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Assessment of the Philippine Local Government Planning and Budgeting Framework

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Abstract :

Delivering public goods and services requires identifying the needs of constituents and designing policies and programs to address these needs in the hopes of attaining development. These policy and program interventions should get the appropriate budgetary allocations to be implemented and effect change. That is, knowing what is needed helps identify the necessary interventions embodied in plans which in turn effects change and development after it is successfully implemented through budgets. This study looks at this mechanism of development for local governments and maps out the current planning and budget framework. Corroborated with evidence from a nationwide survey of municipalities, several areas of improvement in the planning and budgeting process, such as stricter enforcement of the presence of development plans and substantiating the prioritization of investment programs, are identified. These areas have implications on local governments as well as on the oversight government agencies. Finally, this study is timely now that the national government is at the cusp of infusing local governments with a broader base for intergovernmental fiscal transfers.

Keywords :

Local development, Local Government, Comprehensive Development Plan, Local Development Investment Program, Public Financial Management

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Dr. Charlotte Justine D. Sicat, Maria Alma P. Mariano, Angel Faye G. Castillo, Catharine Adaro, and Ricxie Maddawin¹

1. Introduction

One of the major challenges in any organization is ensuring that plans are implemented as envisioned to attain an organization's goals. Even more so, when the goals deal with individual and societal welfare such as for government. Local governments are tasked to deliver devolved basic services to their constituents and elected local chief executives (LCEs) are responsible for ensuring that their vision of development for their local government unit (LGU) is fulfilled. Like with the national government, LCEs must draft a multi-year multi-sectoral development plan. This is called the Comprehensive Development Plan (CDP) and is fleshed out through programs, projects and activities (PPAs) prioritized in the Local Development Investment Program (LDIP). The LDIP covers a three-year period and is the source of prioritized PPAs included in a local government's Annual Investment Plan (AIP) which, in turn, should be implemented in the annual budget.

The main source of financing of AIP PPAs included in the annual budget is the local development fund (LDF) which should be at least 20% of that year's intergovernmental fiscal transfer called the Internal Revenue Allotment (IRA). In 2016 and 2017 though, the Commission on Audit found that LGUs utilized less than the mandated minimum for development purposes. Said report offered poor planning and monitoring and use of funds for unintended purposes as reasons of underutilization. In addition to this, a recent study found that in 2018, only about 50% of LGUs had an updated CDP somewhat reinforcing the findings of recent COA reports. (DILG Bureau of Local Government Development 2018).

This study aims to find areas of improvement in the planning-budgeting framework of LGUs for improved service delivery. This is even more urgent because of the anticipated increase in intergovernmental fiscal transfers due to the favorable 2018 ruling of the Supreme Court in the case of *Mandanas vs. Ochoa*.² Given the numerous public financial management reforms in recent years, how is planning and budgeting done at the local government level? What are possible areas of improvement?

This study contributes to the Philippine Development Plan 2017-2022 goal of enhancing the social fabric (*Malasakit*) – ensuring people-centered, clean and efficient governance. By examining the current overall policy framework for translating LGU plans into results, areas for improvement be identified to lead to more efficient use of scarce resources.

The results of this study will provide oversight agencies and both national and local policymakers guidance in identifying areas for improvement in planning and budgeting.

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² *Mandanas v. Ochoa*, Philippines (2018)

2. Objectives

The overall objective is to find ways to enhance the efficiency of local government expenditures and delivery of public services by assessing the current planning and budgeting mechanisms of local governments and identifying areas of improvement to enhance local growth and development.

By understanding the current planning and budgeting framework of LGUs, weaknesses and strengths can be identified to enhance the delivery of basic public services. This requires an inventory of mandates, issuances and current reforms pertaining to local planning and budgeting.

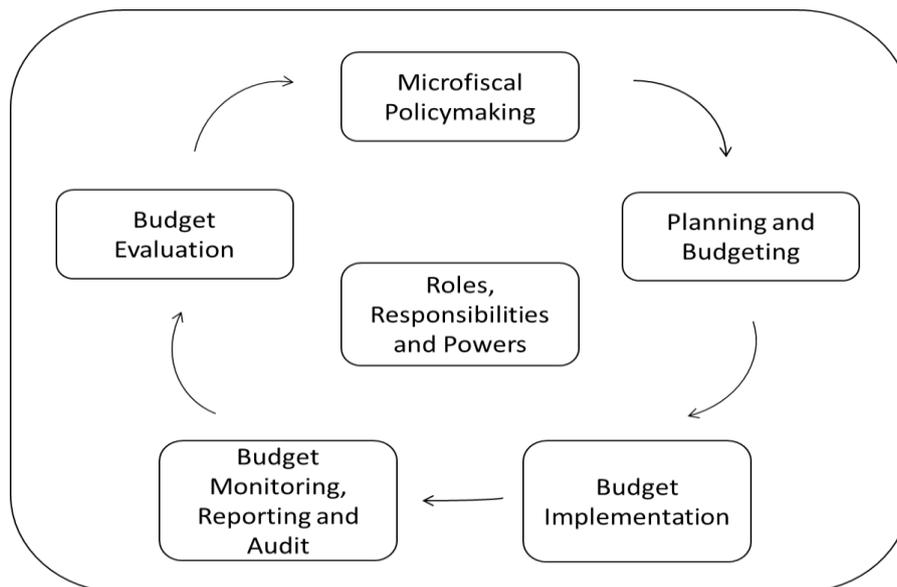
3. Review of Literature

3.1. International literature on government planning and budgeting

How does international literature prescribe planning, budgeting and public financial management be done at subnational levels? In general, and because of varied forms and extents of decentralization, subnational financial management is outside the direct purview of national government public financial management. At the same time, though, it is recognized that local governments have the authority and might be more efficient in the delivery of goods and services because of the principle of subsidiarity, it is sometimes practiced that national/central government PFM practices are adopted by the local governments (Boex and Kelly 2013).

