

Studies on Philippine Local Government Planning and Budgeting

*PIDS Team
July 16, 2020*



Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

1

Outline of Presentation

Two studies:

1. Baseline Study on Fiscal and Governance Gaps in Municipalities
2. An Assessment of the Philippine Local Government Planning and Budgeting Framework

For each, will present:

1. Motivation, research questions and objectives
2. Scope and methodology
3. Results/Findings
4. Recommendations



2

Local Government Support Fund-Assistance to Municipalities

BASELINE STUDY ON FISCAL AND GOVERNANCE GAPS



3

Motivation and Research Questions

For decades, the national government has been assisting local governments in the delivery of devolved basic services through targeted programs. With this,

- How much do municipalities need to close the gap in key devolved infrastructure services such as local roads, rural health units and evacuation centers?
- Do municipalities follow DILG-prescribed development planning guidelines?
 - What are current local development planning practices?
 - How can local development planning be improved?



4

Objectives

Establish baseline information for municipalities:

- On existing fiscal and governance performance indicators
- Estimate infrastructure and fiscal gaps for local roads, rural health units and evacuation centers
- Identifying governance gaps in local development planning practices



5

Scope and Methodology

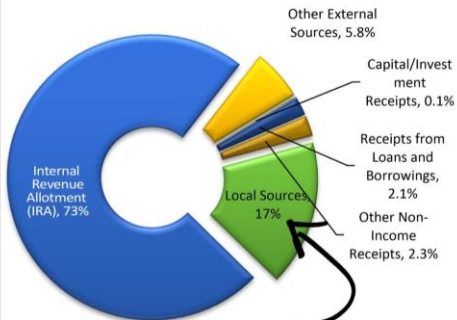
- 1,373 municipalities, members of the Planning Team
- Mixed methods approach, analysis and process evaluation using both primary secondary and data
- Desk review, key informant interviews, focus group discussions
- Infrastructure and fiscal gaps estimated from data directly collected from municipalities
 - Defined the ideal or targets for key infrastructure on sectoral policy directions.
- Governance gaps identified from a census of local development planning practices of municipalities



6

Current Fiscal Performance of Municipalities

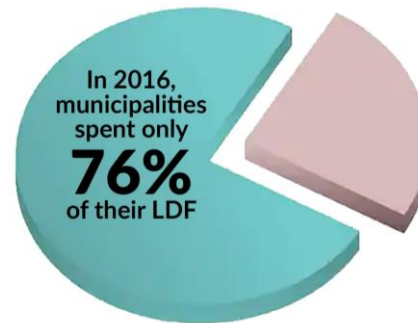
Only a small portion of municipalities' total income came from local tax collection



In 2016, **LOCAL REVENUE EFFORT**, or the proportion of local revenues collected by LGUs to their total income, was only **17%**.

SOURCE: Bureau of Local Government Finance, Department of Finance

They also underspent their Local Development Fund (LDF)



The LDF is the portion of the LGU budget for development projects. It should be at least 20 percent of the LGU's internal revenue allotment (IRA) for the year.

SOURCE: Bureau of Local Government Finance, Department of Finance



7

Reasons for Current Fiscal Performance of Municipalities

Some reasons why municipalities were unable to use their LDF



These resulted in either **nonimplementation** or **delayed implementation** of projects.

SOURCE: Authors' compilation

ONLY ABOUT
HALF
OF MUNICIPALITIES

"ALWAYS" prepare project briefs for their proposed programs, projects, and activities (PPAs) for their Local Development Investment Program (LDIP)



ALWAYS
(54%)

SOMETIMES
(36%)

