



WORKING GROUP ON DECENTRALIZATION AND LOCAL
GOVERNMENT



MID-TERM ASSESSMENT OF THE ACTIVITIES OF THE WORKING GROUP ON DECENTRALIZATION AND LOCAL GOVERNMENT

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Presentation during the Core Group Meeting
October 30, 2006, WB Office

OBJECTIVES

- Report on the status of the work program to date
- Identify target outputs for the next six months



2006 OBJECTIVES/ GOALS

LOCAL GOVERNMENT FINANCE



Create more positive environment for financing LGU activities through consistency in policy implementation, improvement in environment for LGU financing, formulation of new policies that will provide greater flexibility in accessing financing & promote greater accountability & performance

CAPACITY BUILDING



Build the momentum for harmonizing capacity building efforts through more focused interventions, greater coverage and more cost-effective and innovative delivery mechanisms

PERFORMANCE BENCHMARKING



Expand utilization of performance monitoring systems through vigorous promotion of the use of the systems by setting up an incentive system for LGUs to encourage good performance and instituting measures to improve the integrity and credibility of the performance measures

POLICY REFORMS



Further support policies of devolution & rationalization through a thorough assessment of the devolution experience and the conduct of capacity building programs for DILG, DOF, the LGU Leagues and other concerned agencies which oversee the devolution process

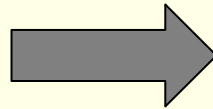
**STATUS REPORT
(as of October 27, 2006) AND
ACHIEVABLE OUTCOMES
(up to March 2007)**



Theme 1: LOCAL GOVERNMENT FINANCE

- ✓ Catalyzed efforts in creating a more positive environment for financing

Modest gains in creating a more responsive policy environment for LGU financing



- ✓ Consistency in policy implementation
- ✓ Putting in place new policies that provide greater flexibility in accessing financing that would promote greater accountability & performance

STATUS (As of October 2006)

Accomplishments

- Improved coordination among government oversight agencies
 - Forged consensus between NG agencies and the Leagues on priority measures to strengthen local government finance
 - Held a Government Retreat to discuss priority local government issues
- Formal Endorsement of the NG-LGU Cost-Sharing Arrangement by ICC



STATUS (As of October 2006)

Accomplishments

- Harmonized ODA on local government finance (e.g. ADB, AusAID, USAID) to avoid overlaps and establish complementation, even in the choice of pilot areas
- Conducted policy studies
 - Harmonization of on-lending rates of GFIs
 - Issues on performance-based grants
 - Issues on local government finance (WB-ADB)
- Explored areas of assistance on enterprise development



Assessment

Achievable Outcomes in the Next Six Months

Policy Reforms – Revenue Mobilization

- Clearer financing policy framework to guide LGUs and NG agencies
 - Issuance of a policy directive by the DOF formally adopting the LGU Financing Framework and the NG-LGU Cost-Sharing Arrangement



Assessment

Achievable Outcomes in the Next Six Months

Policy Reforms- Expenditure Management

- More regular and automatic release of LGU shares in national wealth and other taxes by addressing procedural problems related to the release of LGU shares in national wealth and other taxes
 - DBM inclusion in the 2007 National Expenditure Program a proposal for the establishment of a trust fund in the BIR to enable direct remittance of LGU share in mining taxes
- Application of more relevant guidelines on procurement for LGUs



Achievable Outcomes in the Next Six Months

Institutional Strengthening

- Strengthening the DOF to assist the LGUs in improving resource mobilization
 - Issuance of an Executive Order re: information sharing between BIR and LGUs (draft Executive Order with OP)
 - Drafting of the legal instruments on the establishment of the Municipal Finance Corporation (MFC)
 - Reengineering of the BLGF through hiring of additional staffs and developing agency performance indicators
- Improved coordination among oversight agencies involved in LGU issues and between LGUs and NGAs
 - Endorsement/approval of a more formal mechanism for coordinating LGU-related issues

Achievable Outcomes in the Next Six Months

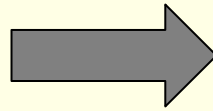
Conduct of Studies Leading to Policy Reforms or Procedural Improvements

- Improved guidelines (primers and IRRs) for promoting private sector participation in LGU infrastructure projects
- Study on the limitations on PFIs as depository banks and the implications of allowing a limited number of PFIs to be depository banks
- Courses of action for addressing the need for a more equitable SITUS rule on banks

Theme 2: CAPACITY BUILDING

- ✓ Built the momentum for harmonizing local capacity building

Greater efforts to align capacity building initiatives



- ✓ More focused interventions to LGUs
- ✓ Greater coverage
- ✓ More cost- effective & innovative delivery mechanisms

STATUS (As of October 2006)

Capacity Building

- Significant progress in harmonizing capacity building efforts of NG oversight agencies for LGUs
 - reconciliation of planning and budgeting processes through issuance of a Joint Memorandum Circular by DILG, DBM and DOF
 - inventory of revenue manuals for development and roll-out
 - proposed criteria for the selection of LGUs for pilot testing and roll-out



