. Laws and Circulars Expanding the Use of the Special Education Fund (SEF)

Law / Circular	Key Provisions	Allowable Uses of SEF
R.A. No. 10410	LGUs should include allocations from their SEF (and Gender and Development Fund) to support the implementation of their ECCD Program, among other functions related to ECCD.	Use of SEF to support the Early Childhood Care and Development (ECCD) Program
R.A. No. 11037	LGUs are mandated to assist DepEd and other national government agencies and are authorized to use a portion of the SEF (and/or 20% of its development fund) to augment the National Feeding Program.	Use of SEF to augment the appropriations under the GAA for the National Feeding Program for undernourished children in public daycare, kindergarten, and elementary schools.
DepEd-DBM-DILG Joint Circular No. 1, s. 2017	Provides a positive list of allowable expenses chargeable against the SEF and orders the LSB to formulate a three-year program indicating strategic priority policies in SEF allocation.	Expenses shall be net of the budgetary provision for the same or related item(s) in the budget for DepEd and the ECCD Council and that which may be funded out of the Special Purpose Funds.
DepEd-DBM-DILG Joint Circular No. 1, s. 2020	Expands allowable expenses chargeable against the SEF in view of R.A. No. 11037, particularly for the National Feeding Program and operations and maintenance of public schools.	SEF can be used for, among others, the School-Based Feeding Program, Milk Feeding Program, health programs, dental services, WASH programs, utilities, communication, scouting activities, and PTA/Student Council activities.

R.A. No. 9155 institutionalized shared governance but fell short of fully exploring local collaboration in education due to its focus on decentralization through administrative deconcentration. While mechanisms to support

local education governance, such as LSBs and SEF, exist, their utilization largely varies. The next chapter will explain in more detail how issues on shared governance further trickle down to the school level.

Chapter 4

Policy and Implementation Review of School-Based Management

1. Development of School-Based Management in DepEd

The second feature of basic education governance under R.A. No. 9155 states that “the school shall be the heart of the formal education system” and “the seat of learning.” Schools “shall be empowered to make decisions on what is the best for the learners they serve.” The parents and the community shall also be encouraged to be actively involved in education. R.A. No. 10533 further provides that the curriculum should be flexible enough for schools to localize, indigenize, and enhance it based on their respective educational and social contexts.

DepEd policies on School-Based Management (SBM) are seen to operationalize R.A. No. 9155’s emphasis on the central role of schools. Although SBM is not a mechanism mandated by R.A. No. 9155, DepEd has adopted it over the years as an explicit policy on decentralization.¹¹¹ Conceptually, SBM decentralizes decision-making from the central government to individual schools.

SBM originated from foreign-assisted reform projects and pre-dates R.A. No. 9155. During the administration of DepEd Secretaries Butch Abad and Jesli Lapus, The School’s First Initiative, the Third Elementary Education Project (TEEP), and the Secondary Education Development and Improvement Project (SEDIP), targeted school-level improvements in identified Social Reform Agenda (SRA) provinces through SBM.

SBM was a key reform thrust of the Basic Education Sector Reform Agenda (BESRA)¹¹², which was a package of policy actions launched in 2006 to attain UNESCO’s Education for All objectives by 2015¹¹³. BESRA sought to ensure that all schools consistently improve through the active participation of school-level stakeholders. Among the main policy actions included ensuring a head for every school, ensuring a school/community process of continuous school improvement, establishment and maintenance of functional School Governing Councils, a school-based resource management framework, and a schools-driven DepEd representation at the LSBs.

Box 2. Key Features of School-Based Management (SBM)

The School Improvement Plan (SIP) is a roadmap that lays down specific interventions that a school, with the help of the community and other stakeholders, will undertake within a period of three consecutive school years.¹¹⁴

The School Report Card (SRC) is a report that provides stakeholders with a snapshot of the school’s current condition and performance. Serving as a complement to the School Improvement Plan (SIP), it communicates the school’s progress and achievements to both internal and external audiences, promoting accountability and transparency. The SRC is divided into three sections: the school profile, performance indicators covering access, quality, and governance, and the status of school projects.¹¹⁵

111 Department of Education, *DepEd Order No. 83, s. 2012: Implementing Guidelines on the Revised School-Based Management (SBM) Framework, Assessment Process, and Tool (APAT)*, November 29, 2012.