Figure 1 shows the typical Public Financial Management budget cycle. It contains the “Microfiscal Policymaking” step that serves as the prelude to the actual budgeting steps: (1) planning and budgeting; (2) budget implementation; (3) budget monitoring, reporting and audit; and (4) budget evaluation. The objective of this cycle is to ensure that what is planned, based on macroeconomic assumptions established in the microfiscal policymaking step, be translated into the budget and consequently transformed into the desired outcomes. There are many elements that determine the success of this process such as accurate and up to date data, knowledge of needs and programs necessary to address these which are affordable and implementable, and controls in implementation and monitoring to ensure that allocated funds are used and affect desired outcomes in a timely and efficient manner. Any challenges in implementation, the design of programs, or use of funds should be identified and addressed in the succeeding budget cycle.

Figure 1. Public Financial Management budget cycle



Source: Boex and Kelly (2013, 264)³

Since the mid-1980s, the decentralization of power and resources has been the trend which some have attributed in part to the fall of Communism and, subsequently, for the desire of enhanced participation, good governance and democratization (Crooke and Manor 1998). Recent developments in planning and budgeting can be linked to decentralization and downward accountability (Aceron 2019).

Compared to central governments, subnational or local governments have a smaller scope since they have less responsibilities and consequently lower budget. And though local government units (LGUs) have the mandate to formulate their own budget, these are monitored and confined to rules, procedures and processes defined by higher level governments.

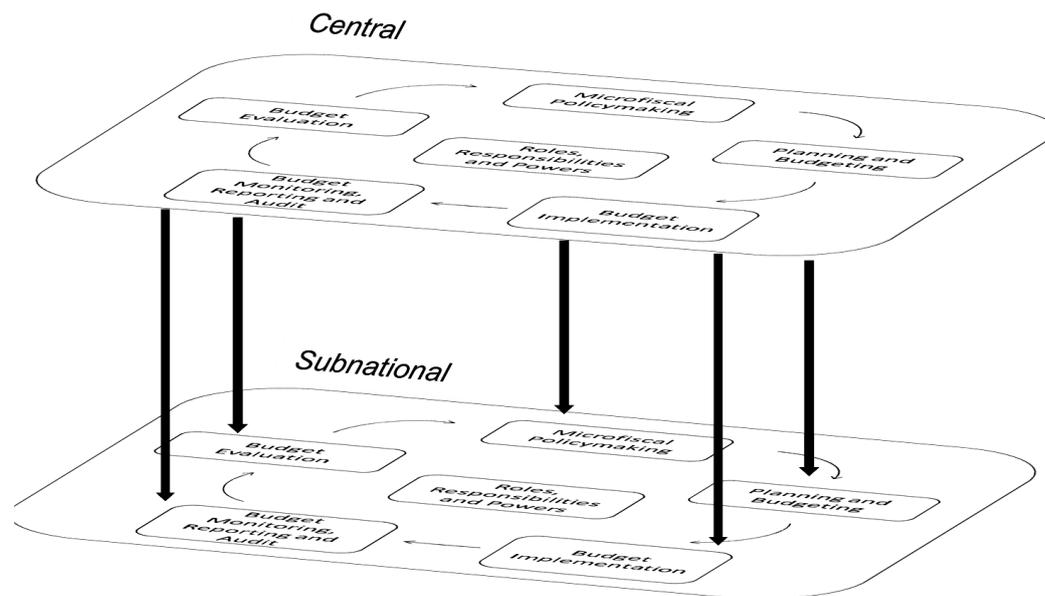
Figure 2 shows recent PFM reforms that have been anchored on the need to improve the PFM mechanisms which link central to local governments as well as those internal to local governments (Boex and Kelly 2013), such as:

1. Accounting for intergovernmental flows linkages; managing subnational fiscal risk; monitoring and reporting of local government revenues and expenditures.
2. Internal budgeting and financial management systems and procedures of local government are part and parcel of national PFM systems. Local level PFM should consider essentially the same elements as are considered by central government.

Furthermore, it has been prescribed that the discussion of each stage of the budget cycle of subnational governments focus on issues of affordability, efficiency and accountability, considering the four pillars of fiscal decentralization (expenditure assignments, the assignment of revenue sources, intergovernmental fiscal transfers and local borrowing and debt). There is a need for sound local PFM consistent vertical linkages (intergovernmental) between the NG and the LG at each stage of the budget cycle (Boex and Kelly 2013).