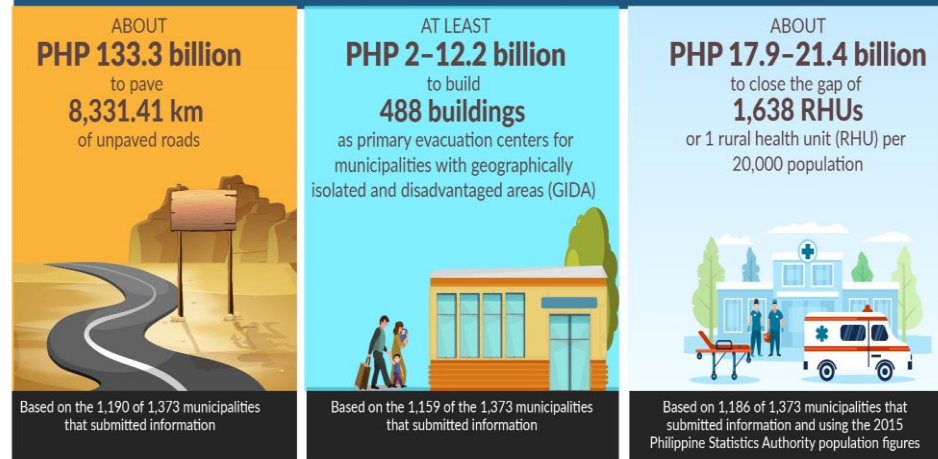
NEVER
(10%)



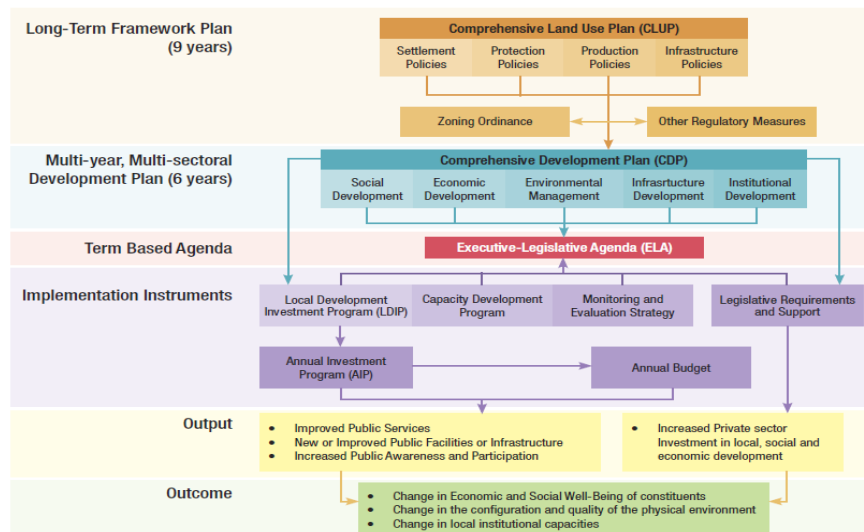
8

Estimated Infrastructure and Fiscal Gaps

In 2017, how much did municipalities need to close the gap for roads, evacuation centers, and rural health units?



Governance Gaps: Local Development Planning



Drafting the Comprehensive Development Plan

The DILG-Prescribed Planning Process

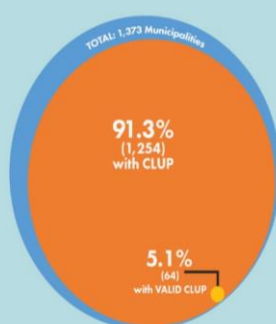


12

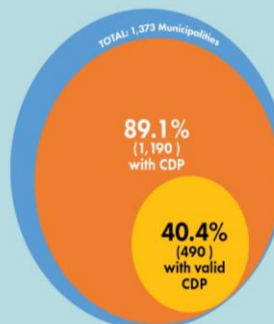
Almost all municipalities claim to have plans...