112 World Bank, *Appraisal Document: Trust Fund to Support Philippine Basic Education Reforms* (Washington, DC: World Bank, 2016)

113 UNESCO-UNEVOC, *Education for All* (2015)

114 Department of Education, *DepEd Order No. 44, s. 2015: Guidelines on School-Based Management (SBM) Grants*, 2015.

115 Ibid.

The School-Based Management (SBM) Self-Assessment is a reflective process that enables schools to evaluate their implementation of SBM practices. This self-assessment helps schools identify their current level of practice, recognize strengths, and pinpoint areas for improvement in governance, resource management, and educational outcomes. The self-assessment process typically involves the use of the SBM Assessment Tool, which includes a set of indicators aligned with DepEd's SBM framework.¹¹⁶

The School Governance Council (SGC) is a forum where external and internal stakeholders convene and collaborate to address school concerns and help improve school performance. It promotes stakeholders' involvement, empowers community members to take ownership of the decisions made, and encourages the expansion of existing networks in the schools.¹¹⁷

2. Challenges of SBM Implementation

Limited Capacity for School Leadership

A common challenge of SBM is the limited technical capacity of stakeholders to implement its components effectively. SBM has various components, which include the SBM's self-assessment, the development of School Improvement Plans and School Report Cards, and monitoring of School Government Councils. In an FGD with DepEd personnel, one of the recurring issues identified with SBM implementation was the inadequate capacity of school heads to perform their expected role, which is to manage the daily operations of schools and build linkages¹¹⁸.

Even without SBM, most schools do not have the required human resources to manage their schools fully. EDCOM II found that only 45%, or 20,718 out of 45,198 schools, have filled principal positions.

The remaining 24,480 schools only have Teachers-in-Charge (TIC) who lack the requisite training and support, thereby limiting their ability to perform the tasks of a School Head.¹¹⁹ Further, teaching personnel absorb non-teaching functions. While burdensome, these functions are necessary for a school to function properly. These may include bookkeeping and financial management, property and asset management, records management, stakeholder engagement, faculty development, procurement, and logistics, among others.

While responsibility falls on ROs and SDOs to train schools, they may also have limited capacity.

The newest DepEd policy on SBM establishes mechanisms for technical support through the ROs and SDOs. However, it is not clear whether ROs and SDOs are fully equipped and resourced to provide this assistance effectively.¹²⁰

Limited Ownership and Adoption among Stakeholders

In a 2016 study, majority of household heads interviewed were unaware of SBM mechanisms, like the School Government Council and School Improvement Plans¹²¹. The study by the World Bank reported that nearly three-quarters of household heads were unaware that their child's school had an SGC. More than half were unaware of an SIP, let alone were invited to be involved in its preparation. These mechanisms appear to have been underutilized in terms of stakeholder involvement.

Majority of elementary and high schools also report having put in place only the lowest level of SBM in their self-assessments. Less than 10% of schools reported the highest level of SBM

116 Department of Education, *DepEd Order No. 83, s. 2012: Implementing Guidelines on the Revised School-Based Management (SBM) Framework, Assessment Process, and Tool (APAT)*, 2012.

117 Department of Education, *DepEd Order No. 26, s. 2022: Implementing Guidelines on the Establishment and Operations of the School Governing Council (SGC)*, 2022, and *Manual on School Governing Council*, n.d.

118 EDCOM II and The Asia Foundation, *DepEd BHRD SED Consultations on SBM*, focus group discussion, online, July 11, 2023.

119 EdCom 2, "Address 24,480 Schools Without Principals: Update 1997 Policies for School Staffing," *EdCom 2*, accessed December 5, 2024, <https://edcom2.gov.ph/address-24480-schools-without-principals-update-1997-policies-for-school-staffing/>.

120 Department of Education, *DepEd Order No. 007, s. 2024: Policy Guidelines on the Implementation of the Revised School-Based Management (SBM) System*, May 16, 2024.

121 World Bank, *Assessing School-Based Management in the Philippines*, Report No. 106953 (Washington, DC: World Bank, 2016).

implementation. Thus, while DepEd has identified its standards for effective SBM implementation and has developed a tool to determine schools' levels, very little appears to be done to help schools reach the desired levels.

SBM is also not clearly understood as a program for decentralization. In an FGD with DepEd, it was raised that school heads and teachers may not appreciate that the objective of SBM is to decentralize, nor do they see schools as the main driver of implementation¹²².

Limited School-Level Resources

While there is some local evidence that supports SBM's impact on improved student

performance¹²³, it is often coupled with financial support¹²⁴. A 2013 study reported that schools in which SBM was introduced in 2006 show better performance, based on National Achievement Test (NAT) scores, when followed up three years later in 2009 – in comparison to schools where SBM was not introduced. It also found that the impact can be attributed to SBM rather than to other simultaneously occurring factors such as pupil-teacher ratio and pupil-classroom ratio.

Unfortunately, schools have limited resources.

¹²² EDCOM II and The Asia Foundation, *DepEd BHROD SED Consultations on SBM*, focus group discussion, online, July 11, 2023.

