



# 2006-2007 ACCOMPLISHMENTS AND PROPOSED 2007-2008 WORK PLAN

Presentation during the Core Group Meeting  
February 7, 2007, World Bank

# OUTLINE OF THE PRESENTATION

- Overall assessment of accomplishments
- Status of the 2006-2007 work program as of end-January 2007 and proposed 2007-2008 Work Plan
  - Local Government Finance
  - Capacity Building
  - Performance Benchmarking
  - Policy Reforms in Devolution/Decentralization



# 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



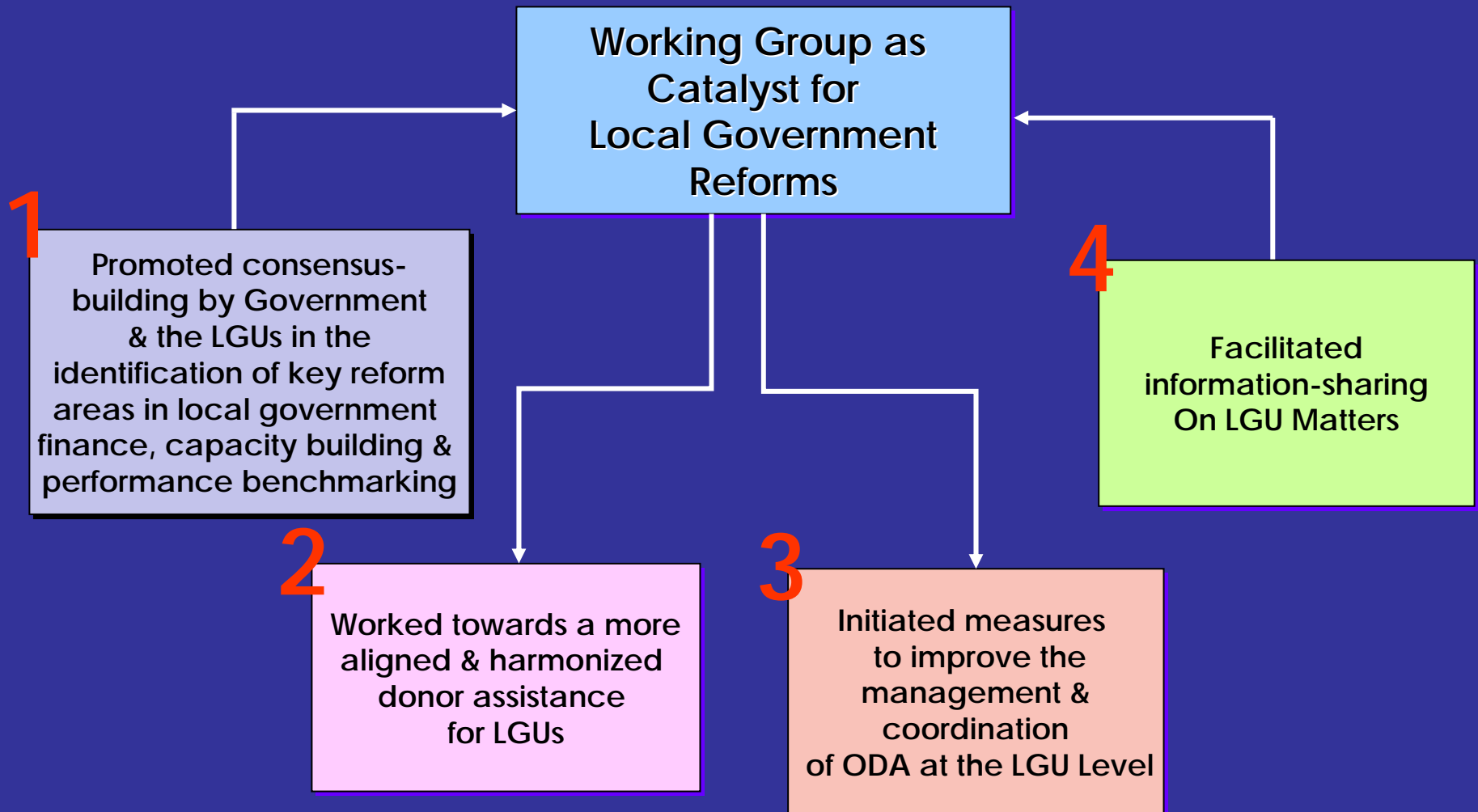
*Expand utilization of performance monitoring systems through vigorous promotion of the use of the systems by setting up an incentive system for LGUs to encourage good performance and instituting measures to improve the integrity and credibility of the performance measures*

