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JAPAN INTERNATIONAL COOPERATION AGENCY
Philippine Office

**REPORT ON THE ISSUE-WISE STUDY ON
REGIONAL DEVELOPMENT AND THE ROLE
OF THE GOVERNMENT**

**ISSUES, EFFECTS AND ACTUAL INFLUENCES
OF DECENTRALISATION**

The Philippine Experience

Engr. Rey Gerona
Consultant

March 31, 1997

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A Survey Team was dispatched by JICA (Tokyo) to the Philippines from October 9 to 19, 1996 to undertake the "Issue-wise Study on Regional Development and the Role of the Government". Mr. Gerona, Consultant of JICA (Philippines), was requested to join the team and participate in the whole study process.

The (Tokyo) Study Team is expected to submit an over-all report about the study early next year (1997) after consolidating country reports from similar study teams dispatched to Indonesia and the People's Republic of China. This Report is independent from that of the over-all study report.

The views expressed in this Report are those of the author and do not necessarily represent those of the Japan International Cooperation Agency (JICA).

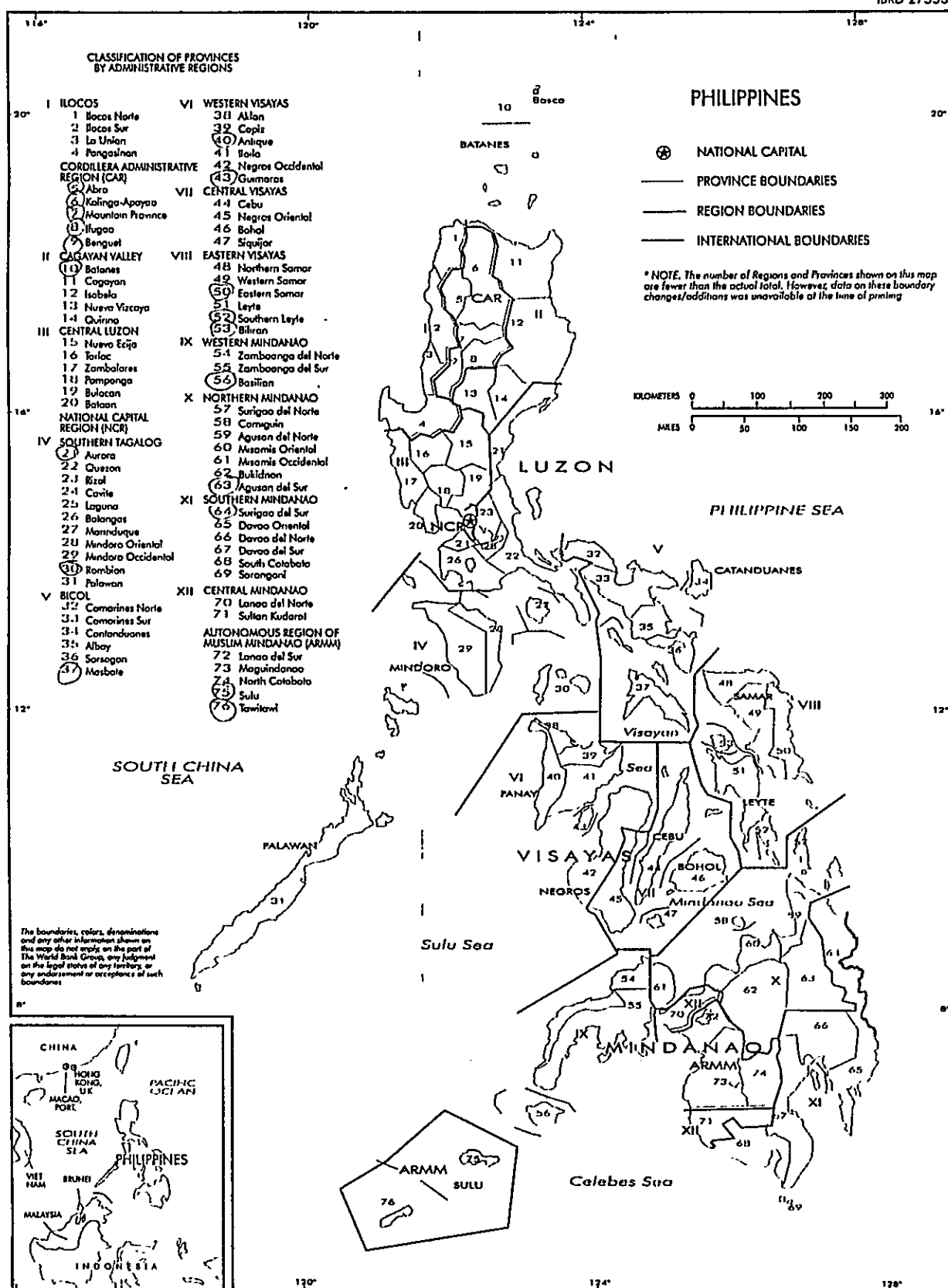


TABLE OF CONTENTS

1.	Introduction	1
2.	Highlights of the decentralisation of the Philippines	4
	Historical Perspective	
	The 1991 Local Government Code	
	Speculations regarding LGC implementation	
	Registered trends of decentralisation	
	Status of LGC implementation	
3.	Summary of Issues confronting decentralisation	11
	On the devolution of health services	
	On the functionality of LDCs and RDCs	
	On local resource mobilisation	
	On LGUs' direct access to ODA	
4.	Effects of decentralisation	19
	Increased LGU incomes	
	Upgrading of barangay administration	
	DILG's change of focus over LGUs	
	Growing advocacy for greater autonomy	
5.	Actual influences brought about by decentralisation	26
	Formulation of the Social Reform Agenda	
	Integrated Capability Building Program for LGUs	
	Institutes for Local Government Administration	
	Project Development Assistance Center	
	LGU groupings	
	Streamlining the government bureaucracy	
6.	Policy priorities for rural development	31
	Localisation of SRA	
	Economic zones	
7.	Support to decentralisation by other donor organisations	33
	CIDA-LGSP	
	ADB-BIADP	
	GTZ-BDP	
	Dutch-ANIAD	
	JICA's major policy shifts	
	AusAID-PRMDP	
8.	Recommendations to JICA	35
9.	Conclusion	38

ANNEXES

Executive Summary of the 1991 Local Government Code Highlights of Study Discussions

List of Tables

1	Members of the study team	2
2	Study discussions	3
3	LGUs and national economy	6
4	Devolved services and facilities	7
5	Devolved regulatory functions	8
6	Relations between national government and LGUs	9
7	IRA allotment and sharing formula	10
8	Annual budget of DOH	11
9	RDCs and LDCs	14
10	CDF allocation, 1996 - 1997	15
11	ODA loan availment, 1990-1995	17
12	IRA for all LGUs, 1991-1997	19
13	Unemployment and GNP rates, 1992-1995	21
14	Average annual GNP, selected countries	25
15	The SRA program	27
16	GNP and GDP, 1985-1995	29
17	GNP growth, selected countries	32
18	Poverty incidence, 1985 - 1994	35

ABBREVIATIONS USED IN THIS REPORT

ANIAD	-	Antique Integrated Area Development (Project)
ADB	-	Asian Development Bank
AusAID	-	Australian Agency for International Development
ARMM	-	Autonomous Region in Muslim Mindanao
BLGD	-	Bureau of Local Government Development
BDCs	-	Barangay Development Councils
BOT	-	Build-Operate-Transfer
BLT	-	Build-Lease-Transfer
BIADP	-	Bukidnon Integrated Area Development Project
BDP	-	Bondoc Development Program
CIDA	-	Canadian International Development Agency
CARP	-	Comprehensive Agrarian Reform Program
CDCs	-	City Development Councils
CDF	-	Countryside Development Fund
CAR	-	Cordillera Administrative Region
DILG-BLGS	-	Department of Interior and Local Government - Bureau of Local Government Supervision
DILG - LGA	-	Local Government Academy
DOF - BLGF	-	Department of Finance-Bureau of Local Government Finance
DA	-	Department of Agriculture
DENR	-	Department of Environment and Natural Resources
DPWH	-	Department of Public Works and Highways
DECS	-	Department of Education, Culture and Sports
DSWD	-	Department of Social Welfare and Development
DOT	-	Department of Tourism
DOTC	-	Department of Transportation and Communications
DOH	-	Department of Health
DAR	-	Department of Agrarian Reform
DOLE	-	Department of Labor and Employment
DTI	-	Department of Trade and Industry
EPZ	-	Economic Processing Zone
FAPs	-	Foreign-Assisted Projects
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GFI	-	Government Financing Institutions
GTZ	-	German Agency for Technical Cooperation

GOLD	-	Governance on Local Democracy
HUDCC	-	Housing and Urban Development Coordinating Council
HLURB	-	Housing and Land Use Regulatory Board
HRD	-	Human Resource Development
ICBP	-	Integrated Capability Building Program (for LGUs)
ILGA	-	Institute for Local Government Administration
IRA	-	Internal Revenue Allotment
JICA	-	Japan International Cooperation Agency
JOCV	-	Japan Overseas Cooperation Volunteers
LGUs	-	Local Government Units
LGC	-	Local Government Code
LGSP	-	Local Government Support Program
LDCs	-	Local Development Councils
LA	-	Line Agency
MDCs	-	Municipal Development Councils
MBN	-	Minimum Basic Needs
NEDA-PIS	-	National Economic Development Authority - Public Investment Staff
NEDA-RDCS	-	Regional Development Coordination Staff
NEDA-PIDS	-	Philippine Institute for Development Studies
NGAs	-	National Government Agencies
NGOs	-	Non-Governmental Organisations
ODA	-	Official Development Assistance
PID	-	Project Implementation Document
PRMDP	-	Philippines Rural Municipal Development Project
PGC	-	Philippine Gaming Corporation
POs	-	Peoples Organisations
PDCs	-	Provincial Development Councils
PDAC	-	Project development Assistance Center
RDC	-	Regional Development Council
SRA	-	Social Reform Agenda
USAID	-	United States Agency for International Development
UP-LGC	-	University of the Philippines - Local Government Center
WB	-	World Bank
WHO	-	World Health Organisation

Report on the Issue-Wise study on
Regional Development and the Role of Government

ISSUES, EFFECTS AND ACTUAL INFLUENCES OF DECENTRALISATION

The Philippine Experience

By:
Engr. Rey Gerona
Consultant, JICA Philippines
1997.03.31

1. INTRODUCTION

1.1. Participatory development and good governance has been a discussion point among international donor organisations in the DAC-OECD, as decentralisation becomes a world-wide agendum. This prompted JICA to conduct researches and analytical studies in view of looking into concrete proposals on policy shifts necessary to effectively support local government units (LGUs), work with social organisations, and on how localisation is opening up for international cooperation.

1.2. Three years ago, JICA started to conduct international surveys for this purpose, and dispatched this year three study teams to Indonesia, China and the Philippines. The Philippine Study Team was expected to share concrete country experiences on decentralisation, particularly because of the implementation of the 1991 Local Government Code (LGC) in the Philippines since 1992.¹

¹ The 1991 LGC in the Philippines was under-going review for possible amendments when the study was conducted. According to the Code, the government should conduct a mandatory review of the 1991 LGC every 5 years. October 10, 1996 was the 5th year of the LGC.

Table 1
 The Philippine Study Team Members

Name	Position
1. Dr. Yuji Suzuki	Professor, Hosei University (Team Leader)
2. Dr. Keiichi Tsunekawa	Professor, Tokyo University
3. Dr. Yoshio Kawamura	Professor, Ryukoku University
4. Mr. Shiro Akamatsu	Development Specialist, JICA Tokyo
5. Ms. Kayo Torii	Associate Specialist, JICA Tokyo
6. Engr. Rey Gerona	Consultant, JICA Philippines

1.3. In order to get fresh feedback on the decentralisation experiences from a national, regional and local perspectives, the Study Team organised and conducted 12 small-group discussions in Metro Manila (seat of the national government), 5 discussions in 2 regions, and another 5 discussions at the local government levels (2 provinces, 1 city, 1 municipality and 1 barangay).

1.4. The Study Team is expected to submit an over-all study report to JICA early in 1997, after consolidating country reports from the study teams dispatched to Indonesia and the Peoples Republic of China. This Report is separate and independent from that of the over-all study report.

1.5. Primarily based on study group-discussions, this Report focuses on 6 major topics on the experiences of decentralisation in the Philippines. These are (i) issues confronting decentralisation, (ii) effects of decentralisation; (iii) actual influences of decentralisation; (iv) regional policy priorities for rural development; (v) support to decentralisation by other donor organisations; and (vi) recommendations to JICA to be able to effectively support the on-going decentralisation process. An executive summary of the 1991 LGC is attached as Annex 1 of this Report, while the highlights of the study discussions is presented in Annex 2.

Report on the Issue-Wise study on
Regional Development and the Role of Government

Table 2
 Study Discussions

Level	Agency/Organisation	Discussants
1. Central level (Metro Manila)	5 NGAs	DILG-BLGS, NEDA-PIS & RDGS, DILG-LGA, DOF-BLGF and NEDA-PIDS
	5 ODA	CIDA, WB, WHO, USAID and ADB
	1 Academe	UP-LGC Mr. Aquilino Pimentel Jr. (Former senator and author of the 1991 LGC)
2. Regional level (Region 7 and Region 6)	2 NGAs	NEDA-Regional Office 7 (Cebu city and NEDA-Regional Office 6 (Iloilo city)
	3 FAPs	CIDA-LGSP Iloilo, OECF-MCDP Cebu and JICA-Public Health Project Cebu
3. Provincial level	2 provinces	PPDO-Iloilo province and PPDO-Cebu province
4. City level	1 city	CPDO-Iloilo city
5. Municipal level	1 municipality	Tubungan municipality (in Iloilo province, a CIDA-LGSP assisted municipality)
6. Barangay level	1 Barangay	Barangay Agdao (in Tubungan municipality)

2. **HIGHLIGHTS OF THE DECENTRALISATION PROGRAM IN THE PHILIPPINES**²

2.1. **Historical perspective**

In early 1950s, it was popularly believed that the fastest route to economic development was a centralised economic planning and heavy industrialisation that requires strengthening of a centralised bureaucracy and a more concentrated economic power on a central planning body.³ But many believed though that the applied centralised bureaucracy in the Philippines was more invariably socio-political, that weak or non-existent institutions at the local level would continuously require strong central bodies managing and controlling local affairs. It was recognised, on the other hand, that it would be difficult for a centralised government to undertake distributional equity and regional development schemes without strong local institutions and organisations. Indeed, for many years, the Philippines witnessed big regional development gaps attributed by the over-concentration of power and resources in the national center. A more obvious drawback of the top-heavy centralised form of decision-making in the Philippines was a bureaucracy overburdened with red tapes that resulted to inefficiencies, unnecessary delays of immediately needed development efforts, and mis-allocation of resources.

In late 1960s and throughout the 1970s, the regionalisation concept was adapted which resulted to the establishment of regional development authorities, regional development councils (RDCs), regional development planning, and even regional development funds - believed to be an attempt to deconcentrate administrative supervision and political control over local government units. Indeed, local government units cannot do anything without the consent of and permission from DILG, especially during martial law years.⁴

² Primarily based on the decentralisation study conducted by JICA in 1995 (by Mr. Shiro Akamatsu and Rey Gerona). An executive summary of the 1991 LGC is presented as Annex 1 of this Report.

³ Reference: The Macro Aspect and Political Economy of Decentralisation, a paper by Prof. Joseph Lim of UP, 1992.

The processing of requests for foreign funding and the implementation of foreign-assisted projects (FAPs) are not spared from the issues against over-centralisation of decision-making and over-concentration of foreign resources lodged at national government agencies (NGAs). Most LGUs and local social organisations were made mere expectators rather than active participants in the management and operations of FAPs, normally implemented by NGAs at various LGU levels.

The drawbacks of centralisation have produced cries for growth with equity and rural development, over time. Clamours for genuine decentralisation were aimed not only to mean liberalisation and privatisation (due to the inefficiencies of the central government in delivering basic services), but also to empower and transform local project “beneficiaries” into active development “partners” and area “managers”. This, of course, requires a sound political will and environment in a country like the Philippines where people’s minds were shaped to be dependent over decades, and where centralism had been a societal system.