¹²³ World Bank, *Republic of the Philippines Basic Education Public Expenditure Review Phase II: School-Based Management in the Philippines: An Empirical Investigation*, Report No. ACS2212, June 10, 2013

¹²⁴ World Bank, *Providing Schools with Enough Resources to Deliver Quality Education in the Philippines*, Philippines Education Note No. 6 (June 2016)

Box 3. Boncodin Formula: How are schools' MOOE computed?

Schools receive funds from the national government through the MOOE or Maintenance and Other Operating Expenditures. The school's MOOE is computed Using the "Boncodin Formula" adopted in 2013, shown below. There are two components to the formula, the fixed cost and variable cost, summarized in the next tables:

Table 4. Fixed Cost (FC) of the School MOOE Formula as of 2024

School	Fixed Amount Cost
Elementary School	P117,600
Junior High School	P172,800
Senior High School	P172,800

Table 5. Variable Cost (VC) of the School MOOE Formula as of 2024

Parameter Basis	Elementary School	Junior High School	Senior High School	Regional Science High Schools
Per classroom	P4,500	P7,200		P1,150,000
Per teacher	P6,000	P9,600		
Every learner	P300	P480	P2,076	P2,000
Every graduating learner	P376	P300		

The School MOOE Formula is computed as follows:

School's MOOE: $FC + (VC \times \text{No. of classrooms}) + (VC \times \text{No. of teachers}) + (VC \times \text{No. of learners}) + (VC \times \text{No. of graduating learners})$

In January 2024, DepEd, in partnership with the Asian Development Bank (ADB), began reviewing the School MOOE Formula.¹²⁵ DepEd adopted a new normative formula to compute the MOOE that was approved by DBM, as shown below.

Proposed and Approved Parameters of the New Normative Financing Formula¹²⁶

Curricular Offering	PROPOSED NORMATIVE FORMULA				APPROVED NORMATIVE FORMULA			
	Fixed Cost	Enrollment Cost			Fixed Cost (85%)	Enrollment Cost (50%)		
		Elementary School	Junior HS	Senior HS		Elementary School	Junior HS	Senior HS
Purely ES	554,647	1,626			471,450	813		
Purely JHS	531,265		2,199		451,575		1,100	
Purely SHS	615,085			2,222	522,822			1,111
All Offering	824,263	1,581	2,237	2,464	700,624	791	1,119	1,232
ES and JHS	708,222	1,571	2,255		601,989	786	1,128	
JHS with SHS	698,346		2,186	2,326	593,594		1,093	1,163

The new formula results in an increase of the total School MOOE budget in the FY 2025 NEP by 32.1%, or more than P12 billion.

125 Department of Education, DepEd Memorandum OUF-2024-0045: Review and Formulation of New Normative Funding Formula for School Maintenance and Other Operating Expenses (MOOE), January 29, 2024.

126 EDCOM II, *Briefer on School MOOE as of 15 October, 2024*.

EDCOM II found that existing MOOE funds do not adequately cover the full operating costs of public schools. Citing a World Bank study¹²⁷ and narratives from FGDs conducted by EDCOM II, it found that schools allocate their budget to regular expenses such as supplies, printing, and routine maintenance and spend anywhere between 30%-70% of their MOOE on utility bills. The current formula for computing MOOE does not account for schools that may have unique settings or

contexts.¹²⁸ Further, it may not fully account for the actual utility costs of schools with programs requiring energy-intensive equipment.¹²⁹ Schools in remote or underserved areas, as well as those serving diverse communities, often lack support because these factors are not included in the formula. Important aspects like students' socioeconomic background, historical funding from the local Special Education Fund, or local power costs are also not considered¹³⁰.

127 World Bank, *Assessing Basic Education Service Delivery in the Philippines: Public Education Expenditure Tracking and Quantitative Service Delivery Study*, 2016.

128 EDCOM II Year One Report p.297

129 EDCOM II Year One Report p.29

130 Ibid.,302.

While there are initiatives to revise MOOE computation, it is, by design, not a source of funding for innovation. Increasing the MOOE can support the day-to-day operations of schools, but it may not sustainably support SBM. DepEd must explore other funding mechanisms to support school initiatives, such as the GAA-funded School Innovation and Improvement Fund (SIIF) imagined in S.B. No. 2191¹³¹. SIIF specifically aimed to encourage principals to generate ideas to improve the teaching and learning process but was not included in R.A. No. 9155.¹³²

There is no clear incentive for schools to pursue SBM, as grants to fund school improvement plans appear to have been discontinued since 2016. The latest DepEd Order providing for SBM Grants was issued in 2015 for the FY 2014 GAA. The discontinuation of SBM Grants has intensified the challenges schools face in effectively implementing SIPs. Most schools craft their SIPs out of compliance rather than undertake the participatory bottom-up approach intended by SBM. One EDCOM FGD participant noted that after operational expenses, only P20,000 was left to fund the projects under their SIP.¹³³ Without consistent funding, schools frequently depend on alternative resources, such as support from LGUs or private partnerships,¹³⁴ which further exacerbate disparities, particularly in underserved areas.

