



WORKING GROUP ON DECENTRALIZATION AND LOCAL  
GOVERNMENT



# HARMONIZATION OF ISSUES ON LOCAL GOVERNMENT FINANCE

June 20, 2006

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# FLOW OF THE PRESENTATION

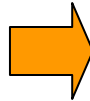
- Government Agenda on Local Government Finance
- Other Priority Areas
- Harmonization of ODA on Local Government Finance



# Policy Reforms: Revenue Mobilization

## Issues/Areas

**1. LGU  
Financing  
Framework**



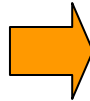
## Action Agenda

- **Formal adoption of the LGU financing framework (DOF)**
- **Implementation of NG-LGU cost sharing arrangement**
- **Performance-based grants**

# Policy Reforms: Revenue Mobilization

## Issues/Areas

**2. Limited private sector participation in LGU Projects**



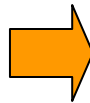
## Action Agenda

- Review of BOT experiences
- Improved coordination between the DTI- BOT Center and its regional offices with NEDA, DILG and DOF
- Dissemination of revised rules and procedures in BOT project approval process

# Policy Reforms: Revenue Mobilization

## Issues/Areas

3. Limited access of LGUs in private capital



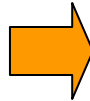
## Action Agenda

- Accreditation of PFIs as depository banks
- Mechanism for assessing credit worthiness
- Review of tax code subjecting to tax interest earnings from LGU bonds
- Listing of local government bonds in the fixed income securities market

# Policy Reforms: Revenue Mobilization

## Issues/Areas

4. Utilize ODA to catalyze private-LGU partnership and to more effectively assist lower-income LGUs



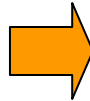
## Action Agenda

- Leverage ODA resources to secure LGU access to private capital
- Harmonize GFIs' on-lending terms from ODA
- Streamline approval process for LGU projects
- Use ODA to finance project preparation activities of LGUs

# Policy Reforms: Revenue Mobilization

## Issues/Areas

5. Review revenue mobilization of LGUs through traditional and non-traditional sources



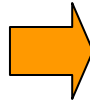
## Action Agenda

- Ensure that property assessment are at pace with changes in market values
- Address different reporting systems and conflicting guidelines in resource mobilization
- Review SITUS of tax rule

# Policy Reforms: Revenue Mobilization

## Issues/Areas

6. Need to improve the management of economic enterprises



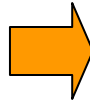
## Action Agenda

- Policy and legal review of municipal enterprises
- Explore separate accounting system for municipal enterprises
- Exemption of economic enterprises from PS limit
- Debt service for self-liquidating enterprises be exempted to the 20% debt limitation

# Policy Reforms: Expenditure Management

## Issues/Areas

1. Regular and automatic release of LGU shares in national wealth and other taxes
2. Review of the implementation of the Procurement Act at the LGU level



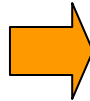
## Action Agenda

- Address procedural problems related to the release of LGU shares in national wealth and other taxes
- Consult with LGUs on provisions of the Procurement Act which are not relevant to LGU operations

# Capacity Building

## Issues/Areas

1. Increase LGU internal and external sources of funds



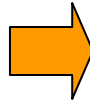
## Action Agenda

- Develop capacity building programs in:
  - revenue generation
  - expenditure management
  - financial management
  - planning
  - project development
  - municipal enterprise management

# Capacity Building

## Issues/Areas

2. Management of Debt
3. Harmonization of Capacity Building programs on fiscal and financial management



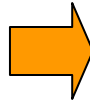
## Action Agenda

- Prepare a manual for the management of debt
- Agreement on
  - Core competencies
  - Training modules
  - Needs assessment tools
  - Delivery mechanisms

# Institutional Strengthening/ Improve Coordination

## Issues/Areas

1. Strengthen institutions to ensure mobilization of own-source revenues



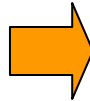
## Action Agenda

- Establish the MFC
- Reengineer the BLGF

# Institutional Strengthening/ Improve Coordination

## Issues/Areas

1. Strengthen institutions to ensure mobilization of own-source revenues



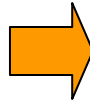
## Action Agenda

- Establish the MFC
- Reengineer the BLGF

# Institutional Strengthening/ Improve Coordination

## Issues/Areas

2. Improve coordination among oversight agencies involved with LGUs and between LGUs and NGAs



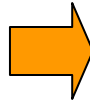
## Action Agenda

- Facilitate dialogue with COA
- Provide tax advisory updates to LGUs

# Database Development

## Issues/Areas

1. Improve information access on LGUs
2. Guidance to LGUs in the choice of financial advisors



## Action Agenda

- Timely preparation and disclosure of uniform and accurate financial reports , including outstanding debt stock of LGUs
- Provide a list of qualified financial advisors

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# Second Level Priority Agenda on Local Government Finance

- Areas with no consensus between LGUs and NG
- Areas with no funding
- Areas for further study



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# Second Level Priority Agenda on Local Government Finance

## Policy Reforms: Revenue Mobilization

- Revenue assignments across LGU levels
- Support for LGU bond market development
- Amending the RPT assessment revisions