However, these plans were mostly not updated

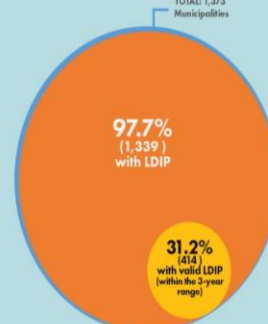
ONLY ABOUT
1 in 20
MUNICIPALITIES HAD
VALID CLUP

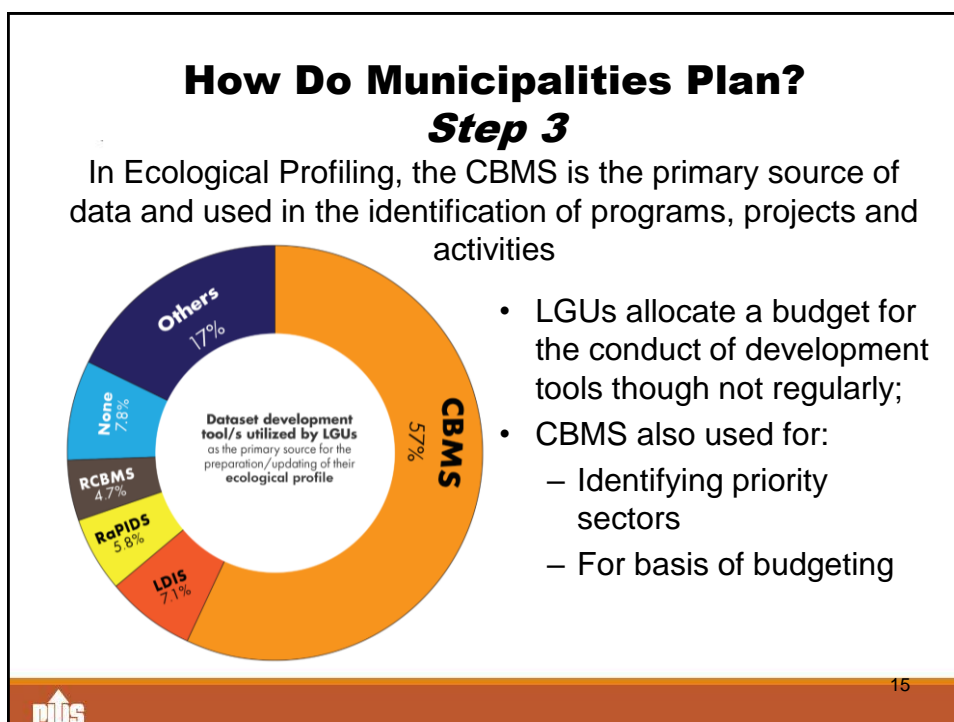
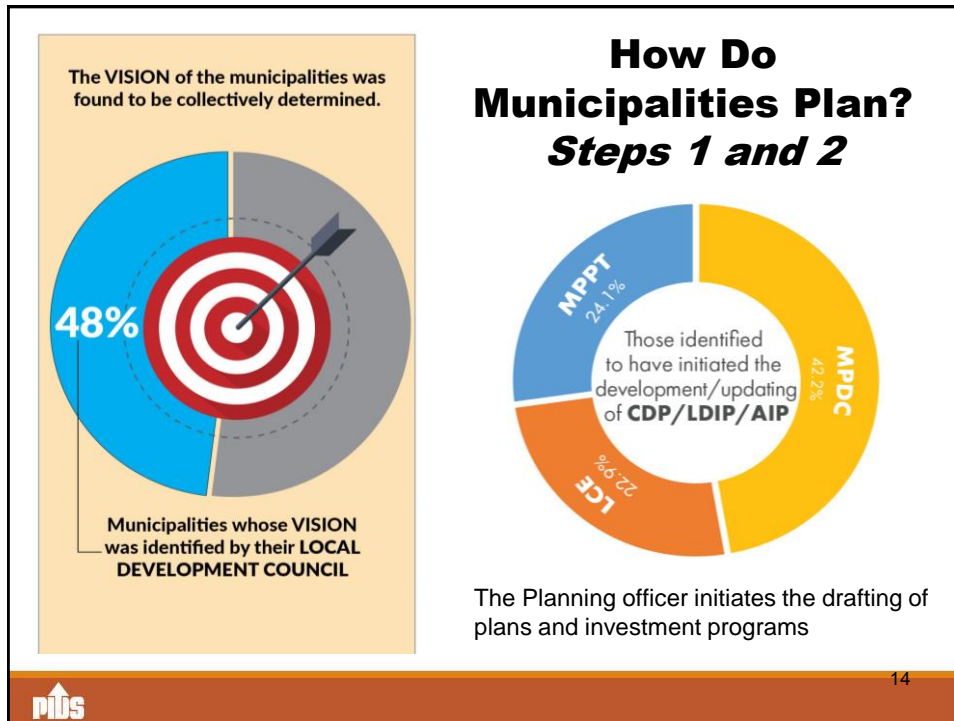