Table 3
LGUs and national economy, Philippines

1. Number of local government units ⁵ (as of 1996)	
Provinces	77
Cities	65
Municipalities	1,542
Barangays	41,924
2. Economic performance, 1995 - 1996 ⁶	
Actual GNP in 1995	5.7 %
Actual GDP in 1995	4.8 %
Actual GNP in 1996	6.9 %
Actual GDP in 1996	5.10 %
Target GNP for 1996	7.11 %
Target GDP for 1996	6.12 to 6.8 %

2.2. The 1991 Local Government Code (LGC)

The 1991 LGC was considered the most radical and boldest attempt to decentralisation. Unlike previous decentralisation attempts, the 1991 LGC actually devolves functions and responsibilities, and assets including personnel of NGAs to LGUs. Specifically, the LGC (i) devolves the delivery of basic services and the enforcement of certain regulatory powers, (ii) provides legal infrastructure for NGO and PO participation in the local development councils

⁵ These LGUs are distributed to 7,107 islands composing the national land area of 300,000 square kilometers.

⁶ Reference: Philippine Daily Inquirer, February 1, 1997

(LDCs) and special bodies, (iii) increases local financial resources by broadening taxing powers, by having specific share in national wealth, and by increasing IRA share from 11 % to 40 %; and (iv) promotes entrepreneurial orientation to LGUs.⁷ The LGC also encourages LGUs to directly access foreign grants from international donor organisations without the unnecessary interference of NGAs, like the NEDA.⁸

Table 4
 Devolved services and facilities from NGAs to LGUs

- | |
|--|
| <ol style="list-style-type: none"> 1. Agricultural extension and on-site research (from DA) 2. Implementation of community-based projects and enforcement of environmental protection laws (from DENR) 3. Delivery of field health services, hospital services and other tertiary health services (from DOH) 4. Construction and maintenance of public works/infrastructure funded out of local funds (from DPWH) 5. Construction and maintenance of school buildings (from DECS) 6. Delivery of social welfare services (from DSWD) 7. Tourism facilities and tourism promotion/development (from DOT) 8. Inter-municipal telecommunications services for provinces (from DOTC) |
|--|

Source : BLGD

The passage of the 1991 LGC had to get a proper timing particularly in terms of a timely supportive political environment.⁹ In mid-1980s, a decentralisation proposal had to pass in Congress while the sad experiences of over-centralised bureaucracy (and martial law) was still fresh from the people's minds and that the national leadership, which was very supportive of the

⁷ These points were raised by Assistant Director Beth Sacendoncillo of the Local Government Academy (LGA).

⁸ As pointed out by Mr. Manny Gotis of DILG-BLGS and Atty. Nene Pimentel, former senator and author of the 1991 LGC.

⁹ As narrated by Mr. Aquilino Pimentel Jr, then a senator and author of the 1991 LGC.

localisation, was not intending to serve for another presidential term beyond 1991.¹⁰ Finally, with some compromising provisions between the proponents and the opposition from both houses of Congress (House of Representatives and the Senate), the new local government code was enacted in 1991 for implementation beginning in 1992.

2.3. Speculations regarding the 1991 LGC implementation

Almost all sectors (national government, NGAs, LGUs including some of the private sectors) were apprehensive of the new LGC. Many were afraid of possible abuse of powers by local officials devolved to them. Others were anticipating the worst deterioration in the delivery of basic services under the hands of some corrupt local politicians. Some more others concluded that LGUs were technically and financially unprepared to be project implementors and managers. Some had expressed concerns on the insecure attitude of most NGAs in the regions or at the national center for having their implementing roles taken over by LGUs.

Table 5
 Devolved regulatory functions to LGUs

- | |
|---|
| <ol style="list-style-type: none"> 1. Reclassification of lands consistent with CARP (from DAR) 2. Inspection of food products for public consumption (from NMIC-DA) 3. Quarantine (from DOH) 4. Enforcement of the national building code (from DPWH) 5. Operation of tricycles (from LFTRB-DOTC) 6. Real estate trade and business (from HLURB) 7. Establishment of cockpits and holding of cock fights (from PGC) |
|---|

¹⁰ President Corazon Aquino (1986-1991) was brought to Presidency through a peaceful peoples revolt in February of 1986.

2.4. Registered trends of decentralisation

Firstly, because of the sudden and drastic change of relationship between the central and local governments brought about by the 1991 LGC, both LGUs and NGAs registered a “wait and see attitude”, while the NGOs and POs portrayed aggressiveness in advocacy and awareness raising. The second trend showed that LGUs were moving forward, and some NGAs (particularly the central offices) responding slowly to LGU enthusiasms. Some problems on the devolution of personnel were solved, and the IRA system began to function. The third trend demonstrated an increased momentum of LGUs toward decentralisation, as some successes of experimentation were made available. Local resource mobilisation had significantly increased and the delivery of basic services was slowly improving, especially in the cities.

Table 6

Expected functional relations between the national government and LGUs
 with the devolution of basic services delivery

1.	National agencies shall principally be responsible for policy formulation, program development, standard setting, provision of technical assistance to LGUs, and monitoring
2.	LGUs shall assume responsibility over local development and delivery of basic services.
3.	LGUs shall participate in the planning and implementation of national programs and projects
4.	LGUs shall exercise limited administrative authority over functionaries of national agencies in the locality

2.5. Status of LGC implementation

The implementation of the 1991 LGC is divided into 3 phases, namely (i) change-over phase, (ii) transition phase, and (iii) stabilisation phase. The change-over phase where the functions, assets and personnel of NGAs are devolved to LGUs was, by and large, completed in

Report on the Issue-Wise study on
Regional Development and the Role of Government

1993, as targeted. The transition phase, where LGUs and NGAs institutionalise their corresponding adjustments to the decentralised scheme, is expected to be achieved within the period of 1994 and 1996. The stabilisation phase, where LGUs should have acquired adequate capabilities in managing local affairs, and that NGAs continuously provide appropriate technical support, is expected to happen beginning in 1997.

While the devolution was achieved as projected, the present situation of LGC implementation suggests an extended transition phase beyond its timeframe. The stabilisation phase depends largely on the speed of adjustments the NGAs would take, and the present status of LGC implementation demonstrates that it cannot be expected to start in 1997, as targeted. While many LGUs (especially the cities and municipalities) have shown indications of adequate capabilities in managing local affairs, most NGAs (except for the DSWD) were not able to actively fill-in their new roles.

Table 7
 IRA Allotment and Sharing formula

1. Allotment Formula			
	1991	-	P 12.15 billion
	1992	-	30 % of 1989 national internal revenue or P24.4 billion
	1993	-	35 % of 1990 national internal revenue or P36 billion
	1994	-	40 % of 1991 national internal revenue or P46 billion
2. Sharing Formula			
	Provinces	-	23 %
	Cities	-	23 %
	Municipalities	-	34 %
	Barangays	-	20 %

3. SUMMARY OF ISSUES CONFRONTING DECENTRALISATION ¹¹

3.1. On the devolution of health services

The major issues confronting the devolution of health services can be summarised into three, namely :

- the devolution of district hospitals to the provinces in addition to the already existing community or provincial hospitals the provinces have to operate and maintain,
- the salary increases and availment of more benefits by nationally-paid DOH workers (as a result of the passage of the Magna Carta for Health Workers in 1993 by the central government), which are not being enjoyed by most devolved DOH personnel due to limited financial capabilities of LGUs, and
- the increasing annual agency budget of DOH despite the fact that more than 90 % of its functions have already been devolved to LGUs.

Table 8

Annual budget of DOH, 1991 - 1997

Year	Amount (in Pesos)
1991	7.5 billion
1994	7.4 billion
1995	8.5 billion
1996	9.2 billion
1997	12.8 billion

Source: Mr. Aquilino Pimentel Jr (author of the 1991 LGC)

¹¹ The problems and issues of decentralisation and proposed amendments to the 1991 LGC have been collated and currently under review by the 1991 LGC Oversight Committee. The list of proposed amendments to the 1991 LGC can be obtained from the DILG-BLGD. More elaborated issues are presented in Annex 2 of this Report (Highlights of Study Discussions).

The devolution of district hospitals to the provinces has been admittedly pointed out as one of the weak points in the formulation of the 1991 Local Government Code.¹² They should have been maintained and operated by the central government through the DOH because of the financial burdens they would cause to provinces. But since the first day these district hospitals were devolved, most of the provinces took them as part of the challenge and produced multiple initiatives and approaches to prove that they have the capabilities far better than the DOH used to operate and maintain them. And these efforts are gaining ground. Many district hospitals have delivered better services than they used to be. Re-centralising them would not only defeat the spirit of decentralisation but would also put the exerted efforts of provinces to waste.

The Magna Carta for health workers was passed into law by the central government in 1993, during which time the issues on devolved personnel reached to highest levels. Basically, the 1993 Magna Carta for health workers provides an “across-the-board” salary increases to health workers. However, this salary increase has not been enjoyed by most of the 45,818 DOH devolved personnel because of the financial limitations of LGUs. The law provides that salary increases depend on the financial capabilities of LGUs - which most local governments do not have. Aside from being demoralised, devolved DOH personnel wanted themselves to be taken back by their central office. Notwithstanding, many LGUs are trying to cope up by increasing their local incomes and that many young medical professionals take the challenge and respond to LGUs’ needs.

Partly justified by the salary standardisation measure, the DOH agency budget kept on increasing year after year despite of the devolution of most of its functions. This caused a growing

¹² All hospitals, except for private hospitals, were operated and managed by DOH before devolution. According to Mr. Pimentel, then senator and author of the 1991 LGC, the district hospitals, established and constructed by congressmen out of their countryside development funds (CDF) in different places of a province, should have been retained for DOH to operate and maintain. During the final reviews of the draft 1991 LGC, Mr. Pimentel was referring the devolution of hospitals to exclude district hospitals.

clamour of the provinces and cities to have the DOH funds transferred to them. There are, however, national health programs which should not be under-estimated. One good compromise would be for the DOH central and regional offices to make themselves visible in the LGU levels and institutionalise a more transparent fund expenditure system.¹³

3.2. On the functionality of local development councils (LDCs) and RDCs¹⁴

The expectations on how LDCs and RDCs should perform under the decentralised set-up of governance appear too high.¹⁵ First, most LDCs and RDCs are not convened as an assembly, or not organised properly. The most common argument is about the large size of LDC or RDC membership which is difficult to manage, and that a quorum is difficult to achieve. Second, the tendency of most local chief executives (LCEs) is to appoint their own or if not, their preferred NGOs and POs to represent the 25 % seats of the total LDC or RDC membership for the private sector representation.

The integration of LGU area-oriented development plans and the NGA macro-sectoral oriented plans (especially at the RDC levels) is not being institutionalised. It is still the NGAs' sectoral perspective and physical planning framework that is generally followed by LGUs in formulating their own development plans. RDCs and LDCs are practically seen as "stamping boards" or "ceremonial bodies", instead of being centers for participatory development and consensus building in local governance. One potential measure to address this issue is to support

¹³ The DOH has been slapped with public criticisms when its former Secretary (Dr. Hilarion Ramiro) was charged with graft and corruption case in 1995. He was replaced by a female Secretary since then.

¹⁴ It is important to distinguish RDCs and LDCs (e.g., PDCs, CDCs, MDCs and BDCs) by their organisers. LDCs are organised by DILG while RDCs were created for NEDA to mobilise.

¹⁵ The local development councils (LDCs) are viewed as avenues in which peoples participation in local governance takes place through the representation of local NGOs and POs. Primarily, the LDCs are expected to assess, evaluate and prioritise and approve LGU development plans, integrate NGA plans into the LGUs' and monitor the progress of implementation.

and mobilise both NEDA and DILG (practically in the regions) to jointly facilitate the strengthening of these development councils.

Table 9
RDCs and LDCs

Level	Development Council	Total number	Secretariat or Convenor	NGA responsible	NGO and PO	Chair
Region	Regional Development Council (RDC)	16	NEDA-Regional Office	NEDA	at least 25 %	Governor or private sector appointed by the President
Province	Provincial Development Council (PDC)	77	Provincial Planning and Development Coordinator	DILG	at least 25 %	Governor
City	City Development Council (CDC)	65	City Planning and Development Coordinator	DILG	at least 25 %	City Mayor
Municipality	Municipal Development Council (MDC)	1,542	Municipal Planning and Development Coordinator	DILG	at least 25 %	Municipal Mayor
Barangay	Barangay Development Council (BDC)	41,924	Barangay Secretary/Barangay Captain	DILG	at least 25 %	Barangay Captain or Head

3..3. On local resource mobilisation

There are 2 major issues here. One is about the high dependency of LGUs to IRA, and the other is about the skills of LGUs in mobilising available domestic resources for community development projects.

About 90 % of all the 1,542 municipalities are economically poor,¹⁶ and therefore highly dependent on IRA from the national government. On average, the provinces are 70 % dependent

¹⁶ According to Mr. Gotis of DILG-BLGS, 90 % of all municipalities fall under the 4th, 5th and 6th income-class categories.

on IRA, while the cities are 30 to 40 % dependent.¹⁷ This indicates a low level of local revenue generation by LGUs despite the taxing powers given to them under the new local government code.

The issues associated with ineffective local tax revenue generation include inappropriate tax mapping and information system and the hesitant political attitude of many local chief executives (LCEs) to reform existing local taxation schemes for fear of losing the support of local elite and the business sector during elections.

Potential domestic resources to be mobilised include the Countryside Development Funds (CDF) of the Vice-President, Senators and Congressmen, and their "congressional insertions" to the annual national budget. The total CDF of the 1997 national budget amounts to Php 19.51 billion, Php 16.542 billion of which is inserted to the DPWH budget, while Php 2.97 billion to other NGAs (Philippine Daily Inquirer, February 1, 1997 issue).

Table 10
 CDF allocation for congressmen, senators and the vice-president
 1996 and 1997 comparison

	1996	1997	% down
Vice-President (1)	20 million	18 million	10 %
Congressman (200 +)	12.5 million	11.5 million	10 %
Senator (24)	18 million	10.8 million	40 %

Note: Figures in parenthesis indicate the number of authorities having CDF and CIA or "pork barrel" funds. For example, there are more than 200 congressmen nation-wide. Each is entitled for a CDF of Php 11.5 million for 1997 (Source: Philippine Daily Inquirer, February 1, 1997)

¹⁷

There are 77 provinces and 65 cities nation-wide. On average, IRA constitutes 70 % of the total gross income of the provinces, while 30 to 40 % of the total gross income of the cities comes from IRA.

The issue on the Countrywide Development Fund (CDF) of the Congressmen and Senators, and even that of the Vice-President lies more on their appropriate use to support LGU projects, and their integration into the LGU planning processes¹⁸.

Over and above, local revenue generation largely depends on the equitable dispersal of economic opportunities to the countryside, which are still evidently concentrated in the metropolitan centers.

3.4. On LGUs' direct access to ODA resources ¹⁹

First, an operational policy confusion exists. While the 1991 LGC provides that LGUs can directly access ODA resources, the devolution guidelines maintain that foreign-assisted projects should not be devolved to LGUs.

Secondly, LGUs are not familiar with the different technical grant assistance schemes of donor organisations, that there exist difficulties in appropriately packaging project proposals. Moreover, the system and procedures of processing project requests for ODA grant assistance have not been reviewed and updated so that they would be aligned to the decentralised set-up of governance.

Common criticisms about the implementation of foreign-assisted projects include (i) their being NGA and centrally-oriented, (ii) their being implemented without proper consultation and active participation of LGUs in project management and operations.

¹⁸ CDF holders (e.g., congressmen, senators, etc.) identify their own projects to be funded by their CDFs even if these projects were not considered as priority projects by LGUs.

¹⁹ Emphasised in this discussion are ODA grants

The sustainability of foreign-assisted projects (FAPs) after the phase-out of foreign assistance is always put to question largely because LGUs, who are supposed to carry-out that responsibility, do not have the required technical and financial capacities. This is so because LGUs are not made direct beneficiaries of technology transfer, and that their being passive participants or not being directly involved in project management demotivates them to financially prepare themselves to sustain project operations. What normally happens is a formulation of another project proposal by the implementing NGA (normally at the central office) for foreign funding after the phase-out of foreign grants (e.g., project expansion, extension, upgrading or follow-up), instead of LGUs and NGAs sustaining them effectively and efficiently on their own.

In addition, the ODA programming system (by NEDA) consistently failed to disperse ODA resources across regions. A wide regional disparity of ODA loan availment has been existing and therefore, ODA donor organisations continually fail to reach the most needy areas.

