

**Core Group Meeting of the Working Group on Decentralization and Local Government
October 30, 2006**

**October 30, 2006, 9:00 -12:00, 23rd Room Conference Room, The World Bank
Taipan Place, Emerald Avenue, Ortigas Center, Pasig City**

Highlights of the Meeting

Attendance:

Please refer to Attachment A.

The meeting began at 9.30 a.m. with Assistant Secretary Austere Panadero and Ms Mukami Kariuki chairing.

I. Highlights of the Core Group Meeting held on May 2, 2006

1. The minutes of the meeting were approved with no revisions made.

A. Matters arising from the meeting of May 2, 2006

2. The meeting noted the actions taken from the May 2, 2006 meeting of the Working Group.

II. Mid-Term Assessment of the Activities of the Working Group on Decentralization and Local Government

A. Report on Accomplishments and Achievable Outcomes for the Next Six Months

3. Assistant Secretary Panadero presented a theme-by-theme assessment of the activities of the working group from March to October 2006 as well as the forecasted activities from November 2006 to March 2007. The presentation is in Attachment B.

Comments

4. With regards to policy reforms on expenditure management, it was reported that in the annual meeting of the League of Municipalities of the Philippines (LMP) Secretary Andaya already assured the implementation of the policy reforms in the Working group Agenda, i.e. the inclusion in the supplementary budget for 2006 a provision on the automatic release of the IRA and the inclusion in the 2007 budget of a trust fund to enable direct remittance of the LGU share in mining taxes. Atty. Gil Cruz, however, noted the importance of being transparent in the computation of the LGU share in national wealth, where there is a perception that LGUs are being shortchanged possibly by about P7 billion a year. Director Delantar clarified that, in the case of IRA, the release, and not only the appropriation (per RA 9358), will be made automatic every 8th and 24th of the month, without any need for follow-up.

5. With reference to the theme of capacity building, the members discussed the GOP guide for choosing LGUs for piloting and prioritizing the roll-out of official manuals. The meaning of 'official' manuals was clarified to mean core manuals as identified

by key agencies. The importance of developing appropriate delivery mechanisms for the roll out of official manuals was also discussed.

6. The EU reported on the Sustainable Upland Development, a project which has been successfully completed in Mindanao but which needs to be rolled out to other areas. The League of Municipalities (LMP) is strongly advocating for the scaling up of the project. A draft Executive Order has been drafted as part of the project, which the the President has agreed to in principle but which nonetheless has been referred to the DENR for comments.
7. The ADB highlighted the importance of setting realistic targets before the elections e.g. the roll-out of the Assessors Manual which has been done for provinces and cities and will start with municipalities. The target is to finish the roll-out in six months.
8. Mr. Jojo Villano pointed out the importance of involving the Leagues in matters affecting them, e.g. improvement in the Assessors' Manual. This idea was endorsed by the Mr. Nuqui who expounded on the operational application of the five principles of the Paris Declaration, namely ownership, alignment, harmonization, managing for results ad mutual accountability.
 - The ownership principle does not only mean getting the development partners to use/adopt the government agenda but also implies the importance of working with the LGUs through the Leagues on the reform program.
 - Alignment is easier applied at the policy level but may difficult to achieve with systems and procedures.
 - On harmonization, while the Working group started harmonizing capacity building in planning, fiscal and financial areas, the more challenging task is to harmonize "business" practices among the development partners, e.g. common systems for engagement, use of common forms for loan/grant applications.
 - The development of performance benchmarking systems is a manifestation of the Working Group's concern for delivering results but there is a need to distinguish between two sets of indicators – activity-based indicators and a results/outcome-based set of indicators.
 - Last, mutual accountability implies cooperation or shared responsibility which is evident in the close cooperation among the government and the development partners at the national level. However, there is need to view mutual accountability at the operational or ground level, where the provincial governments should take a leadership role in coordinating with component LGUs for better alignment of policies and procedures.
9. Responding to the query on the relevance of the DOF study on the Statement of Income and Expenditure (SIE), Deputy Executive Director Malvar explained that the quarterly SIEs, which is submitted quarterly is the instrument used by government for evaluating the financial performance of LGUs. The SIE Study will also try to harmonize the COA accounts with those required from LGUs.
10. In assessing the fiscal performance of LGUs, Mr. Nuqui observed that a lot of emphasis has been given to analyzing the ability of LGUs to mobilize resources but little attention to the setting benchmarks for expenditure management and service delivery. He cited the plan of the Metro Manila Metropolitan Development

Authority (MMDA) to set up expenditure standards for different levels of LGUs to determine if Metro Manila is spending enough for service delivery given its resources. From the LGFPMS data, there are many LGUs reporting fiscal surpluses and seem to be under spending. This concern will actually be addressed in several ODA projects of development partners like GTZ, ADB and WB involving health, environment and education projects. According to the ADB, the proposal to examine service delivery has been earlier identified by a WB-ADB Mission as one of three areas to be covered under the Public Expenditure Review., Unfortunately, the WB-ADB decentralization study focused on the financial and fiscal aspects of LGU operations. The planning manual development with NEDA however attempts to provide a reference guide on how LGUs can prepare a good expenditure plan.

