

*Speech of Governor Edgar R. Lara
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Working Group on Decentralization and Local Government
Philippine Development Forum
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GOOD GOVERNANCE and GROWTH

I. Local Governance

The institution of local autonomy under the *Local Government Code of 1991* seeks to inspire a socio-political and economic development that is people-centered and people-led. It was meant to make the lives of our people easier. Since its enactment fourteen (14) years ago, we have become active participants and witnesses to dramatic breakthroughs that continue to energize our local communities and improve the quality of life in the countryside.

The consultation-workshop of the Philippine Development Forum on local autonomy has been a great venue to consolidate our gains since the passage of the Code, and establish a new benchmark to serve our people better. The Forum has provided tools that remind our local government units (LGUs) where to focus their respective interventions, and articulate the many concerns that LGUs have to confront to improve the delivery of basic services.

Because of rules of engagement that this Forum has adopted we now have a stronger feel of the public pulse, and we were able to validate common advocacies.

II. *Governance for Growth*

More than ever before, the relationship between governance and growth is emerging as the basis of all political leadership. People, here and elsewhere, now measure the performance of any government by the quality of life they enjoy and the confidence they feel in knowing that human development is certain.

Rightly or wrongly, the complex connection between economic growth, employment, poverty and social development is left to the government to unravel. If it fails to make that connection and pave the road to progress, it needs to reassess its performance and change its strategic plans.

Local governments are not exempted from the standards that should show a clear connection between their initiatives, and the state of the people's economic and social conditions.

Today, local governance is not only about basic service delivery. Local governance is now largely about ensuring that our people are able to earn a livelihood and contribute to the development of their families and communities.

Sustainable economic growth that brings improvements in the standard of living to its constituents is now a fundamental responsibility of every LGU. If an LGU cannot provide growth opportunities to its people, it must revisit its development plans, and re-evaluate the course of its program implementation.

III. *Partners for Progress*

The different consultation workshops have been conscious of these demands from our people that now know their rights under the law, and what they deserve under a progressive nation.

We should continue to provide the framework and the benchmarks for both the national and local governments to facilitate delivery of basic social services and ensure economic development nationwide. We also have to strengthen the working relationship between the national and local governments which have the same constituents.

We are happy to underscore the partnership with the national government, especially the Executive Department. But we have to work with Congress in a close, albeit indirect manner. Having the exclusive prerogative of enacting the general appropriation law, Congress affects the operation of LGUs in many ways.

IV. The Proposed 2006 GAA

There is now a real threat that the proposed budget for 2006 may not be passed by Congress. LGUs will stand to lose at least P20 Billion representing increment in the internal revenue allotment (IRA) if the 2005 General Appropriation Act is deemed reenacted. LGUs will also stand to lose the P5 Billion allocation as the counterpart funding of the national government for the Kilos Asenso Movement.

If you recall, we launch this national movement last year to harness the power of convergence and the *bayanihan* spirit of the Filipino to accelerate growth and reduce poverty in the countryside.

The movement intends to build a potent venue where national and local officials can converge to adopt a cohesive action in achieving national unity and prosperity at the grassroots level. As front-liners in the delivery of basic, the movement recognizes that local governments have the power to spur and take action to move our country towards a stronger and more prosperous nation.

With Kilos Asenso, we can establish a dynamic network of institutions that will champion local autonomy, enhance the delivery of basic social services, and spread the fruits of progress

to the people. If the 2005 GAA is deemed reenacted we may not get this counterpart funding.

We may also lose the proposed Barangay Kalayaan Development Fund amounting to P 3 Billion extend assistance to LGUs experiencing insurgency problems, and help them stamp out the growth of the insurgency in their respective areas.

V. IRA Issues

We wish to underscore this development because the delivery of basic services is inextricably linked to our financial capacity. If IRA or part thereof, is not release pursuant to law, our development goals will be compromised at the local level. If the re-enactment of the GAA persists, budgetary constraints of LGUs would hinder the adoption of programs geared towards social protection.

Thus, the first order of the day if for everyone to lobby before Congress to pass the proposed 2006 national budget so as not to disrupt the delivery of basic social services to our people in the countryside.