Table 11
Commulative ODA loan availment, 1990 - 1995
(in million US \$)

No.	Region ²⁰	1990	1991	1992	1993	1994	1995	Total
1	NCR	891.9	876	1,125.8	1,125.4	1,160.8	1,213.7	6,393.6
2	1	41.8	41.8	71.6	72.3	13.3	12.2	253
3	2	0	0	0	0	0	0	0
4	3	77	339.7	591.2	393.4	457.5	495.9	2,354.7
5	4	482.1	547.3	517.4	586.3	765.4	913.7	3,812.2
6	5	199.1	199.1	200.5	200.5	322.1	284	1,405.3
7	6	25	0	0	0	0	15	40
8	7	142.4	234.9	254.3	352.1	360.9	722.1	2,066.7
9	8	78.7	56.3	40.7	44	50	143.4	413.1
10	9	0	0	6.5	6.5	6.5	24.2	43.7
11	10	3.3	0	0	0	0	44.9	48.2
12	11	43	41.3	42.7	27	30.7	78.5	263.2
13	12	42.4	92.8	89.3	87.3	95.3	106.3	513.4
14	CAR	38.4	38.4	24.6	23.4	22.5	0	147.3
15	Multi-regional	1,715.7	1,545.2	1,740.6	3,692.2	2,817.7	3,688.6	15,200
16	Nationwide	4,592.4	5,118.3	5,541.0	5,332.5	4,844.2	5,141.1	30,569.5
Total		8,373.2	9,131.1	10,246.2	11,942.9	10,946.9	12,883.6	63,523.9

Source: NEDA-PIS/PMS (this reference copy was furnished by the NEDA Regional Director, Region 9)

²⁰

The ARMM and the newly created CARAGA region are covered by Regions 9, 10, 11 and 12 in this presentation.

Summarily, the practical issues at hand are :

- the failure in information dissemination about donors' grant assistance schemes as expected from NEDA (being the ODA national coordinator)
- the failure of technology re-transfer by NGA personnel who availed various (and sometimes, repeated) skills training (domestic and foreign) to LGUs, or
- the emerging trend of commercialisation of technical expertise by NGA personnel which LGUs can hardly afford.

This situation offers opportunities for ODA organisations to review their respective assistance schemes and channeling system. Some points can be gleaned from these feedback:

- Dealing with one national government agency (NGA) or many provinces is a matter of administrative or institutional arrangement and a matter of an in-depth technical review of the implementing designs of project proposals submitted for foreign funding.
- It does not automatically follow that when a donor organisation trains or transfers technology to central NGA personnel, the latter also freely and ably train and re-transfer accumulated experiences or skills to project implementors, which in this case, the LGUs.
- LGUs are not yet in a better position to directly access and negotiate foreign grant assistance, not because they are not capable but because, for so long, they are deprived of the opportunity to access information and the opportunity to learn by doing it themselves.
- LGU needs are getting more complicated, another level of local situation which require tough competence and updated expertise - which most LGUs do not have.

4. EFFECTS OF DECENTRALISATION

4.1. Increased LGU incomes (because of the IRA) and income class re-classification

The incomes of all LGUs have tremendously increased since 1992 when 30 % of the 1989 national internal revenues was distributed to them according to the IRA sharing formula.²¹ The LGUs' local revenues, however, remain small particularly those rural provinces and municipalities whose real property and business tax collections are low, and that taxable properties and businesses are limited.

Table 12
 IRA for all LGUs, 1991 - 1997

Year	Amount (in Pesos)
1991	9.4 billion
1992	20.2 billion
1993	36.7 billion
1994	46.7 billion
1995	56.5 billion
1996	51.9 billion
1997	71.0 billion

Source: Mr. Aquilino Pimentel Jr, former senator and author of the 1991 LGC

Because of the increased incomes (brought about by the IRA), many LGUs are re-classified into 3rd, 2nd or 1st class from 6th, 5th and 4th income ranks. The IRA is automatically and directly released to the provinces, cities, municipalities and barangays through the government banks like the Land Bank of the Philippines, Development Bank of the Philippines and the Philippine Veterans' Bank. This is being monitored by DBM regional offices.

²¹ The IRA is computed based on the national internal revenues collected 3 years back.

The argument, therefore, that LGUs do not have the financial capacity is not absolutely correct. The observation that most LGUs are indeed richer than some NGAs is not an exaggeration either. The LGUs have enough funds. The question lies more on the matching skills between development priorities and local financial resources - a planning process which requires appropriate technical inputs.

4.2. Upgrading of Barangay Administration

For the first time, barangays are provided with IRA which forces barangay officials to seriously acquire skills in public administration and raise consciousness on public accountability. Most of the barangays in the cities (particularly those in the highly urbanised cities) may not have big problems in fiscal management and project implementation, but those in rural municipalities and component cities lack the required technical expertise in development planning, financial management and project implementation.

Primarily due to the devolved functions and the provision of IRA to barangays that most technical assistance programs of some NGAs (e.g., DSWD, DOH, DAR) and LGUs (municipalities, cities and provinces) are re-focused to the barangays (the lowest level of LGU), where genuine participatory development processes are expected to start.²²

The 1991 Local Government Code spells out the potentials of the Barangay Development Councils (BDCs). Unlike other LDCs, the BDCs are easy to manage, having a small size and easier to mobilise. What they practically need is a comprehensive technical assistance package which would specifically address the issues on development planning, project implementation and management, fiscal administration, and local legislature and effective law enforcement.

²²

The Philippines is composed of 41,921 barangays. Geographically, the barangays are the only LGUs which have territories because the cities and the municipalities are basically composed of barangays, and that the provinces are composed of municipalities and component cities.

4.3. Increasing recognition of the changing role of DILG over LGUs

Under the decentralised set up, LGUs can make their own development plans and directly implement them based on the availability of their local funds. LGUs are not anymore strictly required to submit their plans to NGAs before implementation. The non-submission by LGUs of their development plans and project reports to NGAs have caused serious problems in NGA monitoring and sectoral planning in the regions or in the central level. However, DILG was given the authority to provide guidance and regulate the use of the 20 % IRA by LGUs,²³ and because of this, LGUs are obliged to submit development plans and monitoring reports to DILG.

Table 13
 Unemployment rates, figures and GNP increases, 1992-1995 (Philippines)

	1992	1993	1994	1995
Unemployment rate (%)	9.8	9.3	9.5	9.5
Unemployment figures (in million)	2.594	2.497	2.622	no data
GNP increase (%)	0.06	2.7	5.2	5.75
Underemployment (%)	20.5	21.7	21.4	no data

Source: Freedom from Debt Coalition (FDC)

One of the significant changes of DILG's role under the decentralised scheme is the DILG's shift from regulatory role over LGUs to assistory. DILG normally conducts dialogical and consultative processes with those administratively-erring LGUs. The emphasis is to "help" the LGUs rather than "punish" them directly, or shifting from being a "watch-dog" and "fault-finder" to "cooperative-friendly advisors".

²³ As per Administrative Order (AO) No. 207 issued to DILG by the President in December 1995

With the decentralised set up, DILG has to look after the development of LGUs. One of the influences of decentralisation is the formulation of the Integrated Capability Building Program (ICBP) for LGUs which is being carried out by DILG. Under the government's Social Reform Agenda (SRA), DILG is mandated to be primarily responsible on institution building and participation in governance program which would mean the institutionalisation of NGO/PO and LGU/LA collaboration, and strengthening of the local development councils. With these, LGUs recognise the important role of DILG over local development than those of the others. NGAs, particularly at the regions, normally channel their communications for LGUs to DILG or request the assistance of DILG to call the attention of LGUs to support NGA activities in their levels. The other reason for this, is the fact that only DILG has the complete mechanisms down to municipalities or even in some barangays. The DILG has people and offices in all the regions, provinces, cities, municipalities and in some barangays.²⁴

EFFECTS OF DECENTRALISATION

1. Increased LGU incomes because of the IRA.
2. Income re-classification of LGUs.
3. Automatic fund transfer from the Department of Budget and Management (DBM) to provinces, cities, municipalities and barangays. LGUs open bank accounts at either Development Bank of the Philippines (DBP), Philippines' Veterans Bank and or Land Bank of the Philippines (LBP) in their localities or bank branch offices nearest to them.
4. Upgrading of Barangay administration.
5. Refocusing of technical assistance programs to 5th and 6th class municipalities and barangays.
6. Growing recognition of the important roles of the municipal and barangay development councils.
7. DILG's shift of focus from regulatory roles over LGUs to assistory.
8. NGA-LGU exchange of roles. NGAs to facilitating roles, while LGUs to implementing roles.
9. LGUs going entrepreneurial.

²⁴

This point was also raised by Mr. Manny Gotis of DILG-BLGS.

Decentralisation brings forth many challenges for DILG to respond and consequently raises the expectations of both LGUs and other NGAs in terms of DILG's competence and performance. How effective and efficient the DILG can deliver these expectations remains to be seen, though.

4.4. Growing advocacy for greater autonomy

With the increased flexibility given to LGUs under the decentralised scheme, new management and entrepreneurial skills have emerged. From small enterprise development planning, many provinces, cities and municipalities go for banking transactions. Many of them borrow money for infrastructure and income generating projects from government financing institutions (GFIs) or private commercial banks - which, on the other hand, enhanced their credit windows for LGUs with the advent of decentralisation. Some of the LGUs venture into Build-Operate-Transfer (BOT) schemes and/or Build-Lease-Transfer (BLT) schemes with the private sector and even apply bond flotation arrangements with commercial banks. Most LGUs are into partnership with local NGOs in terms of cooperatives development and in the implementation of the SRA - Minimum Basic Needs (MBN) approach.

With new adventures at hand, LGUs go for strengthening Human Resource Development (HRD) approaches and mechanisms. Capability building, in terms of skills training and advanced management advisory services, becomes the present "catchword" of most LGUs. With this, a growing advocacy exists on "provincialising" NGA regional offices or relocating technical assistance-oriented NGAs from the regional capitals to some strategic provinces and cities within the region.²⁵

²⁵ According to Dir. Escandor (NEDA Regional Director, Cebu), this is necessary in order for the NGAs to effectively provide necessary assistance to LGUs on time and for the LGUs to easily access NGA services.

Going entrepreneurial in macro-scales would also mean rural industrialisation at the expense of land ownership opportunities of the farmer-tenants under the Comprehensive Agrarian Reform Program (CARP) of the government, and would even pose a potential exploitation of the natural resources and environment. Balancing them would require tough competence and skills which most LGUs do not have at the moment. But more importantly, under the decentralised set up of governance, LGUs can freely choose which development direction to go. While Cebu province goes for massive industrial investments, for example, Iloilo province opted to go for agricultural development and agri-business in a more manageable and appropriate scale.

The growing advocacy for more autonomy emphasises that central government should refrain from “dictating” what it wants LGUs to be, and instead allows LGUs to do their own rightful jobs with the appropriate guidance and supportive interventions of the central government through the NGAs.

Table 14
 Average Annual GNP per capita growth rate of selected Asian countries (in %)

Country	1965 - 1980	1985 - 1994
Singapore	8.3	6.1
Korea	7.3	7.8
Hongkong	6.2	5.3
Indonesia	5.2	6.0
Japan	5.1	3.2
Malaysia	4.7	5.6
Thailand	4.4	8.6
China	4.1	7.8
Philippines	3.2	1.7

Source: UNICEF, Philippine Daily Inquirer, February 8, 1997

Note: A time series analysis of the average annual gross national product per capita growth rates of 9 selected Asian countries reveals that the regional growth rate climbed to 5.8 % in 1985-1994 from 5.4 % in 1965-1980. The Philippines had the lowest growth rate in both periods. Singapore posted the highest growth rate in the first period but it dropped three notches to 4th place in the second period, when Thailand led the pack with 8.6 %.

5. ACTUAL INFLUENCES BROUGHT ABOUT BY DECENTRALISATION²⁶

5.1. The Formulation of the Social Reform Agenda

With the 1991 LGC, the legal framework for peoples participation in governance has been laid out. The task then was to institutionalise concrete actions to realise peoples participation and empowerment in terms of jointly (government and the private sectors) formulating and implementing a national development agenda which would accelerate poverty alleviation efforts, particularly in the most needy areas.

After a series of participative dialogues, consultations and workshops in the provinces and in the regions, the Social Reform Agenda was finally drafted and formally launched in mid 1994. As a joint effort of the government, NGOs, and PO sectors, the SRA identified 9 major government programs, specific target sectors and pilot provinces where the poverty alleviation package has to be aggressively implemented.²⁷ The SRA implementation is considered crucial in attaining the government's targets of raising the GNP to 10 % by 1998 and in reducing national poverty incidence to 30 % during the same year.

²⁶ Influences of decentralisation, in this paper, are differentiated from effects in terms of national government programs which are presently carried out as results of the decentralisation issues being advocated for. These programs are also undertaken as development policies for the development of rural areas. Effects of decentralisation, on the other hand, are descriptions of present local situations as discussed in the preceding section of this report.

²⁷ The first 20 most depressed provinces as identified by the Presidential Council to Fight Poverty (PCFP) are Abra, Mt. Province, Benguet, Kalinga, Apayao, and Ifugao all of the Cordillera Administrative Region (CAR, Batanes in Region 2; Aurora and Romblon both in Region 4; Masbate in Region 5; Antique and Guimaras in Region 6; Eastern Samar, Biliran and Southern Leyte all of Region 8; Agusan del Sur and Surigao del Sur both in the newly created CARAGA region; Sulu and Tawi-Tawi in the Autonomous Region in Muslim Mindanao (ARMM). In 1995, the SRA implementation was expanded to the remaining 57 provinces and all 65 cities, giving priority attention to 5th and 6th class municipalities.

Table 13
The SRA Program

SRA program	Lead Implementing Agency	Target Basic Sectors	Convergence area
1. Agricultural Development	DA and DAR	Farmers, landless rural workers	Agrarian Reform Communities (ARCs)
2. Fisheries and Aquatic Resource Conservation, Management and Development	DA	Fisherfolks	Priority Bays and Lakes (PBL)
3. Socialised Housing	HUDCC	Urban Poor	Urban Areas, Resettlement and Growth Centers (UARGCs)
4. Respect, Protection and Management of Ancestral Domains	DENR	Indigenous Peoples	Certified Ancestral Domain Claims (CADC)
5. Workers Welfare and protection	DOLE	Workers in the informal sector	
6. Comprehensive Integrated Delivery of Social Services (CIDSS)	DSWD together with DOH and DECS	Disadvantaged groups (women in difficult circumstances, street children, elderly, persons with disabilities, disaster victims)	CIDSS areas
7. Livelihood program	DOLE and DTI	all sectors	
8. Credit expansion	DOF and Land Bank	all sectors	
9. Institution Building and Participation in governance	DILG	all sectors	

5.2. Integrated Capability Building (ICBP) for LGUs

Because of the weak technical capabilities of LGUs, the DILG was tasked to carry-out the Integrated Capability Building Program (ICBP) for LGUs in a more aggressive way. The Local Government Academy (LGA), although existing since 1988, has been made more operationally visible only in 1992. LGA is an affiliate structure of DILG which primarily handles the ICBP activities. The LGA's activities under the ICBP include organising and facilitating training of

LGU officials and personnel, production of simplified manuals on LGU development and management, facilitating LGU access to various information, among others.

5.3. Establishment of the Institutes for Local Government Administration (ILGAs)

One of the strategies applied in carrying-out the ICBP is the establishment of ILGAs in the provinces. The DILG and LGA forge partnerships with private universities and colleges in the regional capitals or strategic provinces and establish the ILGA within the academe structure. These universities or colleges, through their ILGAs, open-up courses and practical training on local administration to LGU officials and personnel. LGA provides “seed money” (Php 100,000) to each partner ILGA as an initial capital in order to operate and carry out the tasks.

ACTUAL INFLUENCES BROUGHT ABOUT BY DECENTRALISATION

1. The formulation of the Social Reform Agenda (SRA)
2. The Integrated Capability Building Program (ICBP) for LGUs
3. The establishment of the Institutes for Local Government Administration (ILGAs)
4. The establishment of the Project Development Assistance Centers (PDAC) at the Regional Development Councils (RDCs)
5. LGU groupings (e.g., Metro Iloilo Development Council, Metro Cebu, etc.)
6. Streamlining the government bureaucracy

5.4. The establishment of Project Development Assistance Center (PDAC) at the RDC

Recognising the limitations of LGUs in project identification, project proposal packaging and fund sourcing, NEDA initiated the establishment of PDACs within the RDC structures in the

regions. The PDACs are designed to be inter-disciplinary and inter-agency groups, but are initially manned by the technical officers of NEDA regional offices.

5.5. Groupings of LGUs

Based on the concept of resource-sharing and complementation, LGUs (in various levels) strategically grouped themselves together to form growth areas and economic corridors (e.g., CALABARZON is a group of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon, etc.). In smaller scales, the Iloilo province formed the Metro Iloilo Investment Foundation consisting of Iloilo city and the adjacent municipalities in urbanising status. The LGU grouping strategy at present, however, is seen as foreign investment-oriented rather than being a meaningful approach for LGU-to-LGU partnership in terms of delivering basic social services and as a strategy in converging limited financial resources for common good.

