



WORKING GROUP ON DECENTRALIZATION AND LOCAL
GOVERNMENT



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

October 18, 2006



OBJECTIVES

- Report on the status of the work program
- Joint activities with other Working Groups



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 September 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 September 2006)

Accomplishments

- Improved coordination among government oversight agencies
 - Formulated Government agenda on priority measures to strengthen local government finance in consultation with LGU Leagues
 - Holding of a Government Retreat to discuss priority local government issues
- ICC Formal Endorsement of the NG-LGU Cost-Sharing Arrangement
- Identified local government issues for ODA funding by ADB

STATUS (As of September 2006)

Accomplishments

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

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 September 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 September 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 September 2006)

Capacity Building

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

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 September 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

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 September 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 studies in the ADB TA
 - Assessment of the devolution experience in the Philippines
 - Review of the Local Government Code and IRA