³ Boex J., Kelly R. (2013) Fiscal Federalism and Intergovernmental Financial Relations. In: Allen R., Hemming R., Potter B.H. (eds) The International Handbook of Public Financial Management. Palgrave Macmillan, London

Figure 2. The intergovernmental and subnational aspects of PFM



Source: Boex and Kelly (2013, 264) ⁴

A trending approach to budgeting highlights the importance of the direct inputs of civil society to the budget process. Participatory budgeting (PB) was initially developed for local governments, implemented first in Porto Alegre, Brazil in 1989 but is now in 1,500 cities worldwide (Santos n.d.). It is believed that PB enhances transparency and accountability to help reduce government inefficiency and curb patronage and corruption. The literature suggests four factors or conditions that support an environment conducive to successful participatory budgeting, these are: (1) strong mayoral support; (2) a civil society willing and able to contribute to policy debates; (3) supportive political environment; and, (4) the financial resources to fund the projects selected by citizens (World Bank 2007, 24).

Other countries have also recognized the need for increased participation in budgeting. In Nigeria, Amujiri (2012) studied local government budget formulation and discovered the wide gap of the budget plan and its implementation resulting in unfulfilled political promises, dissatisfaction of the people contributing to low rate of development of local communities. Among the recommendations was the need for ‘community support and involvement in identification of priorities as well as for participation in the fund raising’ (Amujiri 2012).

3.2 Philippine structure of local governance

International literature suggests that central government PFM systems in a decentralized or federal country should provide the overall management of intergovernmental financial systems. In the case of the Philippines, the national government (NG) does practice oversight on subnational government finances and at the same time allows local governments discretion in planning and budgeting.

Literature has characterized the country as purely localized in pre-Hispanic period. There were no central government and only chieftains (Sultan/Rajah) ruled the indigenous barangays. In the course of the Spanish occupation, they retained the barangay, and added levels of local

⁴ Boex J., Kelly R. (2013) Fiscal Federalism and Intergovernmental Financial Relations. In: Allen R., Hemming R., Potter B.H. (eds) The International Handbook of Public Financial Management. Palgrave Macmillan, London

government of *pueblo* (municipalities) and *cabildos* (cities) and *provincias* (provinces) as well as the central government to be ruled by Governor General, who is the supreme authority in all local matters (UP Department of Political Science 2006). Since then, local governments were always at the auspices of the central government.

The most significant boost to the local government system in the Philippines was the passage of the 1991 Local Government Code or RA 7160. It gave local governments increased autonomy from the national government but, at the same time, more expenditure and revenue-raising responsibilities Table 1 below presents the existing devolved services, facilities and powers of the LGUs, as stated in the 1991 Local Government Code.

Table 1. Devolved services, facilities and powers to Local Government Units

Basic Services and Facilities Devolved	<ul style="list-style-type: none"> - Agricultural extension and on-site research (DA) - Community-based forestry projects (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 tourism promotion and development (DOT) - Telecommunication services for provinces and cities (DOTC) - Housing projects for provinces and cities - Other services, e.g., investment support, industrial research and development
Regulatory Powers Devolved	<ul style="list-style-type: none"> - Reclassification of agricultural lands (DAR) - Enforcement of environmental laws (DENR) - Inspection food products (NMIC-DA) - Quarantine (DOH) - Enforcement of the national building code (DPWH) - Operation of tricycles (LTFRB-DOTC) - Processing and approval of subdivision plans (HLURB) - Establishment of cockpits and holding of cockfights (PGC)
Enhanced Governmental and Corporate Powers	<ul style="list-style-type: none"> - Full autonomy in the exercise of proprietary rights and management of economic enterprises - Authority to secure domestic or foreign grants without need of national government approval - Cooperative undertakings among LGUs - Exemption from payment of customs, duties for imported heavy equipment - Authority to extend loans to other LGUs and to aid calamity-stricken LGUs

Source: (UP Department of Political Science 2006, 428)

In order to fulfill their functions, the Philippine local governments are mandated by the 1991 Local Government Code of the Philippines (LGC) to have a comprehensive land-use plan (LGC Sec. 20) and a multi-sectoral development plan (LGC Sec. 106(a)). These plans are necessary in the execution of devolved functions and should be formulated by their respective local development councils (LDCs)⁵. The LCE convenes the LDC which is composed of elected officials, NGO representatives, Congressman and other LGU officials. Table 2 below summarizes the composition of the LDC by LGU level.

⁵ Title 6, Section 106 of RA 7160.

Table 2. Composition of the Local Development Council, by LGU level

Unit	Membership
Provincial Development Council	Headed by the Governor Members: - All mayors of component cities and municipalities; - The Chairman of the Committee on Appropriations of the <i>Sangguniang Panlalawigan</i> ; - The congressman or his/her representative; and
Provincial Development Council	- Representatives of nongovernmental organizations operating in the province, who shall constitute not less than one-fourth (1/4) of the members of the fully organized council
City/Municipal Development Council	Headed by the Mayor Members: - All <i>punong</i> barangays or barangay captains in the city or municipality; - The Chairman of the Committee on Appropriations of the <i>Sangguniang Panlungsod</i> or <i>Sangguniang Bayan</i> concerned; - The congressman or his/her representative; and - Representatives of nongovernmental organizations operating in the city/municipality, who shall constitute not less than one-fourth (1/4) of the members of the fully organized council
<i>Barangay</i> development council	Headed by the Barangay Chairperson Members: - Members of the <i>Sangguniang Barangay</i> ; - Representatives of nongovernmental organizations operating in the barangay, who shall constitute not less than one-fourth (1/4) of the members; - A representative of the Congressman

Source: Section 106 and 107 of the 1991 Local Government Code

The local government's local law-making body, called the *Sanggunian*, approves the local development plan prepared by the LDC. The provincial/city/municipal law-making bodies are the *Sangguniang Panlalawigan/Panlungsod/Bayan*, respectively.