ONLY ABOUT
4 in 10
MUNICIPALITIES HAD
VALID CDP



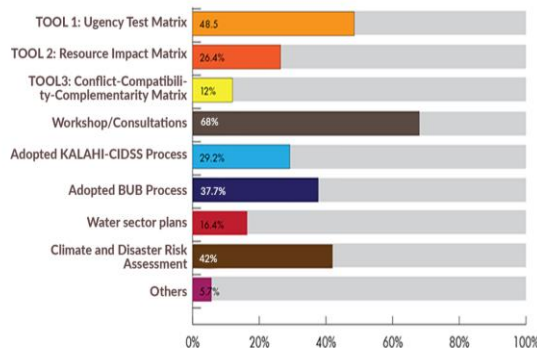
ONLY ABOUT
3 in 10
MUNICIPALITIES HAD
VALID LDIP





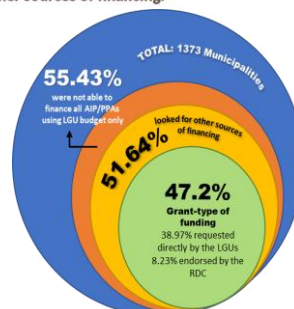
How Do Municipalities Plan for Their Projects?

What are the tools used by municipalities in screening PPAs for prioritization?



How do municipalities finance their Annual Investment Programs (AIPs)?

About half (55.43%) of surveyed municipalities were unable to finance their entire AIPs and have to look for other sources of financing.



How do municipalities prepare their Local Development Investment Program (LDIP)?

50%

OF MUNICIPALITIES said they "ALWAYS" prepare project briefs for their proposed PPAs

68%

OF MUNICIPALITIES used workshops or consultations as their basis for drafting their LDIP

68%

OF MUNICIPALITIES conducted a second round of prioritization

How do municipalities monitor and evaluate their projects?

38%

OF MUNICIPALITIES claimed to have Monitoring and Evaluation mechanisms for their CDP

82%

OF MUNICIPALITIES claimed to have some Capacity Development programs for implementing the LDIP

SOURCE: Authors' compilation

Some General Findings and Recommendations

ISSUES

Although most municipalities claim to have the mandated plans, only less than half of these plans are updated.

1



Despite the presence of the DILG-prescribed Rationalized Planning Indicators and Data Set (RaPIDS), most municipalities still use the Community-based Monitoring System (CBMS) to gather data for ecological profiling.

2



The insufficient observance of ensuring the feasibility and quality of proposed investment programs compromises potential development.

3



The evidence on arbitrary and lack of prioritization of investment programs could result in less impactful development projects and inefficient use of resources.

4



Capacity development (CapDev) instruments in the LDIP and, more importantly, in monitoring and evaluation of projects, should be improved.

5



RECOMMENDATIONS

Enforce strict compliance with the Local Government Code mandate requiring local government units to draft/update their multisectoral development plans and land use plans.

Revisit the RaPIDS or reorient municipalities on its use for ecological profiling.

Require compliance by municipalities to ensure project feasibility. This may need capacity-building interventions in the preparation of project briefs to ensure feasibility and improve the quality of investments.

Highlight to municipalities the importance of following the two-round shortlisting and using DILG's prescribed criteria in prioritization.

Strengthen the CapDev programs of municipalities, particularly in the monitoring and evaluation of projects.