## POLICY REFORMS



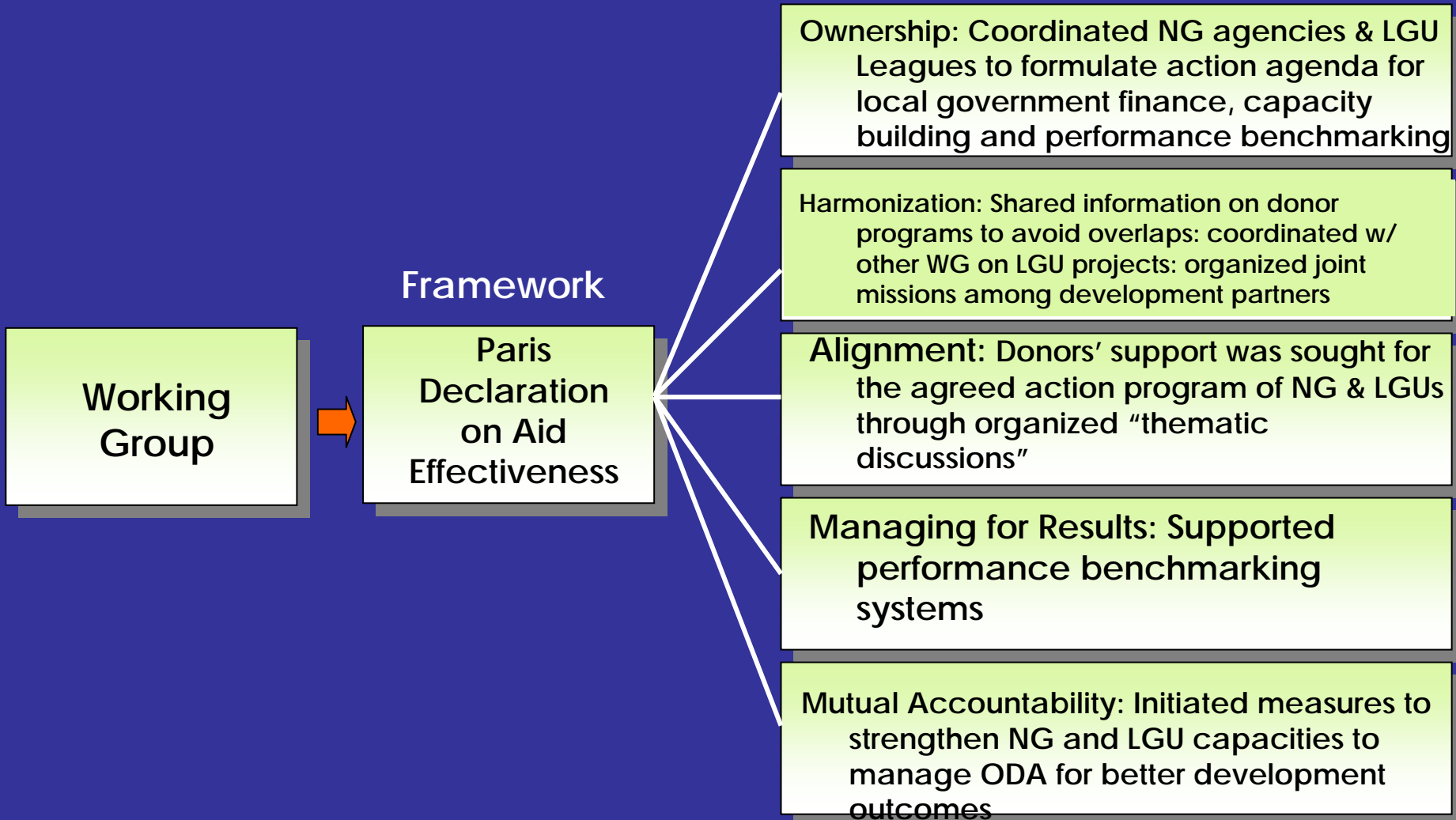
*Further support policies of devolution & rationalization through a thorough assessment of the devolution experience and the conduct of capacity building programs for DILG, DOF, NEDA, the LGU Leagues and other concerned agencies which oversee the devolution process*