We made already made a long and a collective campaign for the release of withheld IRA share since 2000. Fortunately, the President has already issued Executive Order (EO) No. 494 dated 18 January 2006 which seeks to release the

unprogrammed internal revenue allotment (IRA) in 2000 and 2001 amounting to P17.5 Billion to local government units (LGUs).

The Executive Order mandates that the DOF, DBM and DILG shall take necessary steps to ensure that the LGUs get their respective share of the unpaid IRA on installment basis for a period of seven (7) years starting 2007 up to 2013, or ensure that interested LGUs may avail in advance their respective shares through a monetization program.

The IRA monetization program (IMP) is a scheme which will give LGUs the option to collect in advance from trustee banks their respective shares in the unreleased IRA at a discounted value, net of interest and other charges from the said banks.

Earlier on November 8, 2005, the DOJ through Secretary Raul Gonzales already agreed with "the contention that the P17.5 Billion IRA, representing the unpaid portion of the IRA for the years 2000 and 2001, should be released to LGUs without need of any further or new appropriation(s)."

Since then, we have obtained the commitment that henceforth no future impositions on the IRA would be made, and the IRA would be automatically appropriated in accordance with the Code.

It has been almost a three (3) months since we are operating under the 2005 GAA. There is great cause to be concerned, and to lobby with our Representatives and Senators to pass the new GAA. The failure of Congress to pass the new budget will prejudice the delivery of basic services in the countryside.

VI. World Bank Financial Assistance

While we are on fundamental issues of funding, we are happy to report that we are working in earnest for an arrangement with World Bank to extend financial assistance to LGUs without requiring national government guarantee.

We have already met with representatives of World Bank in New York to study and explore the possibility of extending loan package directly to LGUs. The World Bank is now opening windows primarily for LGUs.

It appears that World Bank has learned that Philippines LGUs have the power and the capacity to make significant interventions for human development, and at the same time ensure financial viability.

Our initial discussions were focused on loan and equity contribution and the criteria for eligibility. We have considered good governance as part of the requirement. We are also

considering sound financial housekeeping as part of the conditions.

If all LGUs can comply readily with these reasonable requirements, we can introduce more programs and projects to improve the economic and social conditions of our people.

VII. Local Finance Administration

With all this possible support, we welcome the efforts to design innovative schemes to increase assistance to LGUs and make us more effective. The various suggestions culled from the consultation workshops are commendable. In fact the League of Provinces has passed a resolution last February 15 to validate and support several policy recommendations affecting local finance administration.

With these recommendations, we can focus on food security, access to potable water, quality education, improved health services, shelter, our people's security and well-being, social equity, and environmental sustainability.

We can continue the task of building the physical and social infrastructures that would create an environment conducive to growth opportunities and financial investments. Physical infrastructures would facilitate the movement of people and

products, while social infrastructures would prepare our people to actively participate in economic activities.

We can also improve the incentive environment in agriculture sector, and pursue a greater trade and investment relations with the outside world. We can pump-prime local communities to increase productivity of businesses and people who create the nation's wealth.

Our LGUs are already engaged in upgrading the human and capital resources, but we have to harness unity of action to bring about the best results. Continuing dialogues and multi-sectoral consultations, and implementing devolved powers and functions are effective means to include all stakeholders to pursue shared national goals and commitments.

VIII. Force for Change

The continuing consultation workshops have basically outlined the challenges and other priorities for action that have to be incorporated in our advocacies and local development plans. They are quiet ambitious and can be attained if we cut them into manageable tasks. If our resources and efforts were concentrated towards realizing a set of clearly articulated goals then we would definitely improve our people's condition.

The different presentations in this Forum clearly seek to engender a policy environment within the national government and LGUs. This policy environment would surely enable us to adopt administrative changes in a more systematic and comprehensive approach.

For fourteen (14) years now, we have constantly and continuously advocated for codal amendments and policies to improve local governance and administration. The presentations and discussions in our consultation workshops have given us a clearer picture of these initiatives.

The Forum has also given us a new impetus to continue our task to build upon our gains and break new grounds to serve our people better.

Maraming Salamat at Mabuhay Kayong Lahat!