Innovation entails additional school-level funding with appropriate oversight. An FGD participant on SBM raised the concern that the current system expects schools to work within their means instead of providing them with additional resources.

DepEd's Centralization Overwhelms SBM's Intention and Implementation

Centralized training. In an FGD conducted by EDCOM II, a participant raised the issue that training and development programs fail to account for the diversity of schools, including the varying profiles and experiences of school leaders. Further, it was raised that during the rollout of new programs, such as SBM, orientations are sometimes treated as equivalent to training, with no assessment of the schools' baseline¹³⁵. The "SBM policy defines only a single path for achieving a good level of practice, which may be difficult for far-flung rural schools"¹³⁶

The method of delivering training and delivering a program for school leadership raises an important question: *Should these efforts be centrally coordinated, or should divisions be provided with greater authority and resources to tackle these challenges?* FGD participants also recommended a potential decentralized training method for SBM, leveraging regions with their own school heads' academies and maintaining quality by establishing clear standards¹³⁷.

Excessive documentary requirements. One of the main problems with the implementation of SBM, as specified in DepEd's latest policy, was that it was laden with voluminous and repetitive documentary requirements, resulting in additional tasks assigned to the teaching personnel.¹³⁸ For example, SIPs aim to promote participatory governance and enhance school outcomes. Similarly, the SRC is intended to improve transparency and accountability. However, they are sometimes

131 Section 12, Senate Bill No. 2191, 13th Congress of the Philippines, 2004.

132 Transcript of Committee Meeting, June 1, 1999 p.10

133 Synthesis of Insights on School Governance, EdCom 2 (2023)

134 World Bank, Assessing School-Based Management in the Philippines, Report No. 106953 (Washington, DC: World Bank, 2016, p.108.

135 EDCOM II and The Asia Foundation, *DepEd BHRD SED Consultations on SBM*, focus group discussion, online, July 11, 2023.

136 Second Congressional Commission on Education (EDCOM II), *Year One Report: Miseducation: The Failed System of Philippine Education* (Manila: EDCOM II, 2024), 302.

137 EDCOM II and The Asia Foundation, *DepEd BHRD SED Consultations on SBM*, focus group discussion, online, July 11, 2023.

138 Department of Education, DepEd Order No. 7, s. 2024: *Policy Guidelines on the Implementation of the Revised School-Based Management System*, Enclosure 1.

perceived as administrative burdens rather than effective means of engaging stakeholders and soliciting valuable feedback.¹³⁹

With no clear incentive for schools, SBM becomes another program for compliance. Overemphasis on documentation and checklists may drive wrong incentives. An FGD with DepEd¹⁴⁰ on SBM raised the possibility that some schools skew reporting to get support or recognition. Further, as Regional Offices already have their own plans, schools perceive SIPs as additional work.

SBM is not insulated from the centralized bureaucracy. Before major reforms on SBM can be pursued, the processes by which such reforms are formulated and crafted should themselves be true to the avowed principles of shared governance, particularly on participation.

An FGD participant notes, “SBM is dependent on other mechanisms and systems. SBM can’t fix everything.”

139 Ibid.

140 EDCOM II and The Asia Foundation, DepEd BHRD SED Consultations on SBM, focus group discussion, online, July 11, 2023.

As scholars have noted, effective decentralization requires a careful balance between resource allocation, decision-making authority, and capacity development¹⁴¹. Bridging this gap demands not only the reintroduction of financial support mechanisms like SBM Grants but also ongoing efforts to enhance capacity and build greater trust in school leaders.

As DepEd seeks to reform SBM, several critical questions need addressing: What is the goal for SBM? Is it a tool for equity, such that each school is enabled to address the specific needs of its learners, especially those that are most disadvantaged? Is it the means to ultimately deconcentrate authority to achieve optimum learning outcomes? Can SBM succeed without a clear and long-term plan for decentralization? These must be answered to move forward and develop the SBM policy in DepEd.

141 Elizabeth M. King and Berk Özler, “What’s Decentralization Got to Do with Learning? The Case of Nicaragua’s School Autonomy Reform,” World Bank Working Paper, no. 9 (1998): 1–42.

Chapter 5

Findings and Recommendations

Findings

1. DepEd's long history of centralization and entrenched culture of control and over-compliance makes it resistant to reform.

Decision-making remains concentrated at the Central Office, leaving lower governance levels constrained by bureaucratic processes and excessive reliance on directives. This culture of “memocracy” stifles innovation and initiative at Regional, Division, and School levels, as stakeholders are hesitant to act without explicit instructions. The resulting rigidity hinders the Department's ability to adapt to diverse local needs, constraining efforts to implement meaningful decentralization and shared governance.

2. DepEd is overstretched with ballooning responsibilities inhibiting its capacity to deliver responsive education services.

DepEd is overstretched with its expanding scope of responsibilities, catering to over 28 million learners. As the population grows, there is a corresponding increase in the number of schools, teachers, and staff, as well as an expansion of responsibilities related to education. The Department is responsible for a vast array of tasks, including basic education management, participation in inter-agency councils, and implementing programs in partnership with other government agencies and local governments. In essence, DepEd is involved in or obligated to address any matter concerning school-age children or educational activities. These service demands, coupled with limited resources and an inability to fully delegate authority to Regional and School levels, have strained DepEd's capacity to deliver responsive education services. Delays, inefficiencies, and an inability to address the specific needs of schools

and learners exacerbate challenges in achieving equitable education outcomes.

3. R.A. No. 9155 institutionalized ‘shared governance’ but reinforced vertical hierarchy and missed opportunities for stronger collaboration at the local level.

R.A. No. 9155 aimed to institutionalize shared governance by defining roles and responsibilities across DepEd's bureaucracy. However, the law reinforced vertical structures, concentrating decision-making at the Central Office and relegating regional and school-level offices to primarily implementation roles. Key proposals for enhancing local collaboration, such as creating additional school-level funds and strengthening Local School Boards (LSBs), were excluded, limiting opportunities for meaningful engagement with local stakeholders. As a result, the envisioned balance between central oversight and local autonomy has not been realized, hindering efforts to foster innovation, responsiveness, and community participation in education governance.

4. DepEd's centralization overwhelms SBM's intent and implementation.

DepEd's centralized governance undermines the goals of School-Based Management (SBM), which seeks to empower school leaders and principals to make decisions tailored to their needs. While SBM is intended to decentralize authority and promote local innovation, schools are constrained by limited financial and human resources, excessive documentary requirements, and a lack of autonomy in decision-making. Centralized control over training and program implementation often disregards the diverse contexts of schools, reducing SBM to a compliance-driven initiative rather than a transformative mechanism. Without

adequate support, funding, and capacity-building, SBM may not meet its potential as a tool for local empowerment and improved education outcomes.

5. LGU support in education is limited by the law.

Local Government Units (LGUs) play a crucial role in supporting education, but their contributions are constrained by legal and structural limitations. While LGUs manage the Special Education Fund (SEF) and co-chairs Local School Boards (LSBs), the allowable uses of SEF are narrowly defined, and inconsistencies in audit interpretations often deter innovative applications of these resources. Additionally, the functions and membership of LSBs are restricted, limiting their potential to drive community participation in education initiatives. Although some LGUs, with strong political will and external support, have become successful co-drivers in education, these efforts are not easily scalable due to resource disparities and legal constraints. Empowering LGUs through clearer guidelines, expanded SEF uses, and enhanced LSB roles is essential for fostering more meaningful local contributions to education.

6. Shared governance and responsive education services cannot be realized without pursuing further decentralization.

A centralized, top-down approach to decision-making will always fall short of meeting the diverse needs of the Philippines' growing student population. It is essential to recognize that centralized control hinders the government's ability to provide targeted and differentiated services, which are critical to improving learning outcomes.

Recommendations

Decentralization must be pursued, aligning responsibilities with authority, fiscal resources, and administrative, technical, and political capacities at every level of governance.

Effective decentralization must ensure that each governance layer—Central, Regional, Division, and School—has the fiscal, administrative, technical, and political tools to fulfill its mandate. This alignment includes redefining roles and responsibilities, providing adequate funding and capacity-building programs to support reforms. A phased and well-coordinated approach to decentralization is critical to address existing disparities, foster innovation, and create a sustainable system that empowers all stakeholders to contribute meaningfully to education outcomes.

1. As the primary authority in basic education, the Department of Education should spearhead efforts to fully realize the vision of shared governance and decentralization outlined in RA 9155.

The Department of Education should take the lead and assume full ownership of the decentralization reform process. Historically, decentralization reform has faced significant resistance, and navigating these challenges requires strong leadership and commitment from DepEd. The Department possesses the authority and legal mandate to propose, guide, and implement reforms in the education sector. The extensive groundwork laid by EDCOM II on decentralization provides a springboard for the bureaucracy to define the scope and strategy needed for successful implementation and rollout.

A key aspect of leading this process is for the new administration to define and articulate decentralization as part of its key agenda, framing it as a pathway to more effective governance. By clearly articulating this vision, internal stakeholders, national government agencies,

local government units, civil society, and other partners can begin aligning their initiatives and contributions to strengthen the basic education system. This sends a strong signal throughout the bureaucracy on the direction and shared purpose of decentralization.

2. Develop a comprehensive Decentralization Framework and Implementation Plan.

DepEd can initiate a governance framework that clearly defines shared governance and differentiates between deconcentration (redistributing authority within DepEd) and devolution (transferring authority to local governments). Dr. King cautions against approaches that decentralize only a limited set of functions without clearly defining roles and authority among stakeholders. Such methods risk creating overlapping or misaligned responsibilities, leading to confusion, inaction, and a loss of trust.¹⁴²

To avoid this, the framework can:

- Establish the link between decentralization and improved learning outcomes.
- Define roles, responsibilities, and goals across all levels of governance.
- Specify the financial and human resources and support required at each level from Central, Regional, Division, and District to Schools.
- Detail collaboration strategies with local governments, national agencies, and community stakeholders.

A. Implementation Plan must have a preparation phase.

The rollout plan should serve as a roadmap for decentralization reforms. It must:

- Clearly define the desired outcomes and milestones for each phase leading to the desired state of decentralized governance.
- Short and long-term reform milestones can

be set, with the phasing taking into account the contextual environment, such as political and budget considerations.

- Provide markers for all stakeholders—DepEd leadership, legislators, civil society, and local governments—on how they can participate in the process.

B. Encourage innovation through iteration.

Initiatives can be implemented on a smaller scale or in areas where they can be better managed for further learning and adoption. For example, Programs, Activities, and Projects (PAPs) can involve the following mechanics:

- Selecting Regions or Divisions with higher readiness levels to test reforms before scaling up.
- Engaging stakeholders to participate in designing the approach, monitoring performance, and assessing the results throughout the process of experimentation.
- Assessing performance and identifying learnings and insights.
- Using programs to identify best practices and refine strategies based on multi-sectoral feedback.

C. Strengthen stakeholder engagement and build a community of support for decentralization.

Activities do not have to be all centrally driven. While DepEd attends to deconcentration, for example, legislators and civil society groups can focus on identifying priority bills or addressing resource needs to support decentralization efforts, guided by DepEd's framework. DepEd can further:

- Align Local School Board (LSB) priorities with DepEd's decentralization goals, and vice-versa.
- Strengthen partnerships with civil society organizations to enhance local planning processes.

¹⁴² King, *Decentralization and Participatory Governance in Education Systems*, 2024.

- Establish collaborative platforms for consultation and feedback.

By involving stakeholders early in the process, DepEd can build trust and foster collective ownership of decentralization reforms.

3. Begin deconcentration of select Programs, Activities, and Projects (PAPs).

DepEd should reassess its roles at each level of governance in relation to Programs, Activities, and Projects (PAPs). In parallel with the preparation phase, DepEd can review its existing PAPs and identify those that can be redesigned for deconcentration.

Currently, these PAPs are designed, managed, and implemented at the Central Office, with varying degrees of participation from Field Offices. By examining the entire process for each PAP, certain steps can be deconcentrated to different levels of the organization. For example, the selection of beneficiaries, procurement, delivery, and acceptance can be delegated to Regional or Division offices, accompanied by robust transparency and accountability mechanisms. The Central Office can continue to define policies, such as standards, and shift its focus toward monitoring the performance of the respective offices on their delegated responsibilities.

Some PAPs that may be reviewed include the DepEd Computerization Program, the DepEd Internet Connectivity Program, the Last Mile Schools Program, and the Provision of Science Equipment and Tools. The existing policy of the School-Based Feeding Program may serve as a reference, as it already includes elements of delegated responsibilities for this PAP. Support from the Department of Budget and Management (DBM) and the Commission on Audit will be necessary for success. This approach allows DepEd to address existing backlogs and challenges more effectively while gradually building capacity for broader reforms.

Additionally, a comprehensive evaluation of DepEd's services and functions must be conducted to identify what can be deconcentrated or devolved without compromising program effectiveness.

4. Reconceptualize School-Based Management (SBM)

SBM should be reevaluated within the broader context of decentralization reforms. More than just being a program, SBM can be viewed as a key management principle, and therefore, policies should be aligned with this. Some actions include:

- Review existing policies, such as DepEd orders and memoranda, that go against the principle of allowing principals to manage their schools effectively. Prescriptive and instructive policies can often stifle innovation and initiative at the school level.
- Establishing an institutionalized funding mechanism for School-Based Management (SBM) grants is essential to ensure equitable resource distribution. Reviving the SBM grants can be viewed with an expanded objective that goes beyond promoting innovation and also includes increasing accountability for learning outcomes.
- Providing flexibility to tailor and identify strategies to meet the unique needs of underserved or disadvantaged schools, such as schools in geographically isolated and disadvantaged areas or schools serving Indigenous Peoples.
- Re-orient Division and Regional personnel on management and supervision methods that encourage principals to lead their schools. Embedding this as part of DepEd culture will require self-awareness sessions, modeling, and mentoring in the field.

5. Build capacity towards redefined roles.

Decentralization requires equipping all levels of governance with the skills and resources necessary to manage their responsibilities

effectively. Capacity-building not only equips stakeholders with the competencies needed to manage their new responsibilities but also fosters trust by ensuring alignment between the authority granted and the capacity developed.

Central Office units and their staff will transition from implementation to policy research and formulation, as well as monitoring and evaluating policy effectiveness and the results of PAP implementation. As a result of this shift in roles, upskilling and retraining will be necessary to build technical skills for delegated functions at the Regional and Division offices. Some examples of capacity-building efforts that DepEd can focus on include:

- Facilitating mentoring and collaborative research initiatives with institutions such as the Department of Science and Technology, the Development Academy of the Philippines, the Philippine Institute of Development Studies, and state universities.
- Provide training and development programs for school leaders through the National Educators Academy of the Philippines (NEAP) and Regional Offices. NEAP can take the lead in developing the curriculum for short courses, while Regional Offices can collaborate with higher education institutions to ensure localized delivery and implementation.
- Preparing second-line leaders from the field through reinforcing the Superintendents' Leadership Development Program

The range of knowledge, skills, and competencies can include leadership, people management, financial management, and conflict resolution, among others.

6. Increase School-level resources.

Enabling and empowering schools will require more than just deconcentrating authority and building capacity. Schools must also have access and authority to the minimum amount of resources

needed to make crucial decisions that will affect learning outcomes at the school level. Aside from downloading funds from deconcentrated PAPs, there are other measures that can increase the level of resources of the school:

- Review the MOOE formula to ensure a higher and more equitable allocation of funds across schools. The fixed cost component can be reviewed, and a possible tiering system based on school size, along with an appropriate floor amount for Last Mile schools, can be considered. Additionally, the assumptions regarding what constitutes fixed costs should be evaluated to better reflect actual expenses. Further, the amounts allocated for the variable component can be adjusted to account for rising costs.
- Explore grants that incentivize innovation and achievement of learning outcomes at the school level.
- Review and rationalize additional funding received by specialized schools (e.g., Regional Science High Schools).
- Improve monitoring of disbursement and utilization of Special Education Funds (SEF) together with the Department of Interior and Local Government (DILG) and Department of Budget Management (DBM). This effort will establish better coordination mechanisms between DepEd and LGUs, leading to more efficient use of funds from both institutions. Additionally, a review of the current joint circular on allowable expenditures chargeable to SEF is recommended to ensure alignment with the focus on School-Based Management (SBM).
- Schools also benefit from support provided by the private sector and other community stakeholders. A well-crafted School Improvement Plan (SIP), coupled with effective monitoring and accountability measures, can help stakeholders identify and address priority needs, with the concurrence of School

Governance Councils. This approach should be integrated into the broader effort to reimagine and strengthen School-Based Management (SBM).

7. Establish a robust monitoring & evaluation (M&E) system

A robust Monitoring & Evaluation (M&E) system that supports continuous iteration¹⁴³ must guide the entire decentralization reform process. By embedding M&E into every phase of implementation, DepEd can ensure that reforms are evidence-based and adaptive to changing circumstances. This M&E system must be appropriately resourced and tied to the overall Decentralization Framework and Implementation plan.

The M&E system should incorporate key elements, including a strategy for collecting data and determining the mode of data analysis, establishing real-time feedback mechanisms, arranging accountability and transparency measures, and creating opportunities for reflection and learning to support ongoing iteration and improvement.

8. Strengthen change management and communications.

Effective change management is essential for addressing gaps between the current state and the desired decentralized structure. Key actions include:

- Forming a dedicated team led by an Undersecretary to oversee decentralization efforts.
- Establishing multiple cross-functional teams to manage specific aspects of the plan.
- Highlighting available evidence and case studies of successful decentralization efforts.
- Developing a comprehensive communication plan to engage stakeholders during both the

design and implementation stages is essential. This includes effectively communicating with the external public and ensuring sustained political support.

- Providing transition support such as reorientation, retooling, upskilling programs, Help Desks, and other resources.
- Providing regular updates to the Executive Committee and Management Committee and secure feedback.

As change often generates anxiety and apprehension within an organization, implementing these measures can help clarify the intent behind the changes and ensure active participation and support from stakeholders.

9. Strengthen feedback and participatory mechanisms

Feedback mechanisms must be institutionalized to promote participatory governance. Specific actions include:

- Requiring Divisions and Regions to align their education plans with national goals while presenting them to Local School Boards or Regional Development Councils. Joint development of these plans by the LGU and DepEd can also be explored.
- Enhancing the use of School Governing Councils (SGCs) as functional platforms for community engagement.
- Enhancing the use of the School Report Card and the School Improvement Plans to make it more useful to schools, parents, and communities.
- Strengthening District or Division-level collaboration among principals for learning, feedback, and growth.
- Reinforcing collaborative communication channels between Central and Field units.

¹⁴³ King, Decentralization and Participatory Governance in Education Systems, 30-31.

10. Empower Local Governments.

Local Government Units (LGUs) should be empowered to play a more active role in education governance. LGUs are primarily responsible for ensuring their constituents' welfare, with education being one of the basic services expected from the government. As such, active collaboration between the DepEd and the LGUs is essential.

While legislation is required to explore models of devolution, certain actions under existing regulations can be taken in support of decentralization. These include exploring the model of Harmonized Planning through:

- Joint development of Division and Regional Education Development Plans by DepEd and respective Local School Boards, or, at minimum, alignment of Education Development Plans with LSB plans and priorities.
- Strengthening partnerships with civil society organizations to enhance local planning processes.
- Linking Planning with the Budgeting process may include a combination of Capital Outlay and MOOE.

Expanding and diversifying Local School Board (LSB) membership to adequately cover local needs and representation and broadening the utilization of the Special Education Fund (SEF) through supplemental guidelines from DepEd, DBM, and DILG may also be explored.

It is important to recognize that LGUs possess varying levels of capacity, and their local political contexts can range from stable to volatile. Successfully advancing this aspect of decentralization requires a more thorough process of dialogue and analysis involving diverse stakeholders.

Decentralization is a critical reform initiative to transform the Philippine basic education system and address its enduring challenges. Although policies promoting shared governance exist, decades of centralization have fostered a culture that suppresses local-level innovation, resulting in inefficiencies and inequities in service delivery. Genuine decentralization is not merely an option but a necessity to align education governance with the diverse needs of learners and communities. For the Philippines and its leaders, pursuing this reform represents a significant opportunity to reshape the education sector into an inclusive, adaptable, and progressive system capable of driving long-term national development.

Annex A

Brief Background on the Mandanas Ruling

On 3 July 2018, the Supreme Court promulgated its Decision in *Mandanas, et al. v. Executive Secretary, et al.* (Mandanas ruling). Article X Section 6 of the 1987 Constitution states that LGUs “shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.” The petition assailed the manner in which the just share of the LGUs was computed, particularly the non-inclusion of certain national internal revenue taxes (NIRT) collected by the Bureau of Customs in the base amount used to compute the internal revenue allotments (IRA). The petition likewise challenged the constitutionality of Section 284 of R.A. No. 7160, which used NIRT as the basis instead of “national taxes” as mandated by the Constitution, leading to a diminution of the base amount for the computation of the just share of LGUs.

The Supreme Court found that the exclusion of other national taxes from the base amount of determining the just share of LGUs ran counter to the 1987 Constitution. Section 284 of R.A. No. 7160 used NIRTs as the basis, which is defined under the National Internal Revenue Code (NIRC), as amended. The definition of NIRTs excluded certain national taxes, such as customs duties. The Supreme Court ruled that the NIRC definition of NIRT deprived the LGUs of their just share of the national taxes. Hence, the part of Section 284 of R.A. No. 7160, which used NIRT as the basis of LGUs’ just share, was deemed unconstitutional. Section 284 now uses “national taxes” consistent with Article X Section 6 of the 1987 Constitution.

The issue in *Mandanas, et al. v. Executive Secretary, et al.* is inherently tied to decentralization. In theory, the Mandanas ruling strengthens decentralization as it furthers fiscal decentralization. However, implementing the ruling has become quite complicated. Theoretically, the Mandanas ruling will lead to an increase in the LGUs’ budgets. E.O. No. 138, s. 2021, discussed earlier, was issued based on the premise that “the substantial increase in the shares of the LGUs from the national taxes will empower the LGUs in providing basic services and facilities to their constituents and aid them in the effective discharge of other duties and functions devolved to them.”

Section 284 of R.A. No. 7160 provides that the IRA of the LGUs for the current fiscal year is based on the collections of the third fiscal year preceding. The Mandanas ruling would have thus started to take effect on the budget for FY 2022 based on the collections during FY 2019. The national budget, in general, suffered a deficit during the peak of the COVID-19 pandemic in 2020-2021, impacting the IRA for 2023 and 2024.

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This publication has been supported by the Australian Government. The views expressed in this publication are the authors' alone and are not necessarily the views of the Australian Government.

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The Second Congressional Commission on Education (EDCOM II) is a national Commission established through Republic Act No. 11899, tasked to undertake a comprehensive national assessment and evaluation of the performance of the Philippine education sector, and to propose transformative solutions, from 2023 to 2025. It is composed of lawmakers from both the Senate and the House of Representatives, and is guided by an Advisory Council, and assisted by the Technical Secretariat.



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