



WORKING GROUP ON DECENTRALIZATION AND LOCAL GOVERNMENT



PROGRESS REPORT ON THE ACTIVITIES OF THE WORKING GROUP ON DECENTRALIZATION AND LOCAL GOVERNMENT

Assistant Secretary Austere A. Panadero
Lead Convener

Presentation at the Dialogue of the Working Group on Decentralization and Local
Government with the Central Philippines Governors
October 19, 2006, Parklane International Hotel, Cebu City

Objectives of the Dialogue

- Information-sharing on the activities of the PDF Working Group on Decentralization and Local Government, particularly on local government finance and capacity building
- Introduce programs/projects of the development partners
- Identify possible areas of assistance for the investment programs of Central Philippines LGUs



Working Group
on Mindanao

Working Group
on Growth &
Investment
Climate

Working
Group on
Social Progress

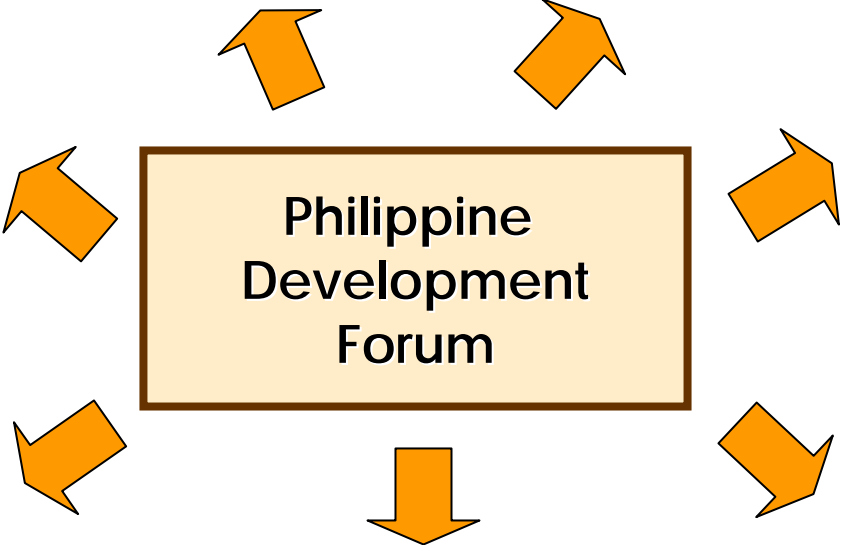
Philippine
Development
Forum

Working Group
on Sustainable
Rural
Development

Working Group
on Governance
& Anti-Corruption

Working Group on
Decentralization
& Local
Government

Working Group
on Economic &
Fiscal Reforms



2006 PDF Objectives/Goals for the WG on Decentralization & Local Government

Themes

Goals

LOCAL GOVERNMENT
FINANCE



Create a 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 the utilization of performance monitoring systems by providing incentives to LGUS for their use and 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 RP devolution experience and the conduct of capacity building programs for DILG, DOF, the LGU Leagues and other concerned agencies which oversee the devolution process

Key Reform Areas in Local Government Finance

- Built consensus between the NG & the LGUs, through the Leagues, on a common priority agenda to promote local government finance
- Improved policy environment for resource mobilization
 - ICC re-affirmed 50-50 NG-LGU cost sharing arrangement



Key Reform Areas in Local Government Finance

- Addressed concerns re: ensuring that the share of LGUs in resources is protected
 - Inclusion by DBM of a proposal in the 2006 and 2007 National Expenditure Program to establish a trust fund in the BIR to enable direct remittance of LGU share in mining taxes
 - Inclusion in the 2006 supplemental budget of:
 - arrearages representing unremitted shares to LGUs of national wealth amounting to P670M from 1997 to 2003
 - difference between the IRA and reenacted levels of IRA amounting to P14.8B



Key Reform Areas in Local Government Finance

- **Aligned and harmonized donor support to promote reforms in local government finance**
 - **Included important LGU issues in donor initiatives**
 - **Review of the release procedures for special shares of LGUs in national wealth, ecozones, VAT and tobacco excise taxes - ADB TA 4778**
 - **Review of issues re: bond flotation - ADB TA 4556**
 - **Review of the application of procurement law to LGUs – ADB 4778**
 - **Implementation of NGAs- ADB 4778**
 - **Explored innovative financing options to address the needs of LGUs**
 - **LGU borrowing without sovereign guarantee**
 - **Performance-based grants**



Key Reform Areas in Capacity Building and Performance Benchmarking

- DBM, NEDA, DILG, DOF (in consultation with LGU Leagues) presently drafting Joint Memorandum Circular that will harmonize planning and budgeting processes at the LGU level
 - e.g. synchronization of planning and budgeting calendars, streamlining of planning and budgeting processes
- Harmonizing capacity building policies, strategies, and tools on revenue mobilization and financial management
 - e.g. training manuals/ modules, delivery systems
- Developing a criteria for the choice of LGUs for pilot testing and prioritization
- Developed State of Governance (Cities) Report



Facilitated Information Sharing on LGU Matters

- Developed a separate website on LGU matters (www.lguph.org) to complement PDF WG website (www.pdf.ph)
- Prepared the maiden issue of the Working Group newsletter



Key Questions for Discussion

- **Scaling up (capacity building and financing)**
- **Maximizing benefits of assistance; effective utilization to attain development goals (e.g. investments)**