Table 16
GNP and GDP, Philippines, 1985 - 1995

Year	GNP	GDP	Source of Growth		
			Agriculture	Industry	Services
1985	-7.02	-7.31	-1.88	-15.75	-2.08
1986	4.15	3.42	3.68	2.3	4.23
1987	4.62	4.31	3.22	4.01	5.23
1988	7.71	6.75	3.24	8.75	7.16
1989	5.61	6.21	3.01	7.38	7.03
1990	5.10	3.04	0.48	2.56	4.86
1991	0.34	-0.58	1.37	-2.67	0.15
1992	1.42	1.02	0.39	-0.54	1.02
1993	2.62	2.14	2.13	1.78	2.10
1994	5.28	4.42	2.65	5.77	4.27
1995	5.73	4.85	0.89	7.31	4.92

Source: National Statistical Coordination Board, Bangko Sentral ng Pilipinas

5.6. “Streamlining” the government bureaucracy

With the radical change of roles between NGAs and LGUs, the government is into the process of reviewing tasks and functions of each NGA at the central level, looking into “overlaps” and internal strengths. Though slow, the government has already effected some measures in addressing the issue. In 1994, several agencies under the Office of the President (OP) were transferred to appropriate departments or agencies.²⁸ These are:

Agencies under the OP		Transferred to
1.	Regular agencies	
	• National Statistical Coordination Board	- NEDA
	• Commission on Filipino Language	- DECS
	• Philippine Center Management Board	- Department of Foreign Affairs
	• National Statistics Office	- NEDA
	• Statistical Research and Training Center	- NEDA
2.	Government-owned/controlled corporation	
	• Philippine Deposit Insurance Corporation	- Department of Finance
	• Laguna Lake Development Authority	- DENR
	• Philippine Center for Economic Development	- UP System
3.	Regular agencies transferred for administrative supervision and eventual abolition	
	• Economic Support Fund Secretariat	- DPWH
	• Board of Liquidators	- National Development Company
	• Development Coordinating Council for Leyte and Samar	- Department of National Defense (DND)
	• Kalinga Special Development Authority	- DND
	• Sequestered Assets Disposition Authority	- Presidential Commission on Good Government
4.	Agency integration	
	• The Philippine Human Resources Development Center (PHRDC) was integrated with the Presidential Management Staff (PMS).	

But more evident is the privatisation approach now becoming the “catchword” of government offices. Central NGAs or LGUs both apply privatisation schemes in various forms, especially in the delivery of basic services, thus maintaining a “lean and mean” work force.

A bill in Congress was filed regarding the establishment of a National Anti-Poverty Commission, which, if pushed through, would possibly merge, integrate, or abolish some government agencies.

More than 50 % of the national budget every year goes to government personnel wages. This indicates that the government is still the biggest employer, especially in rural LGUs.

6. POLICY PRIORITIES FOR RURAL DEVELOPMENT

6.1. Localisation of the Social Reform Agenda (SRA)

The SRA is viewed as the Philippines’ strategy to fight poverty. The implementation of SRA is expected to provide the minimum basic needs (MBN) of the poverty groups especially in the countryside. With the SRA, the government is confident to reduce the national poverty incidence from 35.7 % in 1994 to 30.0 % by 1998. Poverty alleviation action plans are drawn-up in all regions, provinces, cities and municipalities. Poverty mapping and MBN survey consolidation is on-going. The SRA identifies convergence areas where GO and NGO resources, including ODA’s, will be pooled together to create poverty alleviation impacts.

6.2. Establishment and expansion of special economic zones

In an effort to disperse economic opportunities, the government identified more economic zones and development growth areas outside Metro Manila. The Export Processing Zone

Authority (EPZA) has been upgraded to Philippine Economic Zone Authority to administer the developments of the eco-zones. Some of the most popular ecozones include the Mactan EPZ, Cavite EPZ and Bataan EPZ. Growth corridors are also identified to include the CALABARZON in southern Luzon, the one-area, one-product-oriented Central Luzon Development, the Metro Cebu and Metro Davao Industrial Development Zones, and the Brunei-Indonesia-Malaysia-Philippines - East Asian Growth Area (BIMP-EAGA) in southern Mindanao.

With the government's policy on market liberalisation and global competitiveness, many LGUs identify their respective economic and industrial zones and offer opportunities for businesses to foreign investors. According to PEZA, there are more than 600 investment companies in various economic zones in the country, most of them are operational. Foreign investments register an increasing trend especially in Mindanao where peace agreement has been facilitated by the government with the Muslim rebels.

Table 17
 1995 GNP Growth, Selected Countries

Country	GNP (%)
Thailand	8.6
Malaysia	8.5
Vietnam	8.5
Indonesia	7.1
Myanmar	6.4 (1994)
Philippines	5.7
Bangladesh	5.1 (1994)
Cambodia	4.9 (1994)

Study report, The Philippines' poverty situation and the SRA,
 Rey Gerona, JICA, March, 1996

6.3. The Development of Southern Philippines

Peace agreements between the government and the muslim rebels had reinforced efforts to develop the “once neglected backdoor of the south” (the Mindanao). Regional policy priorities for rural development are re-oriented to Mindanao, capitalising the potentials of south-to-south development cooperation in the southern region.

7. SUPPORT TO DECENTRALISATION BY ODA ORGANISATIONS

7.1. The CIDA - LGSP

Started in 1992, the Local Government Support Program (LGSP) is a 5-year LGU capability building program which focuses on providing necessary training identified by LGUs. It operates in 5 regions in Visayas and Mindanao, including the ARMM. The RDCs in the covered regions are made the implementing counterparts of the project. A continued project phasing is being worked out beyond the project's phase 1 which will end in March 1997.

7.2. The ADB - BIADP

One of the responses of ADB to the decentralisation challenges is the loan approval to the Bukidnon province for the implementation of the Bukidnon Integrated Area Development Project (BIADP). ADB admitted that the BIADP is its first experience (in terms of providing direct loans to an LGU) which makes the project more interesting than those in the past.

7.3. The GTZ - BDP

Covering 1 district out of the 3 districts in Quezon province, a tripartite (LGU/LA + NGOs + POs) project implementing Board was established headed by the Provincial Governor,

but co-chaired by a PO representative. The technical grant assistance covers from community organising to providing free legal assistance to tenants under the agrarian reform program. The project assistance by GTZ is envisioned to be 10 years.

7.4. The Dutch-assisted ANIAD

The national government through the NEDA turned-over the project implementation to the province of Antique, which in turn, turned-over the project management and operations to a bi-partite (LGU + NGO) foundation in which the governor is the chairperson.

7.5. The USAID - GOLD

The project, Governance on Local Democracy (GOLD), is a capability building program for LGUs. It covers 10 provinces and 2 cities. It works through the League of provinces and League of cities. GOLD provides consultants to LGUs. USAID taps the Associates for Rural Development (ARD) Consultants for the implementation of the project. ARD mobilises local Filipino consultants.

7.6. The AusAID - upcoming PRMDP

The preparation of the Project Implementation Document (PID) is still on-going. But it is envisaged to be implemented late this year or early in 1998. The project, Philippines Rural Municipalities Development Program, aims at covering 8 chartered cities and will be implemented by DILG. PRMDP's thrusts will center on capability building for LGUs. The capability building component will be funded through AusAID grants, while specific projects that will be identified by the LGUs later will be funded by a loan assistance.

7.8. JICA's major policy shifts to support decentralisation

The Japanese government, during the Consultative Group (CG) meetings in 1995 and 1996, reiterated its continued interest to support the agrarian reform in the Philippines, the Social Reform Agenda and human resource development efforts. Internal policy studies are continuously undertaken in view of formulating strategies appropriate to decentralisation processes, while providing various technical grant assistance are on-going for specific projects.

Table 19
 Poverty incidence (%), 1985 - 1994

Year	Whole country	Urban	Rural
1985	44.20	37.90	56.40
1988	40.20	34.30	52.30
1991	39.90	35.60	55.10
1994	35.70	28.80	53.70

Source: National Statistics Office, Family Income and Expenditure Survey (FIES) 1994

8. RECOMMENDATIONS TO JICA

8.1 With the advent of decentralisation, there exists a growing advocacy for JICA and other ODA organisations to directly support LGUs. But the Philippine government, particularly NEDA, did not provide donor organisations a comprehensive operational framework on how to do it.

8.2 So far, the only available window of Japan's development assistance directly accessible by LGUs and NGOs is the "Small-scale Grants for Grassroots Projects" which is managed by the Japan Embassy in Manila. This grant assistance window does not require proponents to get

endorsements or request approvals from RDCs, NEDA or any other government entity. Proposals are directly dealt with by the Japan Embassy. The funds available for this window is, however, very limited and can only accommodate too few of the many project proposals submitted from time to time. Grants or materials under this window are directly released to the implementing organisations or proponents i.e., LGUs, NGOs and even Pos, based on an agreement with the Japan Embassy.

**SUMMARY OF RECOMMENDATIONS
 TO EFFECTIVELY SUPPORT THE DECENTRALISATION PROCESS**

1. Decentralise project resources. Dispatch experts to the regions, particularly Mindanao. Establish province-based project management structures for PTTC projects.
2. Support capability building programs for rural LGUs, especially the 5th and 6th class municipalities.
3. Assist the localisation of the Social Reform Agenda.
4. Explore donor-to-donor collaboration or convergence strategies.
5. Support strategic NGAs in the regions, like the NEDA and DILG in jointly strengthening RDCs and in carrying out ICBP for LGUs.

8.3. Like other ODA development partners, JICA's official development assistance practically follows the already established systems and procedures of the Philippine government for foreign-assisted programs (FAPs) - where the proponent LGU has to seek endorsement from RDC through the NEDA Regional Office before further actions can be taken by NEDA-central office, after which, consultations with JICA or donor organisations are conducted.

8.4. The major issue to deal with, as far as JICA's assistance is concerned, is about its being centrally and NGA-oriented. Most of the approved requests are those of the NGAs in the central office. Direct recipients of most technology transfer schemes (i.e., foreign experts), including overseas training are those NGAs in the central and regional offices. JOCV services, however, are notably availed of by some LGUs, the academe and NGOs. But the process of evaluating and approving requests still takes longer time than expected.

8.5. To facilitate a more effective support to the on-going decentralisation process, the following points are recommended:

In conducting development studies and surveys

Actively involve representatives of LGUs (e.g., planning officers) by requiring the NGA proponent to include LGU representatives in the local counterpart team of the study. By doing so, technology transfer is at least somehow imparted to LGUs.

For training programs

An ideal ratio of the training participants could be 20 % from the NGA central offices (for policy advocacy), 30 % from NGA regional offices (for effective operational linkage between central and local governments), and 70 % from LGU levels. Post-training monitoring and evaluation activities should be formally included in the memorandum of agreement before training are conducted.

¹ These points were raised by the discussants of the Iloilo province, Iloilo city government, DILG-BLGS and Mr. Aquilino Pimentel, Jr.

Expert dispatch

Considering the decentralisation challenges faced by DILG in carrying out the ICBP for LGUs, dispatching of experts at DILG regional offices could be considered. The experts may focus on strengthening the RDC structure together with the NEDA regional office. Technology transfer to LGUs can be best facilitated by making the experts and local counterpart in the region mobile, that is, having regular coaching schedules in strategic provinces and cities. Considering development potentials being offered at present, Mindanao could be the ideal area of intervention.

For PTTC projects

Careful examinations should be undertaken on the project implementation designs and institutional arrangements of every project proposal, taking into account the LGUs' active participation in project management and operations, and on the deconcentration of project resources at LGU levels. In the resource-counterparting aspect, LGUs should be made financially prepared from the start of project implementation by including project counterpart funds in the LGU's development fund appropriations every year. This arrangement would ascertain project sustainability even after the phase-out of foreign assistance.

9. CONCLUSION

Admittedly, there is a chicken-and-egg problem on the issue of LGU capability preparedness, correspondingly the timing of decentralisation. Does decentralisation itself create necessary conditions for local capabilities to be increased and developed?, or was it necessary to increase LGU capabilities first in order to ensure the success of decentralisation?²

The answer is somewhere in between. But, indeed, one of the primary goals of decentralisation in the Philippines is to increase the capabilities of LGUs to manage their own affairs and determine the kind of development they want. Breaking the long years of cultural dependency from the central government, decentralisation in the Philippines forces local government officials to be creative and become effective area managers. The 1991 Local Government Code leaves LGUs no other choice but to accept devolved functions, responsibilities, personnel and assets to maintain and operate, and forces them to be primarily responsible of their actions.

The present situation demonstrates that there is no turning back - to re-centralisation. The issues, problems and concerns of devolution make the decentralisation process alive and challenging. This Report concludes that in order to attain a meaningful rural development, decentralisation is a key factor to consider, and that the central government, NGAs, including ODA development partners should provide a supportive environment and interventions.

² Quoted from the JICA's Project Formulation Study on Decentralisation by Mr. Yasutoshi Yamada and Rey Gerona, October 22-December 16, 1996 in the Report entitled, "Decentralisation and JICA: Prospects and Challenges.

ANNEX 1

**SUMMARY OF THE
1991 LOCAL GOVERNMENT CODE**

Executive Summary

RA 7160

This summary is based on an outline prepared and presented by Sec. Cesar N. Sarino, Asst. Sec. Andres V. Sanchez, Manuel S. Tabunda, and Romualdo B. Gaffud to the President during the Cabinet meeting of October 2, 1991 and on the occasion of the signing of the Local Government Code of 1991 into law on October 10, 1991, and to members of the House of Representatives in a caucus held on October 16 for the purpose. It was also used in briefing all national agencies affected by devolution and those involved in the implementation of the Code; the Constitutional Commissions; and representatives of LGUs, NGOs, the business sector, and the private sector. It is now being used in the training of local officials all over the country by DILG information specialists who, in turn, were trained by the Local Government Academy.

OVERVIEW

The Local Government Code of 1991 (LGC) consists of 536 sections divided into four books. Book I contains policy statements, principles, processes, and mechanisms for effective local governance.

Book II covers the taxing and other revenue raising powers and the corresponding administrative structures and processes necessary in the exercise of such powers.

Book III details the local government structure and the powers and duties of elective and appointive local officials.

Book IV contains the transitory provisions that will effect the smooth implementation of the LGC.

LOCAL AUTONOMY

In providing for meaningful local autonomy, the LGC intends to

- enable LGUs to attain their fullest development as self-reliant communities; and
- transform them into active partners in the attainment of national goals.

The LGC seeks to achieve these by providing for a more responsive and accountable local government structure instituted through a system of decentralization.

DECENTRALIZATION

Decentralization, as given flesh in the LGC, grants LGUs with —

- more powers, authority and responsibilities, and
- more resources.

To achieve meaningful local autonomy, the LGC declares that decentralization shall proceed from the national government to the LGUs.

DECENTRALIZATION POLICIES

The LGC institutes decentralization —

- By transferring to LGUs primary responsibility for delivering basic services and facilities;
- By transferring to LGUs regulatory powers over certain activities in the locality;
- By enhancing the governmental and corporate powers of LGUs;
- By improving National Government-LGU relations in accordance with the requirements of a decentralized set-up;
- By institutionalizing LGU-NGO/Private Sector relations to broaden support for local autonomy; and
- By deconcentrating central authority to regional or field offices of national agencies.

Basic Services and Facilities Devolved to LGUs

- Agricultural Extension and On-Site Research Services (DA)
- Community-Based Forestry Projects and Management of Communal Forests (DENR)
- Field Health and Hospital Services and Other Tertiary Health Services (DOH)
- Public Works and Infrastructure Projects Funded Out of Local Funds (DPWH)
- School Building Program (DECS)
- Social Welfare Services (DSWD)
- Tourism Facilities and Domestic Tourism Promotion and Development (DOT)
- Telecommunication Services for Provinces and Cities (DOTC)
- Low Cost Housing Projects for Provinces and Cities
- Other Services, e.g., Investment Support Services, Industrial R and D services, etc.

Why Basic Services and Facilities?

- To distinguish frontline services
- To readily quantify performance targets
- To clearly delineate responsibility of each LGU

Enabling Provisions

Period of Devolution

National government agencies (NGAs) concerned shall devolve to LGUs the responsibility for the provision of basic services and facilities enumerated under Sec. 17 of the LGC within six months after the effectivity of the Code.

Transfer of Assets and Personnel

Devolution includes the transfer to LGUs of the records, equipment, and other assets and personnel of NGAs corresponding to the devolved powers, functions, and responsibilities.

Said personnel shall be absorbed by the LGUs only to the extent that it is administratively viable as determined by the Oversight Committee.

Phasing Out of Regional Offices

Regional offices of affected NGAs whose functions are devolved to LGUs shall be phased out within one year from the approval of the LGC.