Planning, decision making and local investment alignments have to reflect the short-term, medium term and long-term priorities of the LGU. The Comprehensive Land Use Plan (CLUP), CDP and Executive Legislative Agenda (ELA) comprise three of the major planning documents among LGUs. The CLUPs span a minimum of nine (9) years, CDP six years and the ELA coincides with an elected local officials' three-year term. In total, these plans comprise the roadmap for governance and community level development. As such their content and alignment with the national plans are deemed critical.

Investment programs such as the Local Development Investment Program (LDIP) and the Annual Investment Program (AIP) contained in the CDP should identify programs and projects that cover three (3) years and one (1) year, respectively. It is usually designed to be reviewed after the third year.

Before 2007, there was no integrated framework for local planning and budgeting. LGUs referred primarily to the LGC and its implementing rules and regulations (IRR) as well as issuances and circulars of relevant or oversight national government agencies like National Economic Development Authority (NEDA), the Department of Interior and Local Government (DILG), Department of Budget and Management (DBM), Department of Finance (DOF) and

the Commission on Audit (COA). In 2007, the four (4) oversight agencies inked Joint Memorandum Circular (JMC) 2007-1 prescribing the guidelines for the harmonization of planning, investment programming, revenue administration, budgeting and expenditure management concerning local government units (DILG-NEDA-DBM-DOF 2007) . The above JMC was updated in 2016, to include performance monitoring and coordination and to conform to the Local Government Unit Public Financial Management (LGU-PFM) reform Roadmap and Implementation Strategy. In addition, a Coordinating Committee on Decentralization (CCD), chaired by DILG, was institutionalized in pursuit of better convergence among oversight agencies (DILG-NEDA-DBM-DOF 2016) as well as representations from the Leagues of provinces, cities, municipalities and barangays and the Union of Local Authorities of the Philippines (ULAP).

Table 3 shows the institutional arrangements of the oversight agencies and their respective responsibilities and mandates in relation to the supervision of local government units.

Table 3. Institutional Arrangements

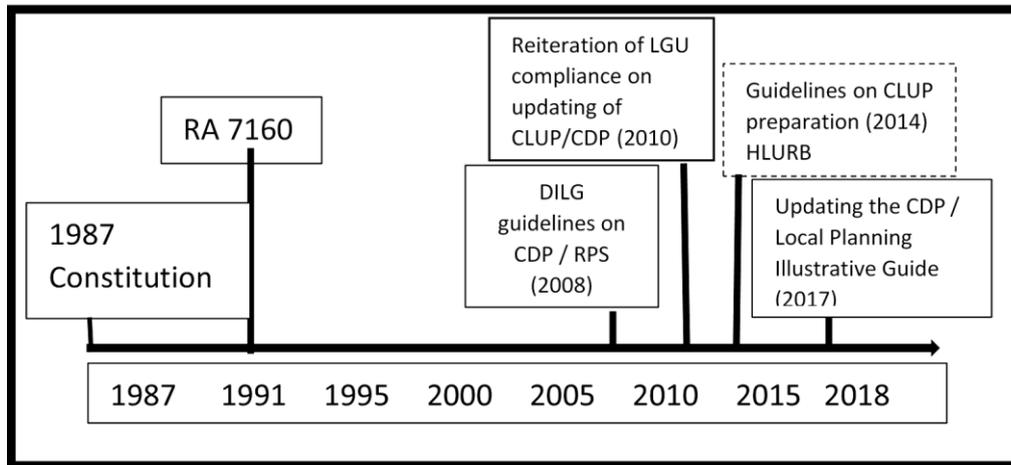
DILG	DBM/ DBM Regional Offices	NEDA/Regional Development Councils	DOF/BLGF
Establish and formulate plans, policies and programs to enhance the administrative, technical and fiscal capabilities of LGUs (par. K, Rule 23 of IRR of RA 7160)	<ul style="list-style-type: none"> - Review of Annual Budgets of Provinces, Cities and Municipalities in Metro Manila (Sec. 326, LGC) - Updating of LGU Chart of Accounts with COA 	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	Supervision of revenue operations and resource mobilization of LGUs
Issue Rationalizing the Local Planning system Guidebook planning sourcebook for all LGUs; CDP Guide, RaPIDS, and CDP Illustrative Guide	<ul style="list-style-type: none"> - Issue a budget operations manual (BOM) jointly with COA (Sec. 354, LGC) to be updated as the need arises - Manual on setting up and Operations of Local Economic Enterprises - CSO Handbook 	Local Planning and Expenditure Manual for Provinces	Issue Manual of Operations for Treasurers/Assessment Operations Manual Classification of assessment of Real Properties, Resource Mobilization Manual (RMM) eSREs
P/C/M Local Government Operations Officer	Budget officers/accountants	Planning Development Coordinator	Treasurers/assessor

Source: (DILG-NEDA-DBM-DOF 2016)

There were several significant developments in local planning and budgeting in the succeeding years. In 2008, the DILG issued both the Guidelines on the Comprehensive Development Plan and the Rationalized Local Planning System. The following year, DILG together with Housing Land Use Regulatory Board (HLURB) promulgated Joint Memorandum Circular No.1, on the guidelines of the harmonization of the CLUP and CDP Preparation. This was followed up with a DILG reminder for Local Chief executives to comply with the requirements of the law in

updating the CLUP and CDP (DILG 2010). In 2014, HLURB updated the CLUP Guidebook, to comply with the Climate Change Act of 2009 and the Disaster Risk Management Act of 2010 (RA 10121). To which DILG, in 2015, issued a Circular on mainstreaming CCA and DRRM in local development planning (DILG 2015). With a low compliance of only 48.71% of CDP formulation by LGUs, the DILG with the support of the EU, published Local Planning Illustrative Guide, which is a simpler and enhanced version of the 2008 Guidebook (Figure 3).

