



**WORKING GROUP ON
DECENTRALIZATION
AND LOCAL GOVERNMENT:
PROGRESS REPORT &
PROPOSED ACTION
PROGRAM FOR 2006**

Assistant Secretary Austere A. Panadero

**Lead Convener, Working Group on Decentralization
and Local Government**

**Presentation for the Consultation Workshop on Decentralization
& Local Government Issues**

March 15, 2006, Discovery Suites

**Working Group
on Growth &
Investment
Climate**

**Working Group
on Sustainable
Rural
Development***

**Working Group
on Economic &
Fiscal Reforms**

**Working Group
on Mindanao**

**Philippines
Development
Forum**

**Working Group on
Decentralization
& Local
Government**

**Working
Group on
Social Progress**

**Working Group
on Governance
& Anti-Corruption**

*** New**

FLOW OF THE PRESENTATION

- **Membership and Structure of the Working Group;**
- **Progress Report; and**
- **Proposed Action Programs for 2006**

MEMBERSHIP OF THE WG ON DECENTRALIZATION & LOCAL GOVERNMENT

DILG (Asst. Sec. Austere Panadero) – Lead Convener
WB (Mr. Christopher Hoban) – Co - Convener

Government (GOP)

National Government

- DILG
- DOF
- NEDA
- DBM
- Others

Leagues of LGUs

- League of Provinces
- League of Cities
- League of Municipalities
- Liga ng mga Barangay
- Union of Local Authorities of the Philippines

Development Partners

- ADB
- AusAID
- CIDA
- EU
- GTZ/KfW
- JBIC/JICA/Japan Embassy
- NZ
- UN Agencies
- USAID
- WB
- Others

STRUCTURE OF THE WG ON DECENTRALIZATION & LOCAL GOVERNMENT

WG on Decentralization & Local Government (Subcommittees on Capacity Building Programs for LGUs)

Subcommittee on Management & Coordination of Capacity Building Program for LGUs

Co-Chairs – Austere Panadero (DILG)
--Basille Gilbert (LGSP)

Members:

NG - (NEDA, DBM, DOF, DILG, LGA)
LGUs - (All Leagues, ULAP)
Development Partners - (AusAID, ADB, CIDA, UNICEF)
Private Sector (Ateneo, EPRA, Ateneo School of Govt., UP-SURP, UP NCPAG, Local Governance, Citizens, Network)

Subcommittee on Planning & Project Development

Co-Chairs – Marcelina Bacani (NEDA)
--Herwig Mayer (GTZ)

Members:

NG - (DBM, DOF, DILG)
LGUs - (All Leagues, ULAP)
Development Partners - (AusAID, ADB, NZ, JBIC)
Private Sector (Ateneo, EPRA, Ateneo School of Govt., UP-SURP, UP NCPAG, La Salle Inst., WG of Governance)

Subcommittee on Fiscal & Financial Management

Co-Chairs – Presentacion Montessa (DOF)
--Ming Zhang (WB)

Members:

NG (NEDA, DBM, DOF, DILG)
LGUs (All Leagues, ULAP)
Development Partners (AusAID, ADB, CIDA, JBIC)
Private Sector (Ateneo, EPRA, Ateneo School of Govt., UP-SURP, UP NCPAG, La Salle Inst., WG of Governance)

FOUR THEMES OF THE WORKING GROUP

Capacity Building

Performance Benchmarking

LGU Finance

Policy Reforms

Major Accomplishment: WG as Catalyst for Strengthening Decentralization & Harmonizing Development Assistance

Working Group

Improved Coordination

Aid Harmonization & Effectiveness

NG Agencies
Leagues of LGUs
Development Partners
Private Sector

Among NG Agencies
Among Development Partners
Between NG & Development Partners
Between Donors & Leagues
Among the "Quartet"
(NG, LGUs, Development Partners, Private Sector)

- Consensus building among NG agencies on national policies on decentralization and local government
- Better identification of needs & performance of LGUs
- Promoted ownership of programs by both NG & LGUs
- Less duplication of donor initiatives

CAPACITY BUILDING

Goal: Formulate the Framework and Mechanism for Improving Coordination & Harmonization for Capacity Building Programs

Activities Undertaken

- Prepared inventory of CB Programs
- Organized three Subcommittees on Capacity Building
- Conducted more frequent donor meetings to discuss CB initiatives



Outputs

- Identified areas where harmonization is critical (e.g. fiscal & financial management, planning, project development, service delivery & institutional issues)
- Mapped current CB programs to LGUs
- Identified mechanics for achieving greater harmonization (e.g. core competencies, common CB tools, effective delivery mechanisms)
- Provided a venue for discussing CB issues and proposals
- Improved information-sharing among donors on new CB initiatives