# ACCOMPLISHMENTS OF THE WORKING GROUP ON DECENTRALIZATION & LOCAL GOVERNMENT, APRIL 2006



# THE WORKING GROUP ON DECENTRALIZATION AND LOCAL GOVERNMENT SUPPORTED THE PRINCIPLES OF THE PARIS DECLARATION

## Paris Declaration Principles



# 2007 OBJECTIVES/ GOALS

Theme: Promoting Good Governance in LGUs For Greater Competitiveness and Economic Growth

**LOCAL GOVERNMENT  
FINANCE**



*Accelerate revenue mobilization and access to financing by LGUs for better service delivery and growth promotion*

**CAPACITY  
BUILDING**



*Promote more effective capacity building programs for LGUs and continue the conduct of capacity building programs for DILG, DOF, the NEDA, the LGU Leagues and other concerned agencies which oversee the devolution process*

**PERFORMANCE  
BENCHMARKING**



*Continue to improve on the integrity and credibility of the performance monitoring systems and promote their utilization to encourage good performance*

**POLICY REFORMS ON  
DEVOLUTION**



*Develop models of devolution in selected sectors based on the decentralization experience of the country*

# Major Challenge: For the WG to Become an Effective Catalyst for Strengthening Decentralization & Promoting Growth at the Local Levels through More Effective Management and Coordination of Development Assistance at the National and Local Levels

Working Group



Improved Coordination



ODA Harmonization & Effectiveness

NG Agencies

Leagues of LGUs

Development Partners

Private Sector



Among NG Agencies

Among Development Partners

Between NG & Development Partners

Between Donors & Leagues

Among the "Quartet"  
(NG, LGUs, Development Partners, Private Sector)

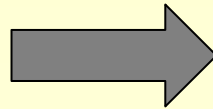


- Consensus building on national policies on decentralization and local economic development
- Improved management and coordination of ODA projects
- Better identification of needs & performance of LGUs
- Less duplication of donor initiatives on decentralization and local government

# 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 January 2007)

## Revenue Mobilization

- Issuance of a policy directive by the DOF formally adopting the LGU Financing Framework and the NG-LGU Cost-Sharing Arrangement, which was formally endorsed by the Investment Coordination Committee in May 2006
- Harmonized ODA on local government finance (e.g. ADB, AusAID, USAID) to avoid overlaps and establish complementation, even in the choice of pilot areas



# STATUS (As of January 2007)

## Expenditure Management

- Addressed procedural problems related to the release of IRA and LGU shares in national wealth and other taxes
  - Automatic appropriation of IRA Share (section 4 of RA 9358 and DBM Local Budget Memorandum No. 52)
  - Inclusion in the 2007 National Expenditure Program of a proposal for the establishment of a trust fund in the BIR to enable direct remittance of LGU share in mining taxes