Said NGAs may establish such field units as may be necessary for monitoring purposes and providing technical assistance to LGUs.

The properties, equipment and other assets of these regional offices shall be distributed to the LGUs in the region..

Limitations

Services, facilities, and public works projects funded by the national government under the General Appropriations Act, special laws, executive orders, and those wholly or partially funded from foreign sources, are not devolved to LGUs.

INFRASTRUCTURE FACILITIES FUNDED OUT OF LOCAL FUNDS

Barangay

- Maintenance of barangay roads & bridges
- Maintenance of water supply systems
- Multipurpose hall
- Multipurpose pavement

Municipality/City

- Municipal/city roads & bridges
- School buildings
- Health facilities
- Communal irrigation & SWIPs
- Fish ports
- Water supply systems
- Seawalls & flood control
- Traffic signals & signs
- Other similar facilities

Province/City

- Provincial roads & bridges
- Inter-municipal waterworks, drainage & sewerage, flood control, and irrigation systems
- Reclamation projects
- Other similar projects

Regulatory Powers to be Exercised by LGUs

- Reclassification of Agricultural Lands (DAR)
- Enforcement of Environmental Laws (DENR)
- Inspection of Food Products (NMIC-DA)
- Quarantine & Enforcement of the Sanitation Code (DOH)
- Enforcement of the National Building Code (DPWH)
- Operation of Tricycles (LTFRB-DOTC)
- Processing & Approval of Subdivision Plans (HLURB)
- Establishment & Licensing of Cockpits (PGC)
- Establishment & Operation of Tourism Facilities (PTA)

Enhanced Governmental and Corporate Powers

- Full Autonomy in Exercising Proprietary Rights
- Authority to Negotiate & Secure Foreign Grants
- Mechanisms for LGU Cooperative Undertakings
- Better Arrangements for Inter-LGU Loans, Grants & Subsidies
- Exemption from Payment of Custom Duties

Improved National Government-LGU Relations

General Supervision

THE PRESIDENT SHALL EXERCISE GENERAL SUPERVISION OVER LGUs TO ENSURE THAT THEIR ACTS ARE WITHIN THE SCOPE OF THEIR PRESCRIBED POWERS AND FUNCTIONS.

Responsibilities of the National Government

- Policy formulation, setting of standards, and issuance of guidelines
- Withdrawal or downgrading of central control over certain LGU functions & activities
- Provision of funding support for the devolved service delivery functions
- Augmentation of basic services & facilities assigned to LGUs
- Provision of technical, financial, & other forms of assistance
- Conduct of consultations with LGUs prior to the implementation of national projects
- Coordination with LGUs in the implementation of national projects
- Ensuring the participation of LGUs in the planning & implementation of national projects
- Submission of monthly reports to local chief executives by NGAs and GOCCs with field offices

Authority of the LCEs

- Exercise limited administrative authority over national functionaries stationed in a locality
- Coordinate the provision of technical assistance by NGAs including those on public works projects
- Ensure that infrastructure projects implemented by NGAs are in line with local programs

Responsibilities of the LCEs

- Submit annual reports to the President
- Ensure that the exercise of devolved functions are consistent with national standards prescribed by NGAs (DENR, DOH, DPWH, & HLURB)
- Furnish the DILG with copies of approved local development plans
- Submit approved budgets for review by DBM

Private Sector/NGO Role

- Participation in local governance
- Joint undertakings
- Preferential treatment for the marginalized sector
- People empowerment

Participation in Local Governance

Membership in Local Special Bodies

- Local Development Council
- Local Prequalification, Bids and Awards Committee (PBAC)
- Local School Board
- Local Peace and Order Council

Delivery of Basic Services

LGUs shall encourage the participation of the private sector in the delivery of basic services to ensure the viability of local autonomy.

To ensure the participation of the private sector in local governance, LGUs may sell, lease, encumber, or otherwise dispose of public economic propriety enterprises owned by them in their propriety capacity.

Joint Undertakings

- Delivery of basic services
- Capability-building
- Livelihood projects
- Development of local enterprises

LGU may provide financial or other forms of assistance to POs and NGOs for economic, socially-oriented, environmental or cultural projects.

Preferential Treatment for the Marginalized Sector

Fishery Rights

Organizations or cooperatives of marginal fishermen shall have preferential right to fishery privileges within the municipal waters as follows:

- To erect fish corrals, aquatic beds or bangus fry areas
- To gather, take or catch bangus fry, prawn fry, *kawag-kawag* and other fry of other species of fish, free of any rental, fee or charge

Franchises

Cooperatives shall have preferential right to franchises as follows:

- To operate and maintain or lease public utilities owned or operated by LGUs
- To establish, construct, operate and maintain ferries, wharves, public markets or slaughterhouses

People Empowerment

- Mandatory Consultation
- Recall
- Initiative & Referendum
- Mandatory Public Hearings

Deconcentration

Six months after LGC effectivity, NG shall deconcentrate authority & power to Regional or Field Offices of NGAs whose major functions are not devolved to LGUs.

RESOURCE GENERATION AND MOBILIZATION

Legal Bases to Generate Resources

- Article X of the Constitution
- Section 18 of RA 7160
- Specific Provisions in Book II of RA 7160

Taxation Principles

- Uniform in each LGU
- Equitable & based on taxpayer's ability to pay
- Not excessive, oppressive, unjust, or confiscatory
- Progressive as far as practicable

Sources of Income

Locally-Generated

- Business Tax and Other Local Taxes
- Real Property Taxes
- Income from Economic Enterprises
- Fees and Charges

Externally-Sourced

- Share in BIR Collections (IRA)
- Share in the Proceeds from the National Wealth
- Loans, Credits, and Bonds
- Grants & Subsidies

Local Taxation

- Higher Ceilings for Tax Rates
- Mineral and Forest Products Now Taxable by LGUs
- Gross Receipts of Banks and Other Financial Institutions Now Taxable by LGUs
- Tax on Business of Manufacturers, Wholesalers, Retailers & Contractors
 - Graduated fixed rates
 - Percentage tax for gross receipts exceeding specified levels
- Authority of LGUs to Adjust Tax Rates
 - Once every 5 years
 - Adjustment not to exceed 10% of the rates prescribed in the LGC
- Authority of LGUs to Grant Tax Exemption Privileges
- Withdrawal of Tax Exemption Privileges of GOCCs
- Tax Bases Transferred from Provinces to Municipalities

Taxing Powers of LGUs

Province

- Tax on Transfer of Real Property Ownership
- Tax on Business of Printing and Publication
- Franchise Tax
- Professional Tax
- Fixed Tax on Delivery Vans/Trucks
- Amusement Tax
- Sand and Gravel Tax

Municipality

- Tax on Business
 - Manufacturers
 - Wholesalers
 - Exporters
 - Contractors
 - Retailers
 - Gross Receipts of Banks
 - Peddlers
 - Other Business as determined by Sanggunian
- Fees and Charges on Practice of Calling

- Fees on Sealing Weights and Measures
- Fishery Rentals, Fees or Charges
- Other Fees and Charges as determined by Sanggunian

Situs of Tax

- To be taxed
All sales to be recorded in branch or sales outlet making the sale or transaction
- Percentage of sales taxable by city or municipality
 - Principal office, branch, or sales outlet is located 30%
 - Factory, project office, plant or plantation is located 70%

City

- Same Tax Bases for Provinces and Municipalities
 - May exceed by 50% of prescribed rates
 - Except on professional tax and amusement tax
- Fees and Charges

Barangay

- Tax on Retailers
 - City Barangay P 50,000
 - Municipal Barangay 30,000
- Service Fees & Charges for Use of Barangay Facilities
- Barangay Clearances – Before issuance of city/municipal permits/licenses
- Other Fees or Charges
 - Commercial breeding of fighting cocks, cockfights, & cockpits
 - Places of recreation
 - Billboards, signboards, neon lights

Common Revenue-Raising Powers

- Public Utility Charges
- Toll Fees and Charges

Community Tax

- On Individual P 5.00 → P 5,000.00
- On Juridical Person 500.00 → 10,000.00

SHARING PROCEEDS FROM COMMUNITY TAX

- If collected by City or Municipality,
no share for Barangay
- If collected by Barangay,
 - 50% of proceeds accrue to the Barangay
 - 50% to the City or Municipality

Real Property Tax (RPT)

Fundamental Principles

- Appraisal should be based on fair market value
- Assessment should be based on actual use
- Assessment should be based on uniform classification by LGU
- Appraisal & assessment of real property shall be equitable
- Appraisal, assessment, levy and collection
cannot be let to private persons

Appraisal and Assessment of Real Property

- Owner to declare property once every 3 years
- New owner to declare property
- Assessor to declare property for defaulting
or unknown owner
- Registrar of Deeds to furnish assessor a copy
of permit or registration paper
- Geodetic Engineer to furnish assessor with location or
subdivision plans
- Owner of exempt property to present proof of exemption

Assessment Levels

Lands

Comparison of Assessment Levels on Lands

Class	PD 464	RA 7160	Rate of Change
Residential	30%	20%	(50%)
Agricultural	40%	40%	0%
Commercial	50%	50%	0%
Industrial	50%	50%	0%
Mineral	50%	50%	0%
Timberland	40%	20%	(100%)

Sources: PD 464 and RA 7160

Residential Buildings

Comparison of Assessment Levels on Residential Buildings and Other Structures

Fair Market Value		PD 464	RA 7160
Over	Not Over		
30,000		15%	0%
30,000	50,000	20%	0%
50,000	75,000	25%	0%
75,000	125,000	35%	0%
125,000	175,000	45%	0%
175,000	250,000	55%	10%
250,000	300,000	65%	10%
300,000	350,000	65%	20%
350,000	500,000	75%	20%
500,000	750,000	80%	25%
750,000	1,000,000	80%	30%
1,000,000	2,000,000	80%	35%
2,000,000	5,000,000	80%	40%
5,000,000	10,000,000	80%	50%
10,000,000		80%	60%

Sources: PD 464 and RA 7160

Commercial/Industrial Buildings

Comparison of Assessment Levels on Commercial /Industrial Buildings and Other Structures

Fair Market Value		PD 464	RA 7160
Over	Not Over		
	30,000	50%	30%
30,000	50,000	55%	30%
50,000	75,000	60%	30%
75,000	125,000	65%	30%
125,000	175,000	70%	30%
175,000	250,000	75%	30%
250,000	300,000	80%	35%
300,000	350,000	80%	35%
350,000	500,000	80%	40%
500,000	750,000	80%	50%
750,000	1,000,000	80%	60%
1,000,000	2,000,000	80%	70%
2,000,000	5,000,000	80%	75%
5,000,000	10,000,000	80%	80%
10,000,000			

Sources: PD 464 and RA 7160

Agricultural Buildings

Comparison of Assessment Levels on Agricultural Buildings and Other Structures

Fair Market Value		PD 464	RA 7160
Over	Not Over		
	30,000	40%	25%
30,000	50,000	45%	25%
50,000	75,000	50%	25%
75,000	125,000	55%	25%
125,000	175,000	60%	25%
175,000	250,000	65%	25%
250,000	300,000	70%	30%
300,000	350,000	70%	30%
350,000	500,000	75%	35%
500,000	750,000	80%	40%
750,000	1,000,000	80%	45%
1,000,000	2,000,000	80%	50%
2,000,000			

Sources: PD 464 and RA 7160

Machineries

Comparison of Assessment Levels on Machineries

Class	PD 464	RA 7160	Rate of Change
Agricultural	60%	40%	(50%)
Residential	70%	50%	(40%)
Commercial	80%	80%	0%
Industrial	80%	80%	0%

Sources: PD 464 and RA 7160

Rates of Basic RPT

LGUs	PD 464	RA 7160
Province	1/4 of 1% to 1/2 of 1%	1%
City	1/2 of 1% to 2%	2%
MMA Municipality	1/2 of 1% to 1-1/2%	2%
Municipality	1/4 of 1% to 1/2 of 1%	-

Sources: PD 464 and RA 7160

Special Levies

Special Levies on Real Property Tax

- Special Levy for Education
- Special Levy on Idle Lands
- Special Levy on Lands Benefited by Locally-Funded Projects

Sharing of RPT Proceeds

- In the case of Provinces:

Province	35%
Municipality	40%
Barangay	25%
- In the case of Cities

City	70%
Barangay	30%
- For a Municipality in MMA

MMA	35%
Municipality	35%
Barangay	30%

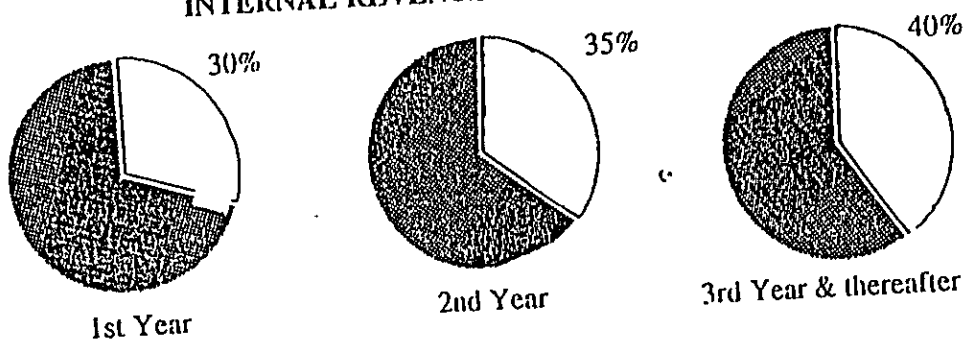
 - Distribution of Barangay Share
 - 50% accrues to barangays where property is located
 - 50% accrues equally to component barangays where property is located

Exemptions from RPT

- Property of Government
- Charitable Institutions
- Equipment, Machinery Actually, Directly, and Exclusively Used by LWD or GOCC for Supply, and Distribution of Water or Generation and Transmission of Electric Power

Share in BIR Gross Collections (IRA)

INTERNAL REVENUE ALLOTMENT (IRA)



Based on BIR Collections of the 3rd
Preceding Fiscal Year

IRA for FYs 1992, 1993 and 1994 (in billions)

Year	Share	Amount
1991	Per the 1991 GAA	P 12.02
1992	30% of 1989 BIR Gross Collections	24.40
1993	35% of 1990 BIR Gross Collections	36.40
1994	40% of 1991 BIR Gross Collections	46.70 (estimated)

Sources: 1991 GAA and Bureau of Internal Revenue

Distribution to LGUs

- Provinces 23%
- Cities 23%
- Municipalities 34%
- Barangays 20%

Such shares shall be released directly to the provincial, city, municipal, or barangay treasurer on a quarterly basis within five days after the end of each quarter.

Allocation Formula

For provinces, cities, and municipalities:

- Population – 50%
- Land area – 25%
- Equal Sharing – 25%

For barangays:

- P80,000.00 for each barangay with at least 100 inhabitants
- The balance from the minimum P80,000.00 guarantee for every barangay shall be allocated on the basis of population and equal sharing

IRA Adjustment

The President may adjust the IRA of LGUs in the event that the national government experiences an unmanageable public sector deficit –

- Upon recommendation of the Secretaries of the DOF, DILG, and DBM
- After consultation with the presiding officers of both Houses of Congress and the presidents of LGU leagues

The allotment shall not be less than 30% of BIR gross collections of the third preceding FY.

Devolved Personal Services

In the first year of the LGC effectivity, LGUs shall receive the amount equivalent to the cost of personal services of functions and projects devolved to them. Such amount shall be in addition to their IRA share.