Figure 3. Timeline of issuance of DILG planning and guidelines with reference to 1987 Constitution and the LGC

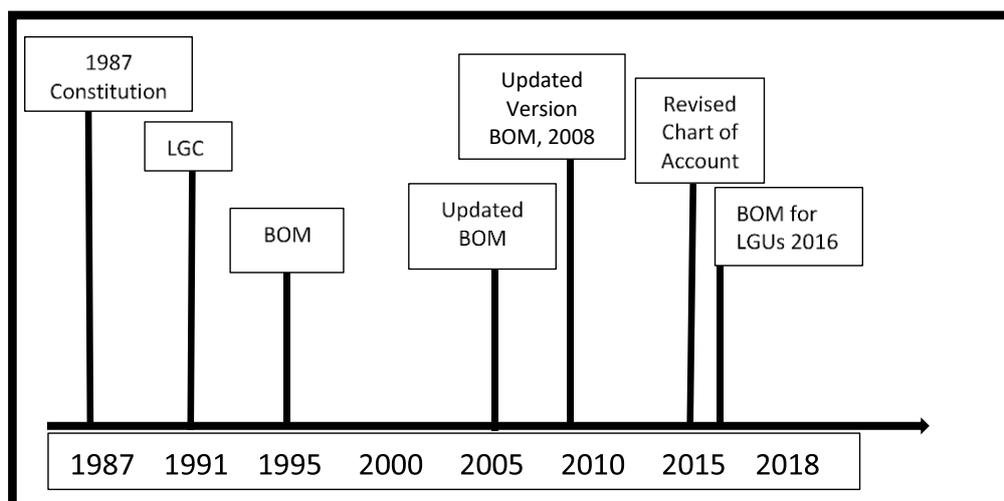


Source: Authors' compilation

Recent efforts at the DILG have focused on understanding the current practices of municipalities in drafting medium-term Comprehensive Development Plans. Linking this plan with a local investment program that is translated into the annual budget is crucial to ensure the achievement of local development. An assessment and mapping out of the current local government planning and budgeting framework will contribute much to future policy directions.

With regard to the budgeting aspect, the DBM and the Commission on Audit are mandated to issue a Budget Operations Manual (BOM) for LGUs. The first manual was published in 1995, updated in 2005, an updated version was released in 2008 and revised in 2016 (Sec. 354).

Figure 4. Timeline of issuance DBM BOM and COA Chart of Accounts with reference to the 1987 Constitution and the LGC



Source: Authors' compilation

The 2005 Updated Budget Operations Manual (UBOM) emphasized the importance of linkage in planning, budgeting and participative governance through the involvement of stakeholders, civil society in the planning process. Updated further in 2016, the Budget Operations Manual (BOM) the participatory budgeting mechanism is emphasized along with the introduction of performance-informed budgeting, wherein performance information in appropriation documents to link funding to results (Box 1) (DBM 2016).

Box. 1. Participatory Budgeting in the Philippines

Participatory Budgeting as implemented in the Philippines were through the Naga City experience, KALAHI-CIDSS and the Bottom-Up Budgeting (BUB).

- Under then Mayor Jesse Robredo, Naga City People's Council was created in 1996, allowed the people to be able to participate in the budget and legislative processes. With the conduct of multi-level consultation and city-wide referendum, Naga City constituents are ensured that they are consulted on priority development of their locality.
- DSWD's program on KALAHI-CIDSS (Kapit-Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services) gives the communities in poor municipalities in identifying small infrastructure preferences. Volunteers in the communities were trained to choose, design and implement sub-projects through a 3-year cycle program. Grants were provided by the DSWD, given a local or community counterpart, either in cash or in-kind (including labor and local materials) equivalent to 30% of the total sub-project cost (Kalahi-CIDSS n.d.).
- The BUB program of the Aquino administration, started in 2012, made the government's budget more responsive to local needs. Through the engagement of CSOs and basic sectors of communities, poor cities and municipalities may choose to avail from the menu of projects to be implemented by 14 participating national agencies. In turn, these agencies shall incorporate in their respective annual budget proposals. Counterpart funding equivalent to 5% to 30% is required for each identified priority project.

Source: (Santos n.d.)

In 2012, the Philippines adopted the participatory budgeting program called Bottom-up Budgeting (BuB) which created a planning-budgeting framework parallel to the existing local development planning process under decentralization. Aceron's (2019) paper on the Philippine

experience on Participatory budgeting found that BuB failed to realize its objective of empowering the grassroots level. The institutional design of BuB was found to have ‘centralizing’ filters, such as bypassing the Local Development Council, numerous approval/veto process from the Central government, and limitations on CSOs were limited to pre-set of menu of options for projects of national government agencies (Aceron 2019). In contrast, the PIDS impact assessment on the BuB program showed that household respondents positively regarded the BuB projects implemented in their communities and felt directly benefiting from these. In terms of CSO participation, the BuB process helped ensure broader and inclusive CSO participation in local government planning and budgeting (Manasan, Adaro and Tolin 2017).

