

WORKING GROUP ON DECENTRALIZATION AND LOCAL GOVERNMENT: PROGRESS REPORT

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and Local Government

Thematic Discussion on Local Government Finance Issues
June 19, 2006, Discovery Suites

Theme 1: CAPACITY BUILDING

- ✓ **Built the momentum for harmonizing local capacity building**

Greater efforts to align CB initiatives



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



ACTION PROGRAM FOR 2006

Capacity Building

- Adopt a conceptual and operational framework on capacity development
- Develop a strategy for achieving harmonization of CB programs for LGUs in focused areas, including institutional arrangements for better coordination of CB programs
- Forge agreements with stakeholders on core competencies, common needs assessment tools and Training modules & delivery mechanisms for CB programs in planning, project development, revenue generation, expenditure allocation & financial management at the local level

ACTION PROGRAM FOR 2006

Capacity Building

- Implement mechanisms for enhancing information-sharing amongst donors, govt. agencies, LGUs & service providers on CB programs in identified areas
- Undertake capacity building programs for oversight agencies and the Leagues to oversee the devolution process

STATUS (As of June 18, 2006)

Capacity Building

- TOR for the conceptual and operational framework endorsed by the Chairs of the Subcommittees on Capacity Building Programs and submitted to ADB for funding under ADB TA 4778
- Discussion on the harmonization of training manuals on planning, revenue generation, expenditure and financial management is on-going among DBM, DOF, NEDA and DILG
- Integrated manuals for planning, revenue mobilization and expenditure management submitted as part of ADB TA 4778
- Proposed capacity building programs for oversight agencies submitted to ADB TA 4778

Theme 2: PERFORMANCE BENCHMARKING

✓ Expanded utilization of performance monitoring systems

Good Progress



- ✓ Focus on using systems for various purposes
- ✓ Putting in place incentives for sustained use of the system and for good performance
- ✓ Improving Integrity and credibility of performance measures



PROPOSED ACTION PROGRAM FOR 2006

Performance Benchmarking

- Strengthen the national and management systems of the DILG, DOF and the Leagues to oversee the implementation of the LGPMS and the LGFPMS
- Support the full utilization of the LGPMS and the LGFPMS by LGUs, LGU Leagues, NG and donors and the academe and interested groups
- Continue to implement the integration of the LGPMS & LGFPMS
- Improve the quality of administrative data for the LGPMS/LGFPMS
- Study the possible link between CBMS and the LGPMS

STATUS (As of June 18, 2006)

Performance Benchmarking

- Started discussions for the contracting of 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

Theme 3: 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



PROPOSED ACTION PROGRAM FOR 2006

Local Government Finance

- Reinforce the implementation of the LGU financing framework
- Introduce performance-based grants
- Improve LGU revenue mobilization by strengthening LGU tax collection and enhancing business enterprises
- NG to re-engineer and strengthen the BLGF

PROPOSED ACTION PROGRAM FOR 2006

Local Government Finance

- Study and implement options to operationalize MFC to facilitate weaker LGU access to financing
- The WG to undertake policy studies on critical LGU financing issues
- WG to improve coordination between the NG agencies & the LGUs on fiscal & financial matters

STATUS (As of June 18, 2006)

Local Government Finance

- Government agenda on priority measures to strengthen local government finance favorably supported by oversight agencies and the LGU Leagues
- Identified local government issues for ODA funding
- Initiated discussions among government agencies and donors on the harmonization of ODA on local government finance to avoid overlaps and establish complementation

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



PROPOSED ACTION PROGRAM FOR 2006

Policy Reforms

- Support the implementation of agreements or action plans 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 dialogues on devolution to other sectors, including government corporations
- Conduct an assessment of the devolution experience and Impact on service delivery for continuing policy reforms
- Review the Local Government Code, including the IRA formula

STATUS (As of June 18, 2006)

Policy Reforms

- Started discussions with DENR on the implementation of EO 444 devolution proposals on environment and natural resources
- Assessment of the devolution experience in the Philippines and other studies programmed for the year (including the review of the Local Government Code and IRA) submitted for funding under ADB TA 4778