Share in the Proceeds from the National Wealth

40% of gross collections of preceding FY from the following:

- Mining taxes
- Royalties
- Forestry and fishery charges
- Share of NG from any co-production, joint venture or production sharing agreement
- Other related taxes, fees or charges

A share in the proceeds of GOCCs from the national wealth as follows:

- 1% of gross sales or receipts of the preceding CY
or
- 40% of taxes, fees or charges that such GOCCs would have paid if not tax exempt

whichever is higher

Distribution to LGUs

Natural resources located in a province:

- Province — 20%
- Component Cities and Municipalities — 45%
- Barangays — 35%

Natural resources located in an IIUC or ICC:

- City — 65%
- Barangays — 35%

Natural resources located in two or more LGUs:

- Population — 70%
- Land Area — 30%

Credit Financing

- LGUs may resort to borrowings to:
 - finance capital investment projects
 - stabilize public finance
- Secure credit lines from private banks
- Issue bonds to finance self-liquidating, income-producing development, or livelihood projects
- Enter into B-O-T and B-T contracts
- Incur other forms of indebtedness, e.g., deferred-payment scheme
- Secure domestic and foreign grants without NGA prior approval

Debt Relief

Debts Written Off

- unremitted mandatory contributions
- program loans

Debts Restructured

- debts due GIFs
- debts due GOCCs
- debts due Private Utilities

RESOURCE UTILIZATION AND ACCOUNTABILITY

Principles on Local Budgeting

- Local budget plans shall be harmonized with national development plans
- Local budgets shall operationalize local development plans
- Budgets of higher LGUs shall provide for equitable allocation of resources among component units
- National planning shall be based on local plans

Relation of LDCs to the Sanggunian and the RDC

- Programs and projects proposed by LDCs shall be submitted to the sanggunian for appropriate action
- Approved development plans of provinces, HUCs & ICCs shall be submitted to the RDC
- Said plans shall be integrated into the REGIONAL DEVELOPMENT PLAN

Local Budget Process

- Creation of Local Finance Committee
- One annual budget only
- Supplemental budgets only if:
 - Funds are actually available
 - New revenue resources exist
 - Public calamity exists (through realignment)

LOCAL GOVERNMENT UNITS

Criteria for Creation

LGU	INCOME	POPULATION	LAND AREA
BGY	—	2,000 5,000 (For MMA and other Metropolitan Political Sub-Divisions)	—
MUN	2.5M	25,000	50 sq.km.
CITY	20.0M	150,000	100 sq.km.
IUC	50.0M	200,000	
PROV	20.0M	250,000	2,000 sq.km.

Changes in the Sanggunian

Vice Governor/Vice Mayor shall serve as the Presiding Officer of the Sanggunian

Sectoral Representatives

- Women
- Workers
- Other sectors as determined by the sanggunian

Sectoral representatives shall be elected in the manner as may be provided by law

Appointive Local Officials

Department Heads

Department Heads of LGUs shall be appointed by the LCE with the concurrence of the majority of all sanggunian members

Local Treasurer

Provincial, City or Municipal Treasurer shall be appointed by the Secretary of Finance from a list of at least 3 eligible recommendees of the LCEs

LOCAL OFFICIALS & OFFICES

Barangay

Mandatory

- Secretary
- Treasurer
- Lupong Tagapamayapa

Optional

- Community Brigades

Municipality

Mandatory

- Treasurer
- Assessor
- Accountant
- Budget Officer
- Planning & Development Coordinator
- Engineer
- Health Officer
- Civil Registrar

Optional

- Administrator
- Legal Officer
- Agriculturist
- Environment & Natural Resources Officer
- Social Welfare & Development Officer
- Architect
- Information Officer

City

Mandatory

- Treasurer
- Assessor
- Accountant
- Budget Officer
- Planning & Development Coordinator
- Engineer
- Health Officer
- Civil Registrar
- Administrator
- Legal Officer
- Veterinarian
- Social Welfare & Development Officer
- General Services Officer

Optional

- Architect
- Information Officer
- Agriculturist
- Population Officer
- Environment & Natural Resources Officer
- Cooperatives Officer

Province

Mandatory

- Treasurer
- Assessor
- Accountant
- Engineer
- Budget Officer
- Planning & Development Coordinator
- Legal Officer
- Administrator
- Health Officer
- Social Welfare & Development Officer
- General Services Officer
- Agriculturist
- Veterinarian

Optional

- Population Officer
- Environment & Natural Resources Officer
- Cooperatives Officer
- Architect
- Information Officer

TASK LIST

The Office of the Executive Secretary prepared an indicative task list for every national agency affected by or involved in the implementation of the Code. Separate task lists were also prepared for the consideration of the constitutional commissions, LGU leagues, NGO networks, business sector, and professional associations. These lists were presented to the various groups in briefings conducted for the purpose. These were then modified based on the initial reactions generated and presented to the President in a Cabinet meeting for the issuance of the necessary directives.

DEVOLUTION

Basic Services and Facilities

AFFECTED NGAs

- | | |
|--------|--------|
| • DA | • DENR |
| • DPWH | • DOT |
| • DECS | • DOI |
| • DSWD | • DOTC |

OBJECTIVES

- Transfer service delivery functions
- Set national policies, standards and guidelines
- Shift from direct delivery of services to provision of TAs to LGUs
- Reorganize affected NGAs including phase-out of regional offices as necessary

OUTPUT

- Transfer of assets and personnel that correspond to devolved service delivery functions
- Shift in operational thrust
- Re-organization of affected NGAs
- Manuals and operating systems for LGUs
- Installation of Monitoring Systems (MIS)
- Re-training of NGA personnel
- Guidelines on LGU participation in national projects
- Guidelines on mandatory consultations

REGULATORY POWERS

AFFECTED NGAs

- | | |
|--------------|-----------|
| • DAR | • DOI |
| • HLURB | • NMIC-DA |
| • DENR | • DPWH |
| • LTFRB-DOTC | • PGC |

OBJECTIVES

- Transfer regulatory powers
- Transfer appropriate technology
- Abolish or re-organize affected NGAs

OUTPUTS

- Technology transfer program
- Shift in operational thrust
- Abolition or reorganization of affected NGAs
- Manuals and operating systems for LGUs
- Installation of Monitoring Systems (MIS)
- Re-training of NGA personnel
- Guidelines on LGU participation in national projects
- Guidelines on mandatory consultations

DECONCENTRATION

AFFECTED NGAs

- Other national agencies whose major functions are not devolved to LGUs, e.g., DAR, DECS, DENR, DPWH, DOTC, etc.

OBJECTIVES

- Transfer authority from central/regional to sub-regional field offices of NGAs
- Operationalize the limited administrative authority of LCEs over national field personnel
- Establish a reporting system for NGA monthly reports to LGUs

OUTPUTS

- Transfer of authority
- New operating methodology
- Guidelines on LGU participation in national programs, projects, and activities
- Guidelines on mandatory consultations
- Monthly reports to LGUs

STAFF AGENCIES

NGAs CONCERNED

- DBM
- DOJ
- DILG
- NEDA
- DOF

OBJECTIVES

- Phase-down the authority of staff agencies over LGU affairs
- Install new systems and development standards

OUTPUTS

DBM

- New BOM (with COA)
- New disbursement scheme for LGU share in national taxes (with DOF)
- Guidelines on the following:
 - Mandatory consultations with LGUs, POs and NGOs on budget proposals of NGAs
 - Integration of local plans and budgets with national development plans (with NEDA)

- Monthly reports on budgetary allocations and expenditures of NGAs to be submitted to LGUs
- Enactment of supplemental budget for the increments in IRA share
- Adjustment of IRA (with DOF and DILG)
- Devolved personal services
- Local finance committee
- Review of budgets
- Appropriations for health services
- Debt relief for LGUs
- Budget proposals on the following:
 - Contingency fund for recall elections
 - Debt relief program
 - Implementation program of the LGC (with OC)

DOF

- Updated income classification of LGUs
- Rules and regulation and/or manuals on the following:
 - Local taxation
 - Classification, appraisal and assessment of real property
 - Treasury operations
 - Credit financing
 - Tax exemption privileges of LGUs
 - Revised local treasury career system
 - Debt relief program (with DBM)

NEDA

- Revised National/Regional development planning system
- New role of RDCs
- TA program
- Guidelines and/or manuals on the following :
 - LGU access to foreign grants
 - LGU development planning (with DILG)
 - LGU authority to reclassify lands
 - Integration of local plans and budgets with national development plans

DILG

- Inventory of basic services and facilities provided by LGUs
- Master capability building program
- Data bases on the following :
 - Statement of assets and liabilities of LGU officials
 - Resignation of elective local officials
 - Annual reports of LGUs
 - Local development plans

- Manual of operations for LDCs
 - Manual on local development planning (with NEDA)
 - Program to network POs and NGOs
 - Program to facilitate joint LGU-LGU and LGU-NGO undertakings
- DOJ**
- Rules and regulations on the Katarungang Pambarangay
 - Training programs for members of Lupong Tagapamayapa
 - Operating systems and standards
 - Legal advice to LGUs

CONSTITUTIONAL COMMISSIONS

- COA
- CSC
- COMELEC

OBJECTIVES

- Install new operating systems and standards
- Ensure public accountability of LGUs

OUTPUTS

COA

- New Manuals on the following:
 - Internal control and accounting systems for LGUs (with DBM)
 - Local treasury operations (with DOF)
 - Local budget operations (with DBM)
 - Property and supply management
- Rules and Regulations and/or Guidelines on the following:
 - Transfer of assets
 - Prequalification of contractors, bids and awards for local infrastructure projects

CSC

- Standards and guidelines on organizational structure and staffing pattern of LGUs
- Guidelines on the following:
 - Transfer of personnel and related issues (with OC)
 - Retirement or separation from service of national and local personnel as a result of reorganization
 - Implementation of RA 6713 (Ethical Standards) in LGUs
 - HRD of LGUs (with LGA)

- Rules and regulations on the following:
 - Civil service laws and issuances applicable to LGUs
 - Integration of the career path of local personnel into the national career system
 - Policy guidelines on government-wide salary standardization program

COMELEC

- Guidelines on the following:
 - Conduct of plebiscites for LGU creation
 - Qualifications of elective local positions
 - Determining permanent vacancy in the office of an elective position
 - Partisan political activity
 - Recall and initiative and referendum
 - sangguniang kabataan elections
 - Election of sectoral representatives in the sanggunian

NGO/PRIVATE SECTOR

- NGO National Networks
- Business Associations
- National Federations of People's Organizations
- Professional Associations

OBJECTIVES

- Participate in Local Governance
- Enter into joint ventures or cooperative undertakings with LGUs
- Ensure the accountability of LGUs
- Formulate advocacy program
- Implement preferential treatment for marginalized sectors and cooperatives

OUTPUTS

- *NGOs, POs AND PROFESSIONAL ASSOCIATIONS*
- Guidelines on selection process and mechanisms for NGO representation in special bodies
- Training programs and manuals on planning, budgeting, program/project development and monitoring/evaluation
- Guidelines on delivery of basic services by NGOs
- Guidelines operationalizing preferential treatment for marginalized sectors and cooperatives
- Policy advocacy program

BUSINESS ASSOCIATIONS

- Guidelines on the selection and participation of private firms in basic services delivery
- Guidelines governing pricing, contracts, and sub-contracts for basic services delivery
- Framework for services delivery monitoring and evaluation
- Guidelines for participation in the privatization program

DONOR COMMUNITY

- NEDA
- NSC
- Foreign Governments and their ODA Grant Offices

OBJECTIVES

- Facilitate direct access of LGUs to foreign grants

OUTPUTS

- New systems and procedures for direct foreign grants to LGUs
- Policy guidelines on counterpart funds
- Profile of program priorities for donor grants
- Criteria for program selection and approval
- Criteria for beneficiary selection
- Guidelines for program monitoring and evaluation
- Guidelines for program reports

LOCAL GOVERNMENT UNITS

- 75 Provinces
- 1,538 Municipalities
- 60 Cities
- 41,293 Barangays

OBJECTIVES

- Self-reliant and viable communities
- Operationally efficient and effective LGUs

OUTPUTS

- Supplemental budgets for the increments in the 1991 IRA
- Resource generation and mobilization program
- Organizational structures and operating systems
- Systems and procedures for participation in national programs

- TA requirements from NGAs and GOCCs
- Monitoring systems and standards for inter-governmental relations
- Provision of basic services and facilities
- Equipment acquisition program

COMMON DIRECTIVES

To summarize, the common directives issued to national agencies affected by or involved in the implementation of the Code are –

On devolution –

- transfer of service delivery functions including assets and personnel;
- transfer of regulatory powers including the appropriate technology; and
- downsizing or reorganization of affected national agencies.

On deconcentration –

- transfer of authority from central/regional offices to sub-regional field offices of national agencies whose major functions are not devolved to LGUs; and
- re-organization of affected national agencies.

On operating systems –

National agencies affected by or involved in the implementation of the Code must formulate guidelines, set standards, prepare manuals, and prescribe standard operating systems for their own use and/or installation in LGUs.

ANNEX 2

HIGHLIGHTS OF STUDY DISCUSSIONS

October 9 - 19, 1996

INTRODUCTION

In order to get fresh feedback at the central, regional and local governments, the Study Team organised and conducted 12 discussions in Metro Manila, 5 discussions in the regions and another 5 discussions at the LGU levels, including a barangay (village) assembly meeting.

A lecture-conference was also organised by DILG-BLGS (at the central office) purposely for the Study Team to share experiences of the Japanese Government in terms of NGA - LGU relationship, participatory and rural development. Dr. Yoshio Kawamura of the Ryukoku University gave an input on the important aspects of local governance in Japan in the context of agricultural development.

During the village discussion in Barangay Agdao (in the municipality of Tubungan, Iloilo Province), Dr. Yuji Suzuki of the Hosei University (and Team Leader of the Study) gave an inspirational speech to barangay officials and residents attending the assembly meeting. He shared the Japanese experiences on self-reliance and cultural-based unity which motivated the barangay representatives to think of mobilising local resources first before looking for external resource. The motivational speech allowed a smooth facilitation among the barangay officials, NGO and PO representatives and the Municipal Mayor (of Tubungan) in discussing the implementation of the recently concluded Barangay Development Plan which was a product of a community-based participatory action research undertaken by the barangay people themselves for nearly 2 months.

The succeeding sections of this Report highlight the major points of the discussions between the Study team and the different study groups between the period, October 9 - 19, 1996 in terms of the (i) issues confronting decentralisation, (ii) effects of decentralisation, (iii) actual influences of decentralisation, (iv) regional or LGU policy priorities for rural development, (v) support to decentralisation, and (vi) recommendations to JICA to effectively support decentralisation. The study discussions were facilitated not in a one-way inquiry style but in an experience-sharing, information exchange and participatory manner.

The information or views provided herein are those of the discussants and do not necessarily represent those of the organisations the discussants represented during the study discussions.

HIGHLIGHTS OF STUDY DISCUSSIONS

1. DILG - BLGS (October 10, 1996)¹

1.1. Issues confronting decentralisation

- About 90 % of the 1,542 municipalities nation-wide are economically poor. Most of them belong to the 4th, 5th and 6th income-class category.
- LGUs' dependency on IRA (especially the provinces and municipalities) is high. Local revenue generation is low. LGU officials are not maximising the taxation powers provided to them by the new Local Government Code. Rural LGUs do not have many economic activities. Economic opportunities are not equally and/or equitably dispersed among provinces, that wide economic gaps exist.
- Most of the local development councils (LDCs) e.g., the PDCs, CDCs, MDCs, and BDCs are not functioning as they are expected to be. Most of them are not properly convened.
- Most of the 41,924 barangays (especially rural barangays) do not have the technical and administrative capabilities to carry-out devolved functions and exercise authorities within a decentralised set-up of governance.

1.2. Effects of decentralisation

- Through Administrative Order (AO) No. 207 (issued to DILG in December 1995), DILG is given the authority to regulate the use of the 20 % of IRA by LGUs. Projects to be funded by the 20 % development fund should be in accordance with the LGUs' Area Investment Plan (AIP). Primarily because of this, LGUs are obliged to submit their development plans to DILG.
- Most national government agencies (NGAs), especially those most affected by devolution, request the attention and assistance of DILG (particularly those

¹ DILG Discussants: Mr. Manuel Gotis, Chief of the Policy Development and Research Division of the Bureau of Local Government Supervision (BLGS) of the Department of Interior and Local Government (DILG), with Mr. Masa Suzuki, JICA expert assigned at DILG.

DILG offices in the regions and in the LGU levels) in mobilising LGU personnel for specific NGA activities and projects.

- Primarily because of the decentralisation thrust of the government, DILG shifted its functional focus to assistory (rather than regulatory), and carry-out its regulatory functions in a dialogical and consultative processes with the LGUs.

1.3. Actual influences of decentralisation

- The Integrated Capability Building Program (ICBP) for LGUs has been conceptualised to aid LGUs in carrying-out devolved functions and improve the delivery of basic services. The ICBP for LGUs is carried-out by the DILG through the Local Government Academy (LGA).
- The Institution-Building and Participation in Governance program under the government's Social Reform Agenda (SRA) has been carried-out to institutionalise LGU-NGO-PO and LA (line agency) partnership and cooperation in community development.
- The on-going national reviews on various agency functions and set-ups in view of streamlining the government's bureaucracy have been greatly influenced by the decentralisation program.

1.4. Regional policy priorities for rural development

- Localisation of the central government's program on Social Reform Agenda (SRA)
- Fast-track implementation of the Integrated Capability Building Program (ICBP) for LGUs
- Integration of NGA macro-sectoral development plans into the LGUs' area-based development plans, at the regions

1.5. Support to decentralisation

- Advocacy programs and awareness raising on people-centered, participatory development approaches

1.6. Recommendations to JICA to effectively support decentralisation

- Decentralise development resources, if not in the provinces, at least in the regions. Involve NGAs in the policy level of the assisted project but project resources (e.g., human, materials, financial) should be LGU-based.
- Recognise DILG as one potential direct-partner in facilitating JICA assistance to LGUs.