NEDA, on the other hand, in 2007, issued guidelines on Provincial/Local Planning and Expenditure Management (P/LPEM). NEDA and DILG are requiring LGUs to submit a Provincial Development and Physical Framework Plan (PDPFP) and its accompanying Provincial Development Investment Plan base on the NEDA issued P/LPEM. Furthermore, the NEDA Regional Development Councils (RDCs)⁶ was established by virtue of E.O. 325, s. 1996, serves as the primary institution that coordinates and integrates development plans of provinces, cities, line agencies, among others. These integrated regional development plan will form part of the country’s development plan.

With regards to the budgeting aspect, the DBM, with the Commission on Audit, is mandated to issue a BOM for LGUs. Hence, in 1995, the first manual was published and was updated in 2005 and recently in 2016 (Sec. 354).

The Bureau of Local Government Finance (BLGF), on the other hand, mandated LGUs to submit the Statement of Receipts and Expenditures. In 2018, DOF adopted a more comprehensive format for the Statement of Receipts and Expenditures (SRE) that is more responsive to their fiscal data needs as well as that of DBM and DILG (DBM-DOF-DILG 2018).

4. Data and Methodology

This study uses a descriptive research design and process evaluation with data gathered from desk review combined with the primary data collected from a survey on local development planning under the “Baseline Study of Fiscal and Governance Gaps for the Local Government Support Fund – Assistance to Municipalities (LGSF-AM) program (2019)”. Key informant interviews (KIIs) were also conducted with members of national government agencies that have oversight on local governments involved in the design, implementation and monitoring of the planning and budgeting of local governments (e.g. DILG, Department of Budget and Management, Department of Finance-Bureau of Local Government Finance).

An inventory of relevant local planning and budgeting mandates was done to map out the current local planning-budgeting framework from issuances of oversight agencies, such as:

- DILG: Local Government Planning and budgeting issuances
- DBM: National and Local Budget Memoranda with LGU planning and budgeting implications

⁶ There are three (3) regions that are not covered by EO 325 (CAR, BARMM and NCR): CAR’s RDC was created through EO 220, s. 1987, while MMDA is to perform as the NCRs coordinating body, per RA 7924; while BARMM shall establish the Bangsamoro Economic Development Council by virtue of RA 11054.

- Other government issuances with Local Planning and Budgeting implications

This mapping of issuances will be combined with the LGSF-AM survey results that pertain to perceptions of local planning and budgeting. This process evaluation will show areas for improvement in local planning and budgeting.

5. Philippine Local Planning Framework

5.1 National Development Plan

The long-term vision of the Philippines is embodied in the AMBISYON NATIN 2040 which aims, that by 2040, Filipinos enjoy a strongly rooted, comfortable and secure life. This is the overall framework for the Philippine Development Plan (PDP 2017-2022), Philippine Investment Program (PIP 2017-2022) and the PDP Results Matrices (PDP-RM 2017-2022).

Though national and local government planning in the Philippines are separate activities and local governments exercise local autonomy, these were consulted in the drafting of the PDP for a “whole-of-government approach”. Furthermore, to highlight and operationalize the role of local governments as partners of the national government in Philippine development, the DILG and the NEDA collaborated on a program on the localization of the PDP and other commitments of the national government such as to the United Nation’s Sustainable Development Goals (DILG-NEDA 2018).

Table 4. Enhanced Philippine development planning framework for Local Government Units (for FY 2019 local budget preparation onwards)

Planning-budgeting Phases / activities	Key inputs	Key outputs	Notional timeline / frequency
Drafting of long-term vision		Philippine Long-term Vision 2040 (AMBISYON NATIN)	First done in 2015; every 25 years
Drafting of medium-term development plan	<ul style="list-style-type: none"> • President’s 0+10 – Point Socio-Economic Agenda 	<ul style="list-style-type: none"> • Philippine Development Plan (PDP 2017-2022) • Philippine Investment Program (PIP 2017-2022) 	Every 6 years or every change in administration
Drafting of medium-term development plan	<ul style="list-style-type: none"> • 2030 Agenda for Sustainable Development • PDP and Public Investment Program for 2017-2022 	<ul style="list-style-type: none"> • PDP Results Matrices (PDP-RM 2017-2022) 	

5.2 Current Mandates for the Local Planning-Budgeting Alignment

Local planning and budgeting is a systematic and logical process of collecting and validating data to serve as the basis in identifying necessary interventions to attain local government visions and which should be continuously reviewed and improved. Facilitation of this requires that local plans be embodied in local budgets for responsive public services. The table below lists current legal bases of the need to align planning and budgeting for better results.

Table 5. Alignment of planning and budgeting results frameworks

Planning-budgeting Phases / activities	Legal basis
<p>Alignment of Planning and Budgeting Results Frameworks</p> <ul style="list-style-type: none"> • Annual budgets shall ideally be an instrument for the attainment of national development goals and as part of the planning-programming-budgeting continuum. • Local budget plans and goals shall as far as practicable, be harmonized with national development plans, goals and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources. • The PPAs of LGUs shall have a results-oriented focus on national development goals and shall be in line with AMBISYON NATIN 2040, the 2030 Agenda for Sustainable Development, and the President’s 0+10-Point Socio-Economic Agenda. • The LGUs were provided with guidelines in updating PDPFP, CLUPs and CDPs • Strengthening of the Linkage of National/Regional/ Provincial development strategies, Programs, Projects and Activities with the CDP 	<p>Sec. 4. Book VI of EO 292</p> <p>Sec. 305 (h) of RA 7160</p> <p>Section 2 of OP MC No. 12, s. 2016</p> <p>DILG MC 2016-102</p> <p>DILG MC 2017-84</p>

5.3 Local Planning Team, CLUP, PDPFP and PDIP

Generally, the local planning process is the same for all levels of local governments: provinces, cities and municipalities. There are, however, some slight differences in provincial and highly urbanized plans and not just by nomenclature but also in the explicit mandated link between the provincial development plans, constituent municipality and city plans, as well as incorporation in higher level regional development plans and the national PDP (NEDA-ADB 2007). This process allows the long-term vision of the Philippines in Ambisyon Nation 2040 and the Philippine Development Plan to be aligned with the long-term and medium-term plans of provinces.

Table 6. Local planning team, CLUP, PDPFP and PDIP

Planning-budgeting Phases / activities	Legal basis	Key inputs	Key outputs	Notional timeline / frequency
LGUs shall reconstitute its Local Planning Team	DILG RPS Sourcebook (2008) and CDP Guide and Illustrative Guide (2016)	Executive Order	Executive Order; Workplan for Updating /Preparation of CDP	Election year (change in admin)
Setting of planning guidelines for updating of planning database Municipal/City Mayor to present Structured List of PPAs for inclusion in the PDPFP	DILG MC No. 2016-102 CDP Guide and Illustrative Guide (2016) and DBM Budget Operations Manual for Local Government Units (2016)		Draft PDPFPs and Structured List of PPAs of Cities and Municipalities for the purpose of harmonization	Election year (change in admin)
LGUs shall prepare Comprehensive Land Use Plan (CLUP)	Art. XII (6) and XIII (1) of 1987 Constitution, Sections 20, 447, 448, 458 of the Local Government Code and EO 72	Settlement, production, protection and infrastructure policies, maps	CLUP/ Zoning Ordinance	Every 9 years
Provinces and highly urbanized cities are required to prepare Provincial Development and Physical Framework Plan (PDPFP) and Provincial Development Investment Program (PDIP)	Provincial/ Local Planning Expenditure Management (PLPEM Vol.2)	Population, economic activity and physical resources/transport data: - Regional Development Plans (RDP) - Regional Physical Framework Plans (RPFs) - Regional Development Investment Programs (RDIPs) - Philippine Development Plan (PDP)	PDPFP PDIP	Every 6 years Every 3 years

Planning-budgeting Phases / activities	Legal basis	Key inputs	Key outputs	Notional timeline / frequency
		- National Framework for Physical Planning (NFPP)		
BLGF generates/updates financial indicators and transmits to Provinces thru the DILG.	DILG-NEDA-DBM-DOF JMC No.1 s. 2016	Medium Term Revenue Forecasts (latest year) to be generated by Local Treasurers LGPMS (BLGF)	PDPFP/PDIP	Every 3 years
Local Finance Committees to prepare Medium Term Forecast for Current Operating Expenses			Medium Term Forecast for COE	Every year

5.4 Municipality and Component City CDPs, the Executive-Legislative Agenda (ELA), AIP and the Budget

The 1991 Local Government Code of the Philippines mandated Local Development Councils (LDCs) to prepare multi-year development plans to guide local government officials in the exercise of their functions (Section 109 (a) (1) and (2) of RA 7160). It was only in 2008, however, that a comprehensive guideline on the preparation of the CDP was issued by the DILG. As part of the CDP process, the DILG guidelines included other local planning instruments and agenda such as: (1) the Local Development Investment Program (LDIP); (2) the Executive-Legislative Agenda (ELA); and, (3) the Annual Investment Plan (AIP) as part of the CDP process. Because of the said guidelines being extremely technical, the DILG, in 2016, released a streamlined and simplified “Local Planning Illustrative Guide” to help facilitate development planning. Table 7 summarizes the major steps in drafting the CDP.

Table 7. CDP preparation for municipalities and component cities

Planning-budgeting Phases	Key inputs/activities	Key outputs	Notional timeline / frequency
Organize and mobilize the Planning Team	<ul style="list-style-type: none"> - Team composition led by the MPDC with the assistance of the MLGOO - Members to be oriented on their responsibilities 	<ul style="list-style-type: none"> - Executive Order - Harmonized workplan for the preparation of the CDP and CLUP 	Every election year
Revisit Existing Plans and Review LGU Vision	<ul style="list-style-type: none"> - Inventory of existing local plans and higher-level plans such as PDPFP - Review of LGU vision - Check if plans are aligned with the PDPFP - Identify outdated plans 	<ul style="list-style-type: none"> - Final LGU Vision - List of ‘responsive’ Plans that will be absorbed in the updated CDP - List of Plans that need to be updated - List of accomplished PPAs 	August (Election Year)
Prepare Ecological Profile and Structured List of PPAs	<ul style="list-style-type: none"> - Goal formulation - Determining policy options - Structuring solutions 	<ul style="list-style-type: none"> - Ecological Profile - Local Development Indicator System / RaPIDS - Structured List of PPAs per sector 	August to November of Election Year
Prepare the Local Development Investment Program (LDIP)	<ul style="list-style-type: none"> - Preparation of project briefs - Further screening and prioritization of Structured list of PPAs - Determine new investment financing scheme - Formulate the corresponding Local Resource Mobilization Program and Financing Plan 	<ul style="list-style-type: none"> - Project briefs for each PPAs - Ranked List of PPAs - Projection of new development investment financing potential - Local Resource Mobilization Program - Summary of Medium-Term Financing Plan - LDIP Summary Form 	3-year investment program December of Election year to January of ensuing year

Planning-budgeting Phases	Key inputs/activities	Key outputs	Notional timeline / frequency
Prepare Needed implementation Instruments	<ul style="list-style-type: none"> - Prepare AIP - Identify priority legislative requirements needed to implement the LDIP - Identify priority capacity development interventions to implement LDIP - Prepare/plan Monitoring and Evaluation Strategy - Approval and adoption of CDP 	<ul style="list-style-type: none"> - AIP Summary Form - CapDev Program Summary Form - Priority Legislative Requirement Summary Form - Annual Accomplishment report - Monitoring and Evaluation Strategy Template 	<p>Feb-Mar of ensuing year</p> <p><i>AIP Sanggunian</i>-approved due on June 7 of every year</p>

Source: (DILG 2016)

The CDP is prescribed to be valid for a period of six (6) years and could be revisited as frequently as every year but at the very least every six years. Recognizing that electoral terms in the Philippines are every three years, the ELA tool mentioned above, is an opportunity for every newly elected local administration to align priorities with the existing CDP and the local legislation. Otherwise, it also serves as an opportunity for the new administration to revise the CDP and push PPAs and legislation that is believed to be relevant to the local government vision. Included in this review should be the relevance of the current LDIP and AIP, which once determined in the ELA, should be reflected in the annual budgets of the LGU (Table 8).

Table 8. ELA and AIP

Planning-budgeting Phases / activities	Legal basis	Key inputs	Key outputs	Notional timeline / frequency
Executive and Legislative Agenda (ELA)	DILG RPS Sourcebook (2008) and CDP Guide and Illustrative Guide (2016)	CDP and CLUP	ELA	Every 3 years
All LGUs shall then formulate their AIP which represents an annual slice of the LDIP, shall be the basis of their Annual Budget.	<ul style="list-style-type: none"> • Section 287 of RA 7160 • DILG-DBM Joint Memorandum Circular No. 2017-1, dtd Feb. 22, 2017 	LDIP	AIP	Annually
LDC/LFC formulation of Annual Budget Preparation	Sec. 318 of RA 7160	AIP	Annual Budget	Annually

Apart from the CDP, the LGUs are mandated to draft 33 local plans that represent sectoral and thematic concerns. Each LGU is required to prepare them in order to ensure that the needs of these sectors are addressed. These could be mainstreamed, interfaced or integrated in the CDP.

Table 9. Local mandated plans

NGA Mandated Plans	Other Sectoral /thematic plans
1. Action Plan for the Protection of Children	1. Nutrition Action Plan
2. Aquatics and Fisheries Management Plan	2. ICT Plan
3. Annual Culture and the Arts Plan	3. Local Shelter Plan
4. Anti-Poverty Reduction Plan	4. Plan for the Elderly
5. Local Coconut Development Plan	5. Plan for Health and Family Planning
6. Local Disaster Risk Reduction and Management Plan (LDRRMP)	6. Coastal Management Plan
7. Food Security Plan	7. Information Strategic and Management Plan
8. Forest Management Plan	8. People's Plan
9. Gender and Development Plan	9. Business Plan/Strategy
10. Integrated Area Community Public Safety Plan	10. Capacity Development Agenda/HRMD Plan
11. Local Entrepreneurship Development Plan	11. Transportation Management Plan
12. Sustainable Area Development Plan	
13. Local Tourism Plan	
14. Small and Medium Enterprise Development Plan	
15. Strategic Agriculture and Fisheries Development Zones Plan (SAFDZ Plan)	
16. Solid Waste Management Plan	
17. Watershed Management Plan	
18. Ancestral Domains Sustainable Development and Protection Plan (ADSDPP)	
19. Plan for PWDs	
20. Forest Land Use Plan	
21. Local Climate Change Action Plan (LCCAP)	
22. Peace and Order Public Safety Plan (POPS Plan)	

Source: (DILG 2016, 5-6)

6. Philippine Local Budgeting Framework

6.1 Pre-budget Preparation

Local budget preparation is done annually and commences when the DBM issues a Budget Call in a form of Local Budget Memorandum (LBM). This document contains the IRA level for the ensuing year that would guide LGUs in drafting their annual budgets and is the macro-fiscal policy formulation step with anticipated impact on LGUs since the IRA is automatically given to LGUs. Likewise, DBM summarizes all the other releases accruing to the LGUs from their special shares in the proceeds of National Taxes. Further, DBM enjoins that LGUs comply with the prescribed use of the IRA as well as provision of funds in line with the current administration's priorities.

Table 10. Pre-budget preparation

Planning-budgeting Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
Annual Local Budget Cycle				
0. Pre - BUDGET PREPARATION				
	<ul style="list-style-type: none"> 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 (BOM, 2016) 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 (BOM, 2016) Participatory Budgeting – an approach wherein citizens, through CSOs, are allowed to take part in the process of allocating public resources (BOM, 2016) 		Annual Budget	
Issuance of a Local Budget Memorandum (LBM) on IRA level for ensuing year (DBM)