STATUS (As of October 2006)

Capacity Building

- Secured funding support for critical WG activities
 - CIDA for the papers and meetings to reconcile planning and budgeting
 - ADB for preparation of manuals, i.e.
 - Financing Modalities Manual
 - LGU Business Taxpayers' Database and Billing and Collection System
 - Treasurers' Manual



STATUS (As of October 2006)

Capacity Building

- Secured funding support for critical WG activities (cont'd)
 - ADB/WB for capacity building requirements of the oversight agencies
 - BLGF Strengthening: LGU Credit Information Database, Statement of Income and Expenditures, Debt Monitoring System, Financial Services Providers Database, LGU Debt Management Database, Financial and Economic Model, Review of LGFPMS, design of a competency certification system



STATUS (As of September 2006)

Capacity Building

- Secured funding support for critical WG activities (cont'd)
 - ADB for capacity building requirements of the oversight agencies
 - DILG Strengthening: LGPMS Management, ODA Monitoring with NEDA
 - ADB for capacity building requirements of LGUs



Assessment

Achievable Outcomes in the Next Six Months

- Harmonization of planning and budgeting activities
 - Issuance of a Joint Memorandum Circular harmonizing planning and budgeting activities at the local level;
 - Study on the conceptual and operational framework for capacity building programs for the local government sector
 - GOP directive on “core” manuals on revenue and finance as basis for training LGUs
 - GOP guide for choosing LGUs for piloting and priority in rolling-out “official” manuals



Assessment

Achievable Outcomes in the Next Six Months

- Agreement on delivery mechanisms for capacity building programs on planning, fiscal and financial management
- Enhanced capacity for fiscal and financial management
 - Design of a facility for project development for LGUs
 - Roll-out of Assessors Manual
 - Documentation of best practices in fiscal and financial management among LGUs
 - Improved information-sharing on capacity building programs for LGUs
 - ✦ inventory of manuals on planning, fiscal and financial management
 - ✦ inventory of on-going and past capacity building programs
 - ✦ inventory of award systems for LGUs and recipients



Assessment

Achievable Outcomes in the Next Six Months

- **Improved capacity building for the oversight agencies and LGU Leagues**
 - BLGF: Improvement in the SIEs, LGFPMS and competency certification for Treasurers;
 - DILG: Improvement of ODA monitoring, capacity building for policy formulation and monitoring
 - LGU Leagues: Assessment needs



Theme 3: PERFORMANCE BENCHMARKING

- ✓ Expanded utilization of performance monitoring systems

Good Progress



- ✓ Focus on using the systems for various purposes
- ✓ Develop incentives for the sustained use of the system and for good performance
- ✓ Improve the Integrity and credibility of performance monitoring measures

STATUS (As of October 2006)

Performance Benchmarking

- Contracted the Philippine Governance Report which will be funded by the UN agencies
- Integration of the LGFPMS with the LGPMS to start with the 2005 data capture by July 2006
- Proposed work packages for the improvement of the LGPMS submitted to ADB TA 4778



Assessment

Achievable Outcomes in the Next Six Months

- Improved information on the performance of LGUs
 - Finalization of the State of Cities Report for 2004
 - Dissemination of information on the financial performance of LGUs using the LGFPMS
 - Refinements in the indicators used in the LGPMS and the LGFPMS
 - ✦ additional 8 financial indicators from the LGFPMS included in the 2005 LGU reports
 - ✦ study the integration of budgetary indicators in the LGPMS
 - Use of LGPMS in the synchronized planning and budgeting activities
- Increased use of benchmarking systems for policy-making, project/program development and performance monitoring by oversight and development partners
 - improved accessibility of LGPMS and LGFPMS



Theme 4: POLICY REFORMS

✓ Support devolution and rationalization

Constructively engaged
selected agencies
in the discussion
of devolution



- ✓ Assess devolution experience
- ✓ Support capacity building of DILG, DOF, and LGU Leagues to oversee devolution process



STATUS (As of October 2006)

Policy Reforms

- Formulated a strategic framework for the Decentralization Study
- Started discussions with DENR and DA on the implementation of EO 444 devolution proposal on environment and natural resources
- Inclusion of devolution studies in ADB TA 4778
 - Assessment of the devolution experience in the Philippines
 - Review of the Local Government Code and IRA



Assessment

Achievable Outcomes in the Next Six Months

- Identification of action plans for further devolution in environment and natural resources and agriculture services
- Activation of the Committee on Devolution



WG ACTIVITIES SUPPORTIVE OF PARIS 21 PRINCIPLES

Ownership of Policy Reforms

- WG Workplan approved in May 2006 further refined by NG agencies & the LGU Leagues

Alignment of Assistance with Govt. Priorities

- Thematic discussion on local govt. finance, capacity-building & performance benchmarking identified govt. reform measures/activities requiring development assistance

Harmonization of Assistance

- NG developed partitions, shared information to avoid duplication of assistance
- The WG disclosed w/ other PDF Working Groups activities affecting LGUs
- Joint Activities of donors (e.g. missions, project activities) were initiated