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# Second Level Priority Agenda on Local Government Finance

## Policy Reforms: Expenditure Management

- Compensation and position classification system for LGU personnel
- IRA issues
- LGU unfunded mandates



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# Second Level Priority Agenda on Local Government Finance

## Policy Reforms: Financial Management

- Internal audit units in LGUs
- Implementation of NGAs



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# Second Level Priority Agenda on Local Government Finance

## Capacity Building

- Training in budgeting

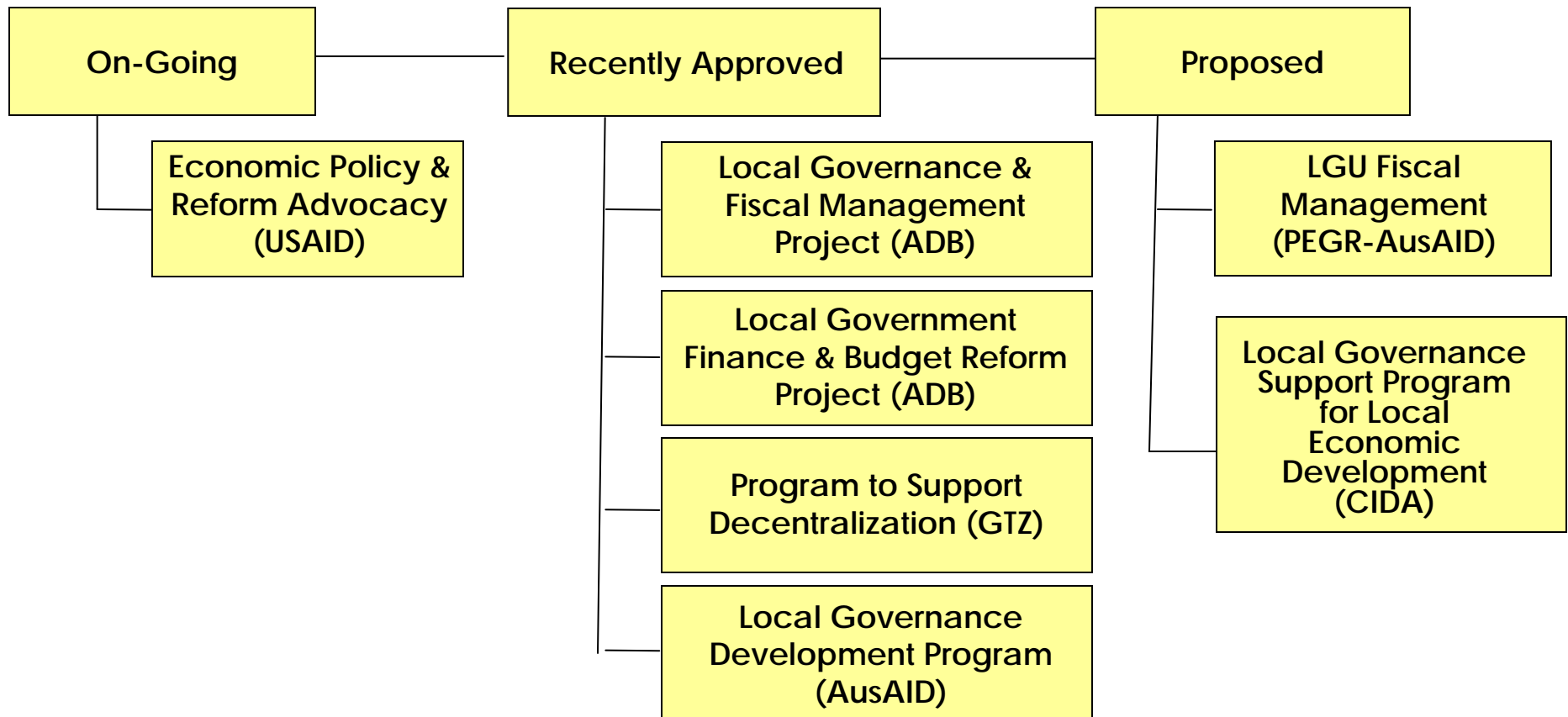
## Institutional Strengthening

- BIR
- DILG (LGA)
- LGU Bank
- NEDA-DBM Merger



# ODA Grants on Local Government Finance

# ODA GRANTS FOR LGUs ON LOCAL GOVERNMENT FINANCE



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# Areas of Interest to Two or Three Donors (Partial List)

## Policy Reforms: Revenue Mobilization

- Intergovernmental fiscal assignments (ADB, USAID-EPRA)
- Tax Policy and administration (ADB, USAID, AusAID-PEGR)
- IRA Issues (ADB, USAID-EPRA, JICA)



# Areas of Interest to Two or Three Donors (Partial List)

## Policy Reforms: Access to Private Capital

- Access to credit issues (ADB, AusAID-PEGR)

## Private Sector Participation in LGU Projects

- Obstacles to private sector participation in LGU projects (ADB, AusAID-PEGR)



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# Areas of Interest to Two or Three Donors (Partial List)

## Capacity Development

- Tax Manual (ADB, AusAID-PEGR)
- Revenue and Expenditure Models (ADB, AusAID-PEGR)
- LGU Fiscal Management Databases/Portal (AusAID, DILG, ADB)