Assessment of the Philippine Local Government Planning and Budgeting Framework

*PIDS Team
July 16, 2020*



Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas



18

Introduction and Motivation

- In 2005, the World Bank found
 - weak institutionalized planning in LGUs and
 - a disconnect between national and regional/provincial planning.
- In 2015, DILG reported only a half of all LGUs had formulated CDPs.
- Recent COA reports identify poor LGU planning, monitoring and prioritization of development projects as some reasons behind the underutilization of the local development fund.
- The anticipated increase in intergovernmental fiscal transfers because of the Supreme Court's Mandanas ruling (2018) implies a larger amount to be allocated to the local development fund.



19

Research Questions

1. What is the current planning and budgeting framework for local governments?
2. How is it situated in the national government planning and budgeting framework?
3. What are areas for improvement?



20

Objectives

- To map out current local planning and budgeting framework in relation to national government planning-budgeting.
- To identify strengths, weaknesses and areas of improvement in overall local planning and budgeting framework to enhance the delivery of basic public services.



21

Data and Methodology

- Mixed methods approach, analysis and process evaluation using primary and secondary data
- Desk review
 - Public financial management framework, PFM roadmaps and studies, Government Issuances
 - National/Local development plans (PDP/CDP) and investment programs (PIP/LDIP/AIP)
 - Results of the LGSF-AM Baseline Study Survey
- Key informant interviews with LGUs and LGU oversight agencies



Oversight National Government Agencies

NGAs	Mandates
DILG	Establish and formulate plans, policies and programs to enhance the administrative, technical and fiscal capabilities of LGUs (par. K, Rule 23 of IRR of RA 7160)
DBM/DBM Regional Offices	Issue Annual Local Budget Memoranda Review of Annual Budgets of Provinces, Cities and Municipalities in Metro Manila (Sec. 326, LGC) Updating of LGU Chart of Accounts with COA
NEDA/Regional Development Councils	Integrate approved plans of Provincial LGUs, Highly Urbanized Cities (HUC), Independent Component Cities (ICCs) in Regional Development Plans and the Philippine Development Plan (PDP); Formulate public investment program and the monitoring and evaluation of plan implementation
DOF/BLGF	Supervision of revenue operations and resource mobilization of LGUs