Action Taken

12. The Meeting noted the report. The secretariat was instructed to provide the League of Provinces of the Philippines with a copy of the Paris Declaration.

B. Working Group Activities without Funding Source

13. Ms Mukami Kariuki presented a theme-by-theme list of proposed activities for the Working Group without a funding source. The activities were drawn from the work plan and the actions arising from working group meetings. This list has not been prioritized and would probably need to be consolidated. The list was also earlier presented to the development partners. Refer to Attachment C for the presentation.

Comments

14. On the issue of certain geographical areas as preferred or favorite areas for pilot testing, Mr. Nuqui called the attention of the meeting to other related issues: (a) the imbalance in the allocation of ODA across geographical areas and the lack of a clear policy with respect to the choice of areas for ODA projects; (b) while Bohol is a good case study to examine, it would also be instructive to consider Mindanao, specifically ARMM, which government has identified as priority for ODA; and (c) it would be good to pro-actively seek the opinion of the Leagues on the issue of aid effectiveness.
15. Per ADG Bacani, the streamlining of ODA procedures is the responsibility of NEDA, specifically the Public Investment Staff, which has the responsibility of coordinating ODA projects for the government. However, she noted the institutional issue between NEDA and the Presidential Management Staff (PMS), which has recently been given the responsibility of monitoring ODA-funded infrastructure projects. She also informed the meeting of the Regional Project Monitoring and Evaluation System (RPMES), which is another project tracking system managed by the NEDA Regional Offices that inputs information on local projects into the Project Monitoring System at the NEDA central office. In addition local development committees are mandated to create their own monitoring systems per the Local Government Code.
16. On the proposal for a project development facility, the NEDA offered to give a briefing on the Project Development Assistance Centers (PDACs), which was created to implement the Project Development and Monitoring Fund. The latter was established in compliance with Section 4 of the 1996 ODA Law that required NEDA to obtain about five percent of the ODA loan from the immediately preceding year

for project identification, feasibility studies and master planning at the local and regional levels. Initial funding for the activities were sourced from Spain, Japan-KR@ 21st Tranche and New Zealand.

17. In the case of CIDA, the termination of the Local Government Support Project (LGSP) has temporarily left a financing vacuum for LGU-related activities which in the past years could be accommodated under the project. There is however a succeeding project on Local Economic Development (LED) which is presently under discussion with the government. To better scope LED, CIDA intends to discuss with ADB the coverage of its technical assistance projects to DILG and DOF.
18. On the EU observation that there is no project lined up under the theme policy reforms on devolution, which is one of the four themes of the Working Group, it was explained that the Convener is still in the process of conferring with the concerned agencies (e.g. DA, DENR and DOH) on their action plans following the studies on Executive Order 444 and 366. The change in leadership in these agencies has made it difficult to get firm directions on the agencies' positions on decentralization.
19. ADB has a number of new and ongoing technical assistance projects on LGUs, that will cover many of the issues identified by the Working group. It was observed that the lead agencies in these projects have been critical in identifying the coverage/activities under the TAs. The ADB will be working with the development partners to ensure greater harmonization of assistance.

Action Taken

20. The meeting took note of the report. It was agreed that the members will review the proposals and advise the secretariat of their intentions to fund the proposed activities.

III. Special Topic: Joint Memorandum Circular (JMC) on the Harmonization of Planning and Budgeting Activities at the LGU Level

21. Director Manny Gotis of the DILG presented the latest status of the Joint Memorandum Circular (JMC) being coordinated by the DILG. The JMC is being formulated to (a) link and synchronize planning, budgeting and revenue generation processes; (b) clarify the jurisdiction, authority and responsibilities of the DBM, DILG, DOF, NEDA in the local comprehensive development planning and budgeting process; and (c) agree on the definition and processes on the formulation of the local development investment plans, among others. The JMC covered (a) the statement of general policy; (b) operative principles; (c) definition of terms; (d) roles/responsibilities; and (e) specific guidelines. The details of the presentation are provided in Attachment D.
22. The process of synchronization done in crafting the JMC involved (a) identifying the role of the province, cities/municipalities; (b) the interface between NG Agencies (NGAs) and the LGUs; and (c) formulating a synchronized local planning and budgeting calendar (SLPBC).

Action Taken

22. It was agreed that copies of the JMC will be circulated to the members after the November 6, 2007 meeting (3rd Meeting of the TWG) of the Working Group. The members are welcome to submit their comments on the draft.