# STATUS (As of January 2007)

## Institutional Strengthening

- Started the reengineering of the BLGF through hiring of additional staffs and developing agency performance indicators
- Examined measures to improve coordination among oversight agencies involved in LGU issues and between LGUs and NGAs



# STATUS (As of January 2007)

## Other Accomplishments

- **Conducted policy studies**
  - Harmonization of on-lending rates of GFIs (WB)
  - Issues on performance-based grants (WB)
  - Issues on local government finance (WB-ADB)
- **Explored areas of assistance on enterprise development (CIDA)**



# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

Revenue Mobilization will continue to focus on the following elements of the LGU Financing Framework :

- Increased LGU use of BOT arrangements
- Development of the LGU bond market
- Promotion of LGU Access to private banks
- Optimization of the involvement of GFIs in LGU Financing
- Restructuring and reorientation of the MDF
- Improving the capacity of LGUs to raise own revenues

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

Undertake studies on the following:

- Increase LGU use of BOT arrangements
  - Leagues of Cities and Municipalities to undertake a study on behalf of members to assess the profitability of a random sample of markets, slaughterhouses, transport facilities and solid waste facilities and quantify benefits and costs of alternative management arrangements including those involving the private sector (NEW).
- Develop the LGU bond market
  - Study the constraints to an expansion of GFI lending to LGUs utilizing own source revenues, and the optimization of the use of ODA to extend tenor (NEW).

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **Promote LGU access to private banks**
  - Analytic study that traces the history of limitations on PFI eligibility as depository institutions and quantifies the impact on National Government, LGUs, GFIs, and PFIs (CARRY-OVER).
  - A study of the possible interest of PFIs in wholesaling (NEW). The study would also look at competition from traditional ODA and how to level the playing field.

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **Optimize the involvement of GFIs in LGU financing**
  - **A review of the experience of the 15 LGU bonds issued to date, both the development impact of the projects funded and the lessons learned. Consider need for bond pooling (NEW).**
  - **A study of the constraints to the development of a long term bond market and the identification of the steps required to attract pension funds and insurance companies (NEW).**

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **Restructure and reorient the Municipal Development Fund**
  - **Spearhead development of performance-based grant system and make all grants from NG to LGUs performance-based (CARRY-OVER).**
  - **Expand the use of second generation funds for policy-based loans and for projects to help achieve Millennium Development Goals (including through the proposed water revolving fund) (NEW)**

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **Promote policy reforms and develop innovative ways to bring LGUs and private capital together (NEW)**
- **Update the LGU Financing Framework based on implementation progress and various policy studies (NEW)**
- **Continue strengthening the MDFO (fill up newly approved plantilla positions to the extent that funds are available, staff training, computerization of records and financial reports, set up internal audit group) (CARRY-OVER).**

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- Drafting of the legal instruments on the establishment of the Municipal Finance Corporation (MFC) (CARRY-OVER)
- Improve the capacity of LGUs to raise own revenues from traditional sources
  - Issuance of an Executive Order re: information sharing between BIR and LGUs (draft Executive Order with BIR) (CARRY-OVER)
  - Study to identify courses of action for addressing the need for a more equitable SITUS rule on banks (CARRY)OVER)

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **Improve the capacity of LGUs to raise own revenues from traditional sources**
  - **BLGF to continue the training of its personnel under LOGOFIND inline with its Reengineering and Rationalization Plans in view of urgent need for the BLGF to carry out its many mandates under the LGC including policy formulation and monitoring and building capacity of LGUs in revenue generation and financial management**

# PROPOSED ACTION PROGRAM FOR 2007

## Local Government Finance

- **MDFO and BLGF to support and work with the Mayors Development Center through which LGUs can learn from one another.**
- **Promote good governance and enterprise management to make revenue-generating projects self-sustaining. Explore partnerships with the private sector.**