Source: NEDA-DILG-DBM-DOF Joint Memorandum Circular No. 2016-1

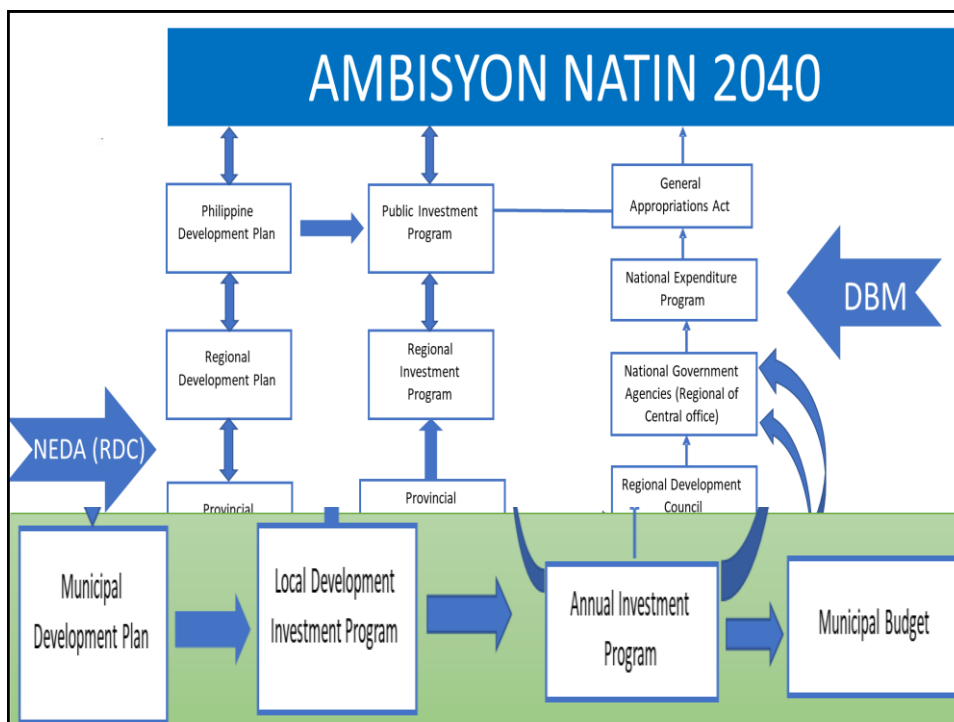
23

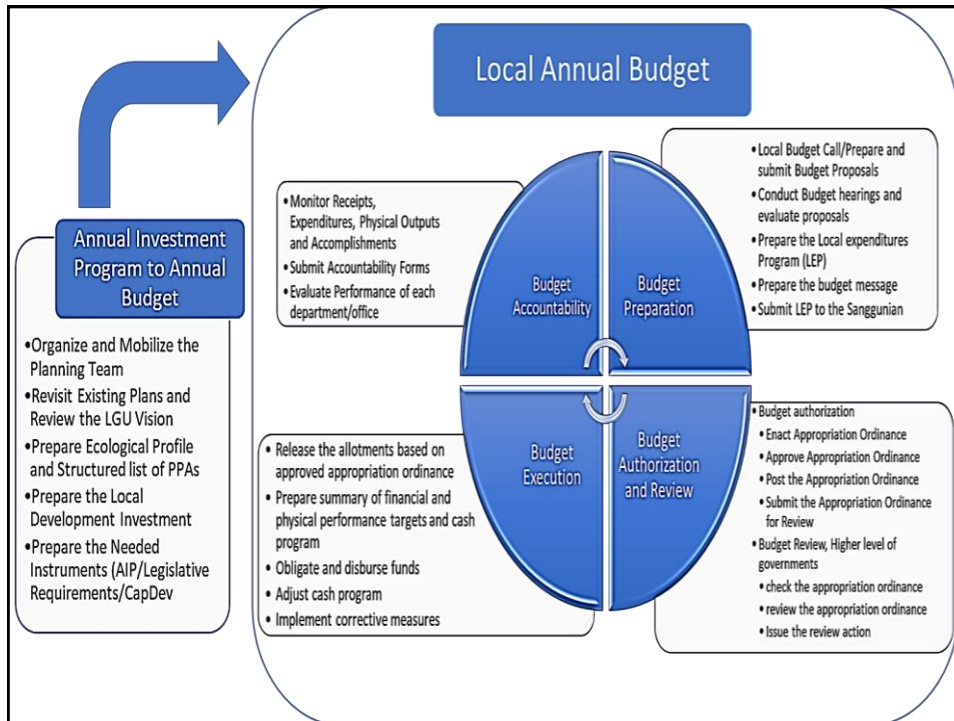


Philippine Government Planning and Budgeting Framework



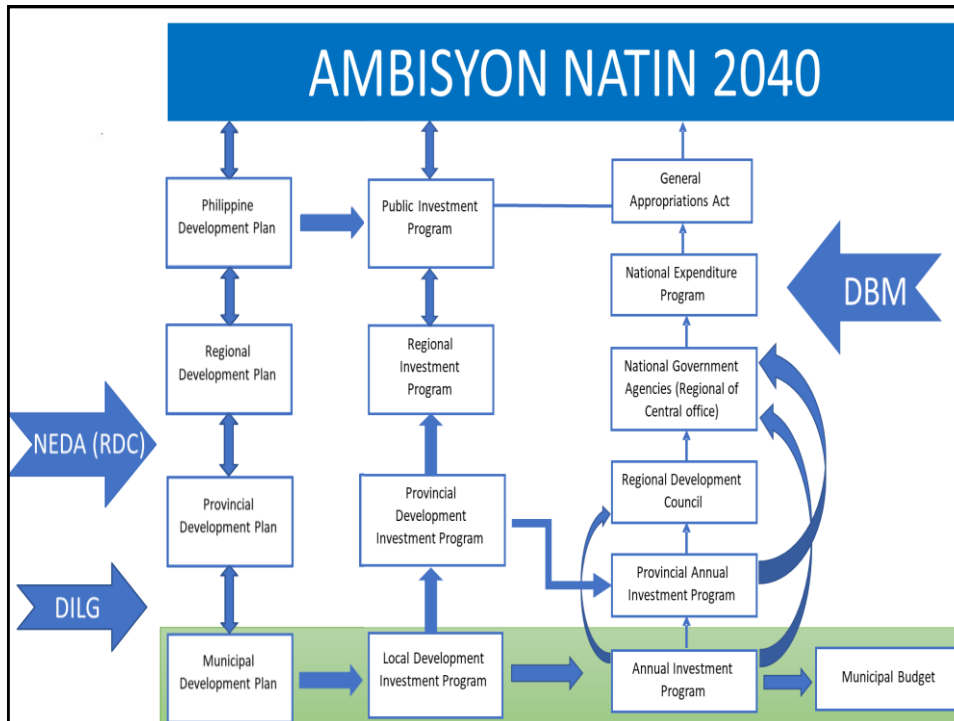
24





Principles in Local Budgeting

- **Policy Based Budgeting** – budget is prepared with due regard to local government policy, which should be harmonized with the development plans and reflected in the investment programs
- **Procurement Planning and Budget Linkage** – formulation of Project Procurement Management Plan (PPMP) and to consolidate it into an Annual Procurement Plan (APP)
- **Performance Informed Budgeting** – uses performance information in appropriation documents to link funding to results and to provide for a more informed resource allocation and management
- **Participatory Budgeting** – an approach wherein citizens, through CSOs, are allowed to take part in the process of allocating public resources



Local Planning: Findings and Current Efforts

- There is a need to **encourage the updating of local plans**.
- **Ensuring the quality of PPAs.** In 2019, the DILG-NEDA program *Localization of the PDP* offered capacity building on identifying development outcomes, crafting of investment programs and what is needed to translate these PPAs into physical programs.

Local Planning: Recommendations

- Sec. 114 of the LGC indicates that local development plans may be integrated with those of the next higher level of local development councils. However, the **integration of provincial plans and investment programs to the PDP is mandated to be done** through NEDA's RDC.
- Since provinces are seen as an important link in the harmonization of municipal/city development plans there is need for **strengthened oversight to ensure this**.



30