2. Local Government Academy (LGA), October 10, 1996 ²

2.1. Issues confronting decentralisation

- While the LGUs' momentum towards decentralisation increased, national government agencies (NGAs) were not able to actively fill-in their new roles. Most of them are left out of the process. Most of them remain centrally-oriented.
- The needs of LGUs are getting complicated. The rapid transformation of rural areas into urbanising centers require new skills and technology which most LGU officials and local NGOs do not have.

2.2. Effects of decentralisation

- Entrepreneurial orientation of LGUs has been promoted. Enterprising activities and projects have increased.
- Local resource mobilisation efforts have been generated and delivery of basic social services has been improved significantly.
- Growing advocacy for greater local autonomy
- Shift of LGU management emphasis from internal to external e.g., from human resource development to economic, investment activities (LGUs are more entrepreneurial than being traditional politicians).

² DILG-LGA discussants: Ms. Beth Sacendoncillo (Assistant Director) and Ms. Gi Villareal, Head of the Research Division of LGA.

2.3. Actual influences of decentralisation

- Although LGA has been established in 1988, it became visibly operational only after the enactment of the 1991 Local Government Code.
- The Integrated capability Building Program (ICBP) for LGUs paved the way in establishing decentralisation-conscious Institutes for Local Government Administration (ILGAs) or partner-local universities offering academic enhancement programs for LGU personnel and officials. The LGA and ILGAs have so far trained a total of 60,000 LGU personnel in various fields of discipline.

2.4. Regional policy priorities for rural development

- Integrated Capability Building Program (ICBP) for LGUs

2.5. Support to decentralisation

- Advocacy programs directed towards self-reliant LGUs.

2.6. Recommendations to JICA to effectively support decentralisation

- Assist LGA in carrying-out the ICBP for LGUs, technically and financially, if possible i.e., establishment of LGA Training Centers for the Visayas and Mindanao
- LGU-based project management structures which will allow NGO and PO participation in the decision-making, implementing and management of foreign-assisted programs and projects.

3. Department of Finance - Bureau of Local Government Finance (BLGF), October 10, 1996³

3.1. Issues confronting decentralisation

- Because of the short-term of office by elective local government officials (3 years), most LGUs prefer to implement visual projects (infrastructure-related) than investing in human resource development programs and projects.

³ DOF-BLGF discussants: Director Pardo of the BLGF and Mr. Norberto Malvar

- The Philippines in 1996 has already a total debt (foreign and domestic) of US \$ 42 billion, and yet the approach used in localising the decentralisation program still promotes LGUs to borrow externally without considering domestic capacity in mobilising local resources.
- LGUs are allowed to directly access and negotiate ODA resources from foreign funding institutions without providing an operational framework for donor organisations to work with.

3.2. Effects of decentralisation

- Enhanced LGU access to credit from Government Financing Institutions (GFIs) and private banks.
- Increased income of LGUs through the Internal revenue Allotment (IRA).

3.3. Actual influences of decentralisation

- Re-orientation of the Municipal Development Fund (MDF), the only window for LGUs to directly access foreign loans, to focus in assisting poorer LGUs (provinces and municipalities).
- Review and the formulation of more appropriate LGU financing schemes i.e., grants to poorer LGUs, soft loans and macro-credit to richer ones.

3.4. Regional policy priorities for rural development

- Modernisation (industrialisation) of the countryside, outside of Metro Manila.

3.5. Support to decentralisation

- Systematisation and improvement of local taxation schemes and processes.

3.6. Recommendations to JICA to effectively support decentralisation

- Technically assist LGUs (at least the provinces) by dispatching experts on fiscal management and socially-oriented urban development.
- Assist in the conceptualisation and establishment of a guarantee-fund corporation for LGUs

4. NEDA-PIS & RDCS Divisions (October 11, 1996) ⁴

4.1. Issues confronting decentralisation

- Uneven development of the regions and local government units within the region
- Only very few LDCs and RDCs are functioning. Most of them are not.
- NEDA Regional Offices are re-active. They only act when there are requests from LGUs.
- Most LGUs are weak in terms of project identification, packaging of project proposals and sourcing funding assistance, investment planning and programming.

4.2. Effects of decentralisation

- Setting minimum standards for LGUs in delivering basic services through the Minimum Basic Needs (MBN) approach.

4.3. Actual influences of decentralisation

- The passage of ODA law in June 1996 has been influenced by the decentralisation in which plays an important role . NEDA also chairs the Resource Mobilisation Committee of the Social Reform Council (SRC) in implementing the SRA.

4.4. Regional policy priorities for rural development

- Establishment of Regional Agri-Industrial Centers (RAICs)
- Establishment of the Project Development Assistance Center (PDAC) at the RDC.
- NEDA gives grants to LGUs from ODA sources through sectoral NGAs based on the following criteria (i) equity - 5th and 6th income-class municipalities, (ii) externalities, and (iii) economies of scale.

⁴ NEDA-PIS and RDCs discussants: PIS = Ms. Santiago (Japan desk), Ms. Bernardo (ODA Asia-Pacific Delegation); Ms. Buenaflor (Local Government Financing). RDCS = Ms. Cochingco (Macro-Regional), Mr. Santos (RDCS Officer).

4.5. Support to decentralisation

- Creation and functioning of the PDAC in the regions (RDC level) to provide technical assistance to LGUs in project development and proposal packaging.

4.6. Recommendations to JICA to effectively support decentralisation

- Assist the SRA implementation at the LGU levels
- Decentralise project resources with both LGU and NGA managing them.

5. CIDA (October 11, 1996) ⁵

5.1. Issues confronting decentralisation

- RDCs actually function as ad-hoc (groups). They do not really function as expected (e.g., integration of LGU and national government development plans, etc.). RDCs are politician-dominated. LDCs are also similarly weak and non-functional.
- LGUs lack funds to financially support concrete projects after the conduct of capability building training.
- Qualitative indicators of capability building of LGUs not standardised.

5.2. Effects of decentralisation

- Increase in LGUs' gross domestic product (GDP)
- Prioritisation of human resource development programs (capability building programs).
- Strengthening of LGU-private sector partnership

⁵ CIDA discussants: Ms. Nicole Bouchard, First Secretary and Mr. Bong Garucho, National Manager of the CIDA-assisted project, "Local Government Support Program (LGSP)".

5.3. Actual influences of decentralisation

- Shift in orientation of foreign-assisted projects from the implementing role to facilitators role, putting LGUs at the forefront of project implementation
- The CIDA-LGSP's plans to dispatch Canadian experts to the project were not pushed through instead, project funds intended for the purpose were used to hire local Filipino Consultants.
- In providing training to LGUs, CIDA-LGSP uses practical methods of learning instead of using the traditional classroom-type approaches e.g., study tours, cross-LGU visits, exposures, consultancy advice, etc.
- Decentralisation of supported projects. LGSP. For example, is RDC-based project rather than NGA (central)-based.

5.4. Regional policy priorities for rural development

- Extension of LGSP beyond phase 1 (after March 1997).

5.6. Recommendations to JICA to effectively support decentralisation

- Support donors' convergence of resources.
- Decentralise project management structures and resources.
- Focus more on LGU capability building programs instead of NGA-based infrastructure and technology assistance.

6. **Mr. Aquilino Pimentel Jr., Author of the 1991 Local Government Code (October 11, 1996)**

6.1. Issues confronting decentralisation

- Most LGUs are not properly advised and guided in implementing the Code. Most of their complaints against the Code are not logically correct. For example:
 - the argument of the provinces to increase their IRA shares because they have bigger geographical coverage than the cities is not correct.

Provinces are composed of municipalities and component cities. These municipalities and cities, and their respective barangays have their own IRA shares (23 % for the cities, 34 % for the municipalities and 20 % for the barangays).

- the argument that poorer LGUs should get bigger IRA shares is also not correct because the IRA sharing is not based on LGU income but on percentage sharing.
- the argument that district hospitals should not have been devolved to provinces is, however, correct. One of the limitations in the making of the Code was that the devolution of district hospitals, established by Congressmen in their respective districts, to the provinces was not carefully thought of. But re-centralising these district hospitals would adversely affect the initiatives already exerted by the provinces in responding the challenge of hospital devolution.
- the argument that the Code was passed without the LGUs being prepared first is not entirely correct. LGUs nation-wide have been advocating decentralisation as early as 1940s. The concept of decentralisation was also piloted in some provinces bearing successful efforts that reinforced the increasing advocacy for complete autonomy and decentralisation. The timing of the passing of the Code was also critical when the peoples' ironic experiences of over-centralisation during the martial law years were still fresh that the people wanted to distribute central power, and that the Aquino government, established through peaceful peoples' revolt, was expiring.
- The CDF of the Congressmen and Senators is not being mobilised to respond to policy issues of decentralisation.

6.2. Effects of decentralisation

- The increased responsibilities of the LGUs, particularly in improving the delivery of basic services, forced LGU officials to be progressive and responsibly accountable to their constituents. They are forced to seriously consider being effective area managers instead of being traditional politicians who were just mere expectators and followers of the central government in terms of developing their local areas. Decentralisation allows the changing of attitude of public officials from being power-oriented to responsibility and accountability conscious.

- Proliferation of local initiatives in community development in various forms and approaches without waiting for central government's command and advice.

6.3. Actual influences of decentralisation

- Growing concern for people's participation in government affairs and the LGUs' obligation for mandatory consultation with local residents.
- Mental acceptance of LGUs and NGAs that health problems are local problems (maybe, except for epidemic cases), that there is a need to allow LGUs to do their rightful functions
- Automatic appropriation of the national financial resources to LGUs (especially the barangays)
- Decentralisation forces central government and the NGAs to think and examine their roles and functions, and freed them from thinking that they are the most intelligent and powerful over LGUs.

6.4. Regional policy priorities for rural development

- Socially-responsive, environmentally - conscious and pro-poor industrialisation of the countryside, and a more aggressive implementation of social reform programs.

6.5. Support to decentralisation

- Bottom-up development planning programs and community-driven project implementation
- Advocacy for a more effective and efficient decentralised set-up of governance.

6.6. Recommendations to JICA to effectively support decentralisation

- Consider LGUs as direct partners of ODA assistance. Allow LGUs to directly access foreign grants without the political interference of NGAs and the legislative i.e., congressmen
- Decentralise project resources and implementation
- Support countryside or rural LGUs.

7. NEDA - Regional Office 7 - Cebu (October 14, 1996) ⁶

7.1. Issues confronting decentralisation

- Before decentralisation, LGUs used to submit their development plans to NEDA because the perspective of planning used to be from the top to bottom. After decentralisation, however, LGUs are not anymore required to submit development plans to NEDA before implementing them. NEDA has difficulties in getting LGU data for regional use.
- NEDA monitors projects undertaken by the national government and NGAs only.
- Most LGUs use IRA to finance personnel requirements and look at national government or ODA organisations to finance development projects.
- Most local chief executives (LCEs) do not prefer health and environmental programs, but prioritise infrastructure-related industries.
- Duplication of personnel positions and functions in some LGUs after devolution.
- CDF (of congressmen and senators) defeats the purpose of planning and programming because projects to be funded by CDF are identified by congressmen and senators themselves and are not normally included in the LGU or NGA plans. Congressmen and senators do not involve themselves in development planning and programming.
- NGA roles and functions are not yet carefully reviewed to respond decentralisation demands. Transition problems (between LGUs and NGAs) are still evident.

7.2. Effects of decentralisation

- Growing concern to relocate regional NGA resources (technical personnel) at LGU levels, to effectively assist LGUs i.e., provincialisation of NGA regional offices

⁶ NEDA-Region 7 discussants:
technical officer

Director Romeo Escandor, Regional Director with one

- Growing consciousness of actually integrating top-to-bottom and bottom-up development plans (integration of local and national development plans at the regions).

7.3. Actual influences of decentralisation

- Growing concern on massive industrialisation at the expense of social development
- Serious concern on converging NGA and ODA resources to support LGUs
- Legal provisions/safeguards for NGO, PO and LGU development interactions

7.4. Regional policy priorities for rural development

- Dispersing economic opportunities to rural LGUs.
- Establishment of economic zones

7.5. Support to decentralisation

- Establishment of PDAC at RDC
- Regional evaluation of projects proposed both by LGUs and NGAs

7.6. Recommendations to JICA to effectively support decentralisation

- Directly assist LGUs but require them to put in project counterparts rather than the central government
- Shift assistance from metro areas to rural provinces and municipalities in the regions

8. Provincial Government of Cebu (October 14, 1996) ⁷

8.1. Issues confronting decentralisation

- RDCs are not functioning. RDCs will only be effectively working when CDFs of Congressmen and Senators will be given RDCs and will be used as “block funds” for LGU development projects.
- Budgets of the provinces, even with the increased IRA, are not enough to carry-out devolved functions and responsibilities. The 9 district hospitals devolved to the province alone require a total of Php 120 million per year to operate and maintain.
- Environmental programs, poverty alleviation and social services require lots of money that the provinces do not have, that the province had to earn more by trading off “invisible” social programs in favour of visible economic projects like the Mactan Economic Processing Zone (MEPZ) where 60 % of foreign investors are Japanese, generating a local employment of 30,000 people.
- NGAs still continue to implement projects without proper consultation with LGUs that resources are normally gone to waste, like the MCDP (MDF-assisted South Bus Terminal) which is now popularly known in Cebu as a “white elephant”, because the project is not operating and indeed been losing millions of pesos.

8.2. Effects of decentralisation

- More than 30 % of the total land area of 500 square kilometers of the province used to be agricultural. These lands are now traded off to industries. The thrusts of the provincial government is to develop inter-island shipping system and a ship building industry. This indicates a major shift of orientation of LGU officials from being traditional politicians to industry-oriented managers.

8.3. Actual influences of decentralisation

- The provincial government re-orient its focus to distribute or disperse industries and ODA assistance to the countryside (outside of the metropolitan centers).

⁷ Provincial government discussants: Governor Garcia (Governor of Cebu Province and Chairman of RDC 7) and a PPDO Officer. Gov. Garcia was formerly a congressman. He became governor only since 1995.

- The provincial government also thinks of establishing a foreign affairs department to increase and improve direct international cooperation with other developing countries.
- ODA donors are re-focusing assistance to the rural areas of Cebu province.

8.4. Policy priorities for rural development

- Industrial development, not only in Cebu city but more so in the municipalities
- To transform Cebu into a service-oriented training center which will cater both domestic and international training needs and requirements.

8.5. Support to decentralisation

- Putting infrastructure (e.g., bridge, power) and water on top of the priorities

8.6. Recommendation to JICA to effectively support decentralisation

- Support the northern and southern municipalities in Cebu province in carrying-out programs and projects directly related to environment, poverty alleviation and social services.

9. **Metro Cebu Development Project (OECD-assisted) ⁸** **October 14, 1996**

9.1. Issues confronting decentralisation

- RDC is not functioning as expected.
- The MCDP office (MCDPO), which is run and managed by contractual staff, makes "everything possible" for the LGUs. In terms of facilitating and managing the project, the LGUs are very much dependent on the MCDPO management staff.

⁸ MCDP discussants: 6 MCDP Officers led by Ms. Lilibeth Pono (Assistant Project Director) and Mr. Gabriel Leyson (Liaison Officer and City Councilor). The MCDP staff had prepared a programme activity which included a briefing and discussion about the MCDP and MDF, project visits to South Bus Terminal, Talisay Public Market and a dinner meeting with some of the Cebu city local officials.

- It is not clear how long will the national government provide counterpart funds for MCPDO operations. LGUs involvement and responsibility is to make the “loan projects” (e.g., the South Bus Terminal, the Talisay Public Market, the reclamation project, etc.) generate income to pay the loans.
- MDF, being the only ODA loan window directly accessible by LGUs, does not serve the poorer municipalities because it prioritises economically-viable LGUs.

9.2. Effects of decentralisation

- Opening up of loan and credit windows by credit institutions and international loan agencies for financially-stable LGUs
- LGUs are learning the “bankers skills” and aggressively venture into industrial projects

9.3. Actual influences of decentralisation

- Convergence of international loan agencies and multi-lateral organisations to support ODA “recipient countries”. The MDF top contributors are OECF, WB and ADB.
- ODA loan arrangement between the central and local governments was made possible. Central government borrows money from foreign sources and LGUs remit project incomes to national government for loan repayment.

9.4. Support to decentralisation

- MCPDO staff train LGU personnel on specific, project-oriented training and seminars.