# PROPOSED ACTION PROGRAM FOR 2007

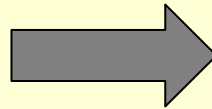
## Expenditure Management

- Continue to address procedural problems related to the release of LGU shares in national wealth and other taxes (CARRY-OVER)
- Develop procurement manuals for LGUs, including simplified procurement guide for *barangays* (CARRY-Over)
- Work towards the automation of financial transactions at the LGU level consistent with the Integrated Financial Management Information System being developed at the national level (i.e. eBudget, eNGAS)(NEW)

## 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

## Capacity Building

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

### Capacity Building

- Started the roll-out of the Assessors' Manual
- Initiated the documentation of best practices in fiscal and financial management among LGUs
- Implemented CB programs under various ODA projects, e.g.
  - competency certification for Treasurers
  - assistance to selected LGUs in developing investment proposals and financing packages

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

## Capacity Building

- ADB for capacity building requirements of LGUS
  - Strengthening capacities on provincial planning and expenditure management (NEDA ADB TA 4512)

## Capacity Building

- 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

## Capacity Building

- **ADB for capacity building requirements of the oversight agencies**
  - **DILG Strengthening: LGPMS Management, ODA Monitoring with NEDA**
  - **ADB for capacity building requirements of LGUs**

## STATUS (As of January 2007)

### ➤ Improved information-sharing on LGU Programs

- ❖ inventory of manuals on planning, fiscal and financial management
- ❖ Development of the LGU portal
- ❖ Prepared a newsletter for the Working Group

# PROPOSED ACTION PROGRAM FOR 2007

## Capacity Building

- Prepare a harmonized orientation program for newly-installed Local Chief Executives and their staffs
- Work towards the implementation of the Joint Memorandum Circular, including the roll-out of core manuals
- Develop capacity building programs on the management and coordination of ODA for LGUs

# PROPOSED ACTION PROGRAM FOR 2007

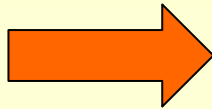
## Capacity Building

- Formulation of a multi-donor program support for project development for LGUs
- Continue capacity building programs for oversight agencies and LGU Leagues
- **Study on the conceptual and operational framework for capacity building programs for the local government sector**

## 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

## Performance Benchmarking

- Finalized the 2004 State of Cities Report using LGPMS data which was funded by the UN agencies
- Printing of the 2004 SIE and started the dissemination of information on the financial performance of LGUs using the LGFPMS
- Started the integration of the LGFPMS with the LGPMS using 2005 data with additional 8 financial indicators from the LGFPMS included in the 2005 LGU reports
- Submitted work packages for the improvement of the LGPMS for funding by ADB

# PROPOSED ACTION PROGRAM FOR 2007

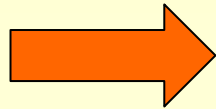
## Performance Benchmarking

- Develop incentives for the sustained use of the performance systems and for good performance
- Develop benchmarks (input and output indicators) for service delivery (with the WG on MDGs and SP)
- Further enhance the indicators in LGPMS, improve the integrity and quality of data
- Enhance data analysis and report generation
- Enhance capacity of the DILG and the BLGF to maintain the performance systems

## 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

### Policy Reforms

- Formulated a strategic framework for a Decentralization Study which will be undertake the ADB TA 4778
- Initiated discussions on the scoping of the IRA study
- Explored with DENR and DA their positions on the implementation of EO 444 devolution proposal on environment and natural resources and agricultural services
  - Activation of the Committee on Devolution at the DENR
- Inclusion of devolution studies in ADB TA 4778
  - Assessment of the devolution experience in the Philippines
  - Review of the Local Government Code and IRA



# PROPOSED ACTION PROGRAM FOR 2007

## Policy Reforms on Devolution

- Develop and showcase successful devolution experiences in selected sectors (e.g. agriculture, environment and natural resources)
- Conduct an in-depth study of the current status of decentralization and its impact on service delivery for continuing policy reforms
- Review the Local Government Code including IRA