IV. Proposed Forum on the ODA Experience of Bohol

23. Mr. Rod Sollesta of AusAID presented the initial plan to organize a forum in Bohol to study the ODA experience of LGUs, in coordination with the Working Group. The objectives of the forum are: (a) to share with other LGUs the experience of Bohol in terms of “attracting” donor projects, coordinating several ODA-assisted activities, and using/strengthening of own systems for implementation of ODA-assisted activities; (b) based on the inputs from the Bohol experience, provide inputs to the PDF on donor coordination by LGUs; (c) provide a venue for various donors from the Working Group and the project management offices of donor-assisted projects to discuss complementation and coordination of initiatives in Bohol. The expected outputs for the exercise are: (a) a template for undertaking donor coordination at the LGU level; and (b) specific activity complementation and coordination agreements for Bohol.
24. The proposed program will consist of: (a) a brief overview of the Bohol ODA experience (emphasizing existing ODA-assisted activities and the coordination mechanisms and systems that the Province has put in place to deal with multiple ODA-assisted activities); (b) presentation from 1– 2 ODA-assisted activities (1 grant, 1 loan) on their experience in using local systems, implementation arrangements and their links with other ODA projects; (c) presentation from 1-2 development partners on why they chose the province as a pilot site; (d) reaction from NG agencies, other provinces/LGUs (?) and (e) open forum.
25. On the query of Mr. Villano on why Bohol was chosen as a case study, it was clarified that Bohol is one of the LGUs with many ODA-assisted projects. Since the Working Group is interested in knowing more information on operational coordination being undertaken at the local level, it is the most logical choice for the forum, which aims to identify the proper mechanism for ensuring the harmonization of ODA at the LGU level.

Comments

26. On the logistical requirements for the Forum, it was observed that some of the members may have to be supported in order to attend the forum. This matter will be seriously considered by the organizers.

Actions arising

27. The Working Group Secretariat in conjunction with AusAID, will prepare a proposal for the Bohol forum for the members’ consideration.

V. Other Matters

A. Proposed Joint Activities on Decentralization and Local Government with other PDF Working Groups

28. Asst. Secretary Panadero presented an overview of proposed convergence areas with other PDF working groups on decentralization and local government. Attachment E contains the presentation.

ActionTaken

29. The meeting noted the report.

B. Highlights of the Dialogue between the Working Group on Decentralization and Local Government with the Central Philippines Governors

30. Assistant Secretary Panadero presented the highlights of the dialogue between the working group and the Central Philippines Governors. A number of major points were raised during the dialogue, as follows:

- a. On the preparation of project proposals, the governors suggested the harmonization of the development partners' requirements by, possibly adopting the government forms (e.g. NEDA) for project proposals.
- b. The Governors also noted the difficulty of finding financing for the hiring of consultants to assist LGUs in preparing project feasibility studies and need for a system/mechanism that will enable LGUs to access the expertise of consultants for developing projects. The suggestion was to establish a project development facility for LGUs, to be potentially co-managed by the LGU Leagues.
- c. The Governors also raised the issue of the imbalance in ODA project allocation which tends to favor some localities and the importance of coming up with a process for identifying pilot LGUs for ODA projects.

C. Schedule of Working Group activities

30. Ms. Templo presented the proposed schedule of working group meetings until March 2007. It was advised that more information would be made available to members closer to the date of the proposed meetings.

Action Taken

11. The meeting noted the report.

The meeting was adjourned at 12.30 p.m.

Attachment A: Attendance

National Government

1. Asec. Austere Panadero (DILG)
2. Dir. Manuel Gotis (DILG)
3. DED Norberto Malvar (DOF-BLGF)
4. Ms. Pamela Quizon (DOF-BLGF)
5. Dir. Carmencita Delantar (DBM)
6. ADG Marcelina Bacani (NEDA)
7. Ms. Thelma Manuel (NEDA)

LGU Leagues

1. Mr. Alex Villano
2. Atty. Gil Cruz
3. Mr. Ed Tiongson

Development Partners

1. Mukami Kariuki (WB)
2. Joven Balbosa (ADB)
3. Rod Ervin Sollesta (AusAID)
4. Emily Mercado (EU)
5. Karin Jahr de Guerrero (German Embassy)
6. Dr. Herwig Mayer (GTZ)
7. Satochi Ikeda (Japan (Embassy))
8. Jin Wakabayashi (JBIC)
9. Flerida Chan (JBIC)
10. Masahiro Ono (JICA)
11. Olga Caday (KFW)
12. Wilfredo Nuqui (UNICEF)

Secretariat

1. Ofelia Templo
2. Ma. Cristina Rubio
3. Jay de Quiros
4. Sarah Pratt

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