10. Provincial Government of Iloilo⁹ October 15, 1996

10.1. Issues confronting decentralisation

- LGU officials are hesitant to increase local taxation rates for fear of losing electoral support from local businessmen.

⁹ Provincial Government discussants: 4 officers led by Mr. Carlos Paguntalan (Assistant Planning and Development Coordinator) and Mr. Martin Daquilanea, Jr (Executive Assistant to the Governor).

- LGUs are technically and financially unprepared for devolution. The biggest headache of Iloilo province is about the devolution of health services (e.g., 13 devolved district hospitals, and salaries of some 1,200 devolved health personnel)
- NGAs are not contributing much in increasing the capabilities of LGUs. Many NGAs appear “insensitive” of the on-going decentralisation process.
- LGUs have difficulties in collecting taxes from CARP beneficiaries because they do not have yet the land titles.

10.2. Effects of decentralisation

- LGUs are given authority to choose practically qualified LGU personnel (employing government personnel is controlled by the Civil Service Commission)
- Training programs are organised by LGU-HRD departments
- LGU initiatives in income generation has been increasing

10.3. Actual influences of decentralisation

- The Provincial Government organised the Iloilo Investment Foundation (IIFI) to organise and conduct trade fairs and other investment promotion activities
- LGUs were able to identify and direct development efforts to agricultural centers and special economic zones.

10.4. Policy priorities for rural development

- Development of international sea-port and airport

10.5. Support to decentralisation

- Training programs for LGU personnel
- Exploration and testing of income generating initiatives like allowing heavy equipment of the provincial government to be rented by municipalities and some NGAs in the region

10.6. Recommendations to JICA to effectively support decentralisation

- Provide skills training to LGU officials and personnel
- Do not rely too much on NGAs (particularly, NEDA) in evaluating training proposals. NGAs normally “monopolise” the availment of foreign training programs

11. NEDA - Regional Office 6, Iloilo City ¹⁰ October 15, 1996

11.1. Issues confronting decentralisation

- NEDA Regional offices are not very much involved in providing technical assistance to LGUs. NEDA Regional Offices lack financial resources to do so. The Antique province, for example, requested NEDA-Region 6 to conduct a development study for them, but NEDA 6 did not respond due to the unavailability of funds.
- ODA resources not equally distributed among the regions and provinces
- It is not clear as to which agency shall determine the capabilities of LGUs e.g., which LGUs are strong and which are weak, etc. Is it NEDA or DILG?

11.2. Effects of decentralisation

- After devolution, a tremendous increase in incomes of LGUs has been observed, but poverty incidence in their areas keeps on ascending
- Region 6 has a negative growth rate of -0.06 % and has a regional average of 40 % in terms of poverty incidence. Primarily due to this reason, UNDP chose Region 6 to be the region in which convergence of ODA services should take place.

11.3. Actual influences of decentralisation

- The localisation of the Social Reform Agenda (SRA)
- Establishment of PDAC at the RDC to assist LGUs in project proposal packaging

¹⁰ NEDA-Region 6 discussants: 14 NEDA Officers led by Dir. Truman Cainglet.

- The formation of the Panay Economic Union, where provinces and cities in Region 6 combine and share resources and development opportunities.

11.4. Policy priorities for rural development

- District-oriented development planning processes
- Development re-orientation of the business sector and politicians at the region or LGU levels
- Inter-province funding corporation

11.5. Support to decentralisation

- PDAC at RDC

11.6. Recommendations to JICA to effectively support decentralisation

- Donors should consider local development agenda, and not local development agenda to suit in with the donor's agenda
- Allow LGUs to directly access grant assistance

12. **CIDA-LGSP (Local Government Support Program), Region 6 Iloilo City ¹¹** **October 15, 1996**

12.1. Issues confronting decentralisation

- No clear indicators about "strong" or "weak" LGUs
- LGU capabilities in terms of project proposal preparation is low
- Delay of fund releases by DBM to LGUs
- LGUs have difficulty in acquiring permission from DBM and COA in realigning budgets to more important projects during actual project implementation

¹¹ CIDA-LGSP discussant: Mr. Antonio Tantioco, Planning Officer

12.2. Effects of decentralisation

- Peoples participation (as properly informed and involved) in local governance has increased
- ODA donor organisations started to recognise the need to directly support LGUs

12.3. Actual influences of decentralisation

- Decentralisation of CIDA's assistance. The LGSP project is RDC-based, and not NGA central - based.

12.4. Policy priorities for rural development

- Training of LGU personnel

12.5. Support to decentralisation

- Extension and expansion of the LGSP after March 1997 (phase 1)

12.6. Recommendations to JICA to effectively support decentralisation

- Directly support LGUs (provinces and municipalities)
- Require LGUs to put in counterparts in assisted projects e.g., 10 % of project costs

13. City Government of Iloilo ¹² October 16, 1996

13.1. Issues confronting decentralisation

- The city government disregarded non-registered social workers and replaced them with new, inexperienced registered ones. Those non-registered social workers who were lucky to be absorbed are either receiving lower salaries or demoted.

¹²

City government discussants:
Development Officer.

5 Officials led by Mr. Nathaniel Guillergan, Project

- The budget of the city social welfare and development office had been reduced from Php 150,000 (for operations) to only Php 50,000 after devolution.
- The CSWD office made a petition about the personnel issue but it was rejected by the city government. Nothing has happened since then.
- Central government did not consider financial capabilities of LGUs in making national policies on salaries and benefits of government workers.

13.2. Effects of decentralisation

- Increased flexibility in delivering social services. Before devolution, the city has only 40 day-care workers. After devolution, it increased to 221 (21 permanent, 200 contractuels) servicing 180 barangays.
- NGAs are forced to consider LGU peculiarities and local conditions in their planning exercises.

13.3. Actual influences of decentralisation

- City government is currently working on the formation of the Metro Iloilo Development Council which will focus on integrative planning (for infrastructure), solid waste management and shelter programs for urban poor.
- Iloilo city (a highly urbanised city) opted not to go for full-blown industrial development but preferred for agri-business development. It integrates environmental concerns into the projects and activities of all LGU departments.

13.4. Policy priorities for rural development

- Sea port development
- Effective delivery of environmental programs and social services

13.5. Support to decentralisation

- Increase local revenue generation efforts through bond flotation approaches and soft loans (a strategy applied and tested by Mandaluyong city in Metro Manila and Cebu city).

13.6. Recommendations to JICA to effectively support decentralisation

- Help re-orient the MDF system to cater the needs of the 5th and 6th income class municipalities, instead of catering to highly urbanised cities and independent cities
- Decentralise technical assistance to allow genuine LGU participation in project management and operations.

14. Municipality of Tubungan (Province of Iloilo) ¹³ October 16, 1996

14.1. Issues confronting decentralisation

- Technical skills of LGUs as area managers were low when decentralisation came in.
- NGAs (at the regions) and upper LGUs (e.g., province) were neither prepared for devolution. Each was doing its own, responding to specific issues of decentralisation at their respective levels. Municipalities were left alone.

14.2. Effects of decentralisation

- Municipalities can now decide appropriately on local issues without the interference of NGAs and upper LGUs
- Increased municipal income (through the IRA)
- Municipal government re-focused its thrusts to improve the delivery of basic social services, particularly education
- Increased and “more friendly” participation of local NGOs and POs in project planning and implementation

¹³

Municipal government discussants: 14 municipal officers with 2 CIDA-LGSP staff. The discussion was organised and led by the Municipal Mayor. The municipal government occupies the new municipal hall building which was constructed out of the CDF of a congressman. The Mayor was formerly a teacher. This municipality is assisted by CIDA's LGSP project.

14.3. Actual influences of decentralisation

- ODA organisations like the CIDA re-focused their attention and assistance to municipalities. The CIDA-LGSP assisted them through training and provision of computer equipment. The LGSP guided them on development planning, legislature and approaches to fast-track the delivery of basic social services.
- Strengthened MDC. The MDC in Tubungan has a working membership of 120 (60 LGUs/LAs, 48 barangay captains, and 12 NGOs). The MDC actually serves as the venue for peoples participation in discussing local development issues and decision-making.

14.4. Policy priorities for rural development

- Agricultural development
- HRD e.g., skills training
- Farm to market roads (barangay roads)
- Communications systems improvement

14.5. Support to decentralisation

- Provide training to barangay officials in the fields of barangay administration, legislation, finance and development planning (an application of what the municipal government learnt from the capability building assistance of CIDA-LGSP)

14.6. Recommendations to JICA to effectively support decentralisation

- Support municipalities in an integrated manner e.g., capability building of MDCs integrated with socio-economic projects, agricultural support services, etc.

15. Barangay Agdao (Municipality of Tubungan) ¹⁴
October 16, 1996

15.1. Issues confronting decentralisation

- The barangays were not technically prepared for decentralisation. The barangays were made to be dependent to cities and municipalities since time immemorial, that decentralisation was seen as a very interesting, challenging yet new and a radical thing.
- Most of the issues revolve around agricultural support facilities e.g., irrigation, and social services.

15.2. Effects of decentralisation

- Local PO and NGO relations with the Barangay Council strengthened
- Women's issues addressed i.e., women participants asserted on the inclusion of social development projects into the Barangay Development Plan e.g., toilets, water, education

15.3. Actual influences of decentralisation

- The Social Reform Agenda, particularly the fast-track implementation of the Comprehensive Integrated Delivery of Social Services (CIDSS) of the DSWD in the barangays.

15.4. Policy priorities for rural development

- Peoples' participation in barangay development

15.5. Support to decentralisation

- Involvement and active participation of the people in the Participatory Action Research (PAR) and Barangay Development Planning

¹⁴

A barangay assembly meeting was conducted by the barangay to validate and finalise their Barangay Development Plan. The meeting was attended by more than 40 barangay people. The Study Team observed the proceedings and was requested to participate in the latter part of the meeting to share experiences of the Japanese government on village development. Most of the active participants in the meeting were women.

15.6. Recommendations to JICA to effectively support decentralisation

- Support barangays with capability building programs
- Assist barangays to be able to undertake socio-economic projects, particularly agricultural support facilities e.g., small irrigation system

16. University of the Philippines - Local Government Center (UP-LGC) ¹⁵ October 17, 1996

16.1. Issues confronting decentralisation

- The IRA formula does not consider the LGUs' tax collection efficiency
- The IRA formula (50 % for population, 25 % for land area, and 25 % for equal sharing - divided equally based on the total number of LGUs e.g., 77 provinces, 65 cities, etc.) can be very "tricky". LGUs can "manipulate" data on population i.e., inviting in-migration, offering lands for the resettlement of disaster victims, etc.

16.2. Effects of decentralisation

- Many municipalities were converted into cities because of the IRA increase (increased LGU income) and population (increased population mostly caused by in-migration or transient residents)
- There are cities which appear to be more appropriately described as municipalities
- Decentralisation is getting more popular. Asia-Pacific countries look at the Philippine experiences, for self-learning.

16.3. Actual influences of decentralisation

- Opening up by the academe of new curricula for LGU officials and personnel

¹⁵ UP-LGC discussants: Professors Legaspi, Padilla and Professor Mariano.

16.4. Support to decentralisation

- Academe (UP-LGC) serves as “think-tank” of the government on the issue of decentralisation
- UP-LGC has 32 staff, 13 of whom are technical (involved in research and training)
- Conduct of forum, symposia, or conferences related to decentralisation e.g., Role of NGOs in Local Governance, etc.

16.5. Recommendations to JICA to effectively support decentralisation

- Directly support LGUs (at least the provinces and cities)
- Refocus assistance to rural LGUs

17. **World Bank** ¹⁶ **October 17, 1996**

17.1. Issues confronting decentralisation

- There are “losers” and “gainers” in the IRA grants. Cities get more while provinces actually get less.
- NGA program targets not appropriate to decentralisation i.e., very sectoralised, not area-based
- NGAs are not transformed or re-oriented to focus roles on supervision and monitoring, and not implementing

17.2. Effects of decentralisation

- Re-orientation of MDF to assist the 5th and 6th class municipalities, and not anymore the 1st and 2nd class LGUs. Assistance is needed most in rural LGUs but the domestic skills are less

17.3. Actual influences of decentralisation

- WB re-focuses assistance to social issues e.g., education, social services, although these projects are not directly income-generating.

17.4. Policy priorities for rural development

- WB studies
- Provision of technical grant assistance to LGUs as part of accessing MDF

17.5. Support to decentralisation

- Financial assistance to LGUs e.g., urban infrastructure through the MDF
- Development studies e.g., LGU financing schemes with the DOF, etc.

17.6. Recommendations to JICA to effectively support decentralisation

- Work with other donor organisations (lending and granting should work together)
- Work with Regional Offices of NGAs or study the potentials of RDCs
- Assist LGUs through capability building programs

18. **USAID**¹⁷ **October 18, 1996**

18.1. Issues confronting decentralisation

- The 1991 LGC is not a perfect document but offers lots of opportunities
- There is a strong effort of re-centralisation, but LGUs are progressing though there are operational problems.

• ¹⁷ USAID discussants: Michael Calavan, Chief of the Decentralisation and Local Development Division, Mr, Nap de Sagun, Project Manager of the Office of Governance and Participation, and Mr. Leonardo Dayao.

18.2. Effects of decentralisation

- Strengthening of local organisations e.g., leagues of LGUs
- Strengthened LGU - NGO partnership i.e., LGU on planning, NGOs on implementing

18.3. Actual influences of decentralisation

- The formulation and implementation of the government's Social Reform Agenda (SRA)

18.4. Policy priorities for rural development

- Development of rural LGUs e.g., Mindanao

18.5. Support to decentralisation

- LDAP (Local Development Administration Project)
-
- GOLD (Governance on Local Democracy) Project
- GOLD covers 10 provinces and 2 cities. It works through the Leagues of LGUs (League of provinces and league of cities). GOLD provides consultants to LGUs. USAID taps a contractor - ARD (Associates for Rural Development) and ARD in turn, taps Filipino Consultants.
- USAID works with NGOs (e.g., PBSP, PhilDHRRA, etc.)
- USAID directly assists LGUs based on the (i) leadership of the LCE, (ii) innovativeness of the LCE, and (iii) weak LGUs. Criteria are not much on the technical and financial aspects of LGUs, but on LGU dynamism - which will create a self-reliant multiple or radiation effects.

18.6. Recommendation to JICA to effectively support decentralisation

- Expert exchange with other donors
- Facilitate cross-project visits (LGUs in the Philippines and LGUs in Japan)
- Tap Filipino Consultants to work with Japanese experts

19. ADB¹⁸
October 18, 1996

19.1. Issues confronting decentralisation

- LGUs' capabilities are very low.
- Central and LGU coordination not strong
- Systems depend much on personality rather than institutions and mechanisms
- No established mechanisms for channeling foreign grants or loans

19.2. Effects of decentralisation

- Views and capacities of NGOs and basic sectors are integrated into every project designing
- Decentralisation turns to be a saving measure strategy of the central government

19.3. Actual influences of decentralisation

- The Social Reform Agenda and the Minimum Basic Needs (MBN) approach

19.4. Support to decentralisation

- Bukidnon Integrated Area Development Project (BIADP), where ADB provides loans to the province of Bukidnon as guaranteed by the LandBank of the Philippines (LBP). This project, being the first experience of ADB in directly assisting a province or LGU, becomes a very interesting project.

19.5. Policy priorities for rural development

- Formulation and pilot-testing of "special fund schemes" for LGUs
- Channeling funds for lending to LGUs through the Government Financing Institutions (GFIs)

¹⁸ ADB discussants: Mr. Eiichi Watanabe, Director of Programs Department (East), Thomas Walsh, Senior Programs Officer (Philippine Desk), Armin Bauer, Economist (Social Sector), Srinivasa Madhur, Economist.

19.6. Recommendations to JICA to effectively support decentralisation

- Support the localisation of the Social Reform Agenda (SRA)
- Support systematisation of Donor's assistance e.g., one donor, one region or one donor, one sector.
- Possible areas of collaboration between JICA and ADB : ADB will assist LGUs by providing hardware (project loans) assistance, while JICA assists LGUs by strengthening their planning capabilities (software support).

20. NEDA - PIDS ¹⁹ October 18, 1996

20.1. Issues confronting decentralisation

- Inequitable resource distribution. Mismatch between devolution and devolution expenditures.

20.2. Effects of decentralisation

- Budget expenditures for health sector and social welfare went down
- While the IRA increases, the local tax collection decreases or remains low

20.3. Actual influences of decentralisation

- Too many are concerned now about the capabilities of LGUs
- LGUs moving towards mobilising financial private banks

20.4. Recommendations to JICA to effectively support decentralisation

- Directly assist LGUs (capability building programs)
- Help LGUs to maximise the MDF system

¹⁹ PIDS discussant : Dr. Rosario Manasan

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