Local Budgeting: Findings and Current Efforts

- Though LGUs are given the autonomy to determine their own budget, there are mandates that allow for review by:
 - Provincial governments of the appropriation ordinances of component cities and municipalities (Sec, 327 LGC), and
 - DBM ROs of Provincial/Highly Urbanized and Independent Component City appropriation budgets.



31

Local Budgeting: Findings and Current Efforts

- In 2015, the Oversight Agencies (DILG/DBM/NEDA/DOF-BLGF) institutionalized the Coordinating Committee on Decentralization (CCD), the National Inter-Agency Team (NIAT) and Regional Inter-Agency Teams (RIATs) for better convergence PFM.
 - At present, the RIAT offers capacity building for a local-budget forum on budget and expenditures management and guidelines.
 - The NIAT is the technical working group under CCD that could serve as an advisory council on LGU issues on budgeting but has yet to be convened.



32

Final Remarks

- **Ensuring the attainment of development depends on the ability to implement well-laid plans.**
- **Strengthen planning**
 - This entails both identifying needs in priority sectors, interventions necessary to attain development goals and carefully crafting PPAs to attain these goals.
 - Across different levels of LGUs, policy should encourage the vertical integration of plans and investment programs.
 - There is a need to establish expertise at the provincial level to mentor municipal counterparts.
- **Financing these plans in the budget**
 - Need to continue the efforts of convergence in Oversight Agencies
 - Continue moving towards integrated management information systems for real time monitoring of PPAs implementation and utilization.
 - Strengthen monitoring and evaluation functions/guidelines within the context of the convergence efforts as well.



33

Thank You