PERFORMANCE BENCHMARKING

Goal: Institutionalize Performance Benchmarking Systems

Activities Undertaken

- Completed National Roll-out of the LGPMS to 84% of LGUs (68 provinces, 98 cities, 1,252 municipalities)
- Started implementing the integration of the LGPMS & LGFPMS



Outputs

- Use of the LGPMS by the LGUs for performance assessment
- Prepared the State of Governance Report
- Identified the additional financial indicators for inclusion in the LGPMS & the coordination mechanisms between DOF & DILG for implementing the integration

LOCAL GOVERNMENT FINANCE

Goal: Improve the Environment for LGU Financing

Activities Undertaken

- Conducted studies on local govt. finance
 - ADB-WB Study on Decentralization
 - WB study on the Scope & management of Non IRA Transfer to LGU
 - Design & Framework for a Performance-Based Grants System
 - Prepared initial concept paper on LGU Financing Framework
- Initiated TA for harmonizing on-lending terms of funds from ODA
- Sought legal opinion on the MFC operational

Outputs

- Identified areas for TA from ADB and the WB to enhance LGU financing & to initiate performance-based grants
- Clarified policy on NG-LGU sharing arrangement
- Finalized Revised Budgeting Manual
- Initiated reconciliation of the chart of accounts between DOF & COA

POLICY REFORMS

Goal: Undertake policy reforms in priority areas of local governance

Activities Undertaken

- **Worked on the issuance of EO 444**
- **Conducted four (4) studies on the devolved functions in the areas of agriculture, environment and natural resources, health & fiscal & financial management**
- **Prepared a framework for the full strategic review of devolution**



Outputs

- **Created a Committee on Devolution (COMDEV) as a venue for undertaking studies and dialogues on Devolution**
- **Involved the LGUs through the Leagues in the rationalization of NG agencies**
- **Identified areas for further devolution in the agriculture, environment and natural resources, health & fiscal & financial management**
- **Developed a TA on Devolution funded by ADB**

PROPOSED ACTION PROGRAM FOR 2006

Capacity Building

- **Develop a conceptual framework for harmonizing capacity building programs**
- **Develop a strategy for achieving harmonization of CB programs for LGUs in planning, project development, fiscal & financial management, including institutional arrangements for better coordination of CB programs**
- **Forge agreement on core competencies, common diagnostic tools & delivery mechanisms for CB programs in planning, project development, revenue generation, expenditure allocation & financial management at the local level**
- **Implement mechanisms for enhancing information-sharing among donors, govt. agencies, LGUs & service providers on CB programs in the areas identified above**

PROPOSED ACTION PROGRAM FOR 2006

Performance Benchmarking

- Support for the full utilization of the LGPMS
 - Strengthen management capacity of DILG national & regional structures to oversee the implementation of the system
 - Encourage the LGUs to undertake the collection, entry & use of the data in their operations
 - Support LGU leagues to advocate & to use the data from the LGPMS in their operations
 - Encourage the use of the system for policy making by national government agencies
 - Support constituency building through involvement of the academe & the interested groups in various stages of the LGPMS
- Implement the integration of the LGPMS & LGFPMS
 - Improve the database for assessing the financial performance of LGUs
 - Develop benchmarks for financial performance of LGUs
- Improve the quality of administrative data for the LGPMS and review other data collection systems (e.g. CBMS) for possible use of the LGPMS

PROPOSED ACTION PROGRAM FOR 2006

Local Government Finance

- **Improve own-source revenue generation of LGUs through capacity building initiatives, incentives & technical assistance**
- **Improve database on the financial performance of LGUs using the integrated LGPMS/LGFPMS systems for the use of oversight agencies, the leagues & the banking sector**
- **Develop independent credit rating system for LGUs**
- **Improve coordination between the NG agencies & the LGUs on fiscal & financial matters (e.g. budgeting, accounting & auditing requirements)**
- **Develop alternative/innovative financing options for scaling up ODA for LGU projects. e.g. leveraging ODA to facilitate LGU access to private capital, more direct LGU access to ODA resources**

PROPOSED ACTION PROGRAM FOR 2006

Policy Reforms

- **Forge agreement between the concerned NG agencies and the Leagues on the areas for further devolution in agriculture, environment and natural resources, health and finance and fiscal matters**
- **Expand sectoral studies and dialogue on devolution to other sectors, including government corporations and GFIs**
- **Conduct an assessment of the devolution experience and impact on service delivery for continuing policy reforms**
- **Review the Local Government Code**

PHILIPPINES DEVELOPMENT FORUM WEBSITE

- Visit the Philippines Development Forum website (www.pdf.ph)
- Pertinent materials available for the various PDF Working Groups
 - Includes latest announcements, updates, membership information, informational materials such as studies, papers, and presentations, and links to related websites



MABUHAY

MARAMING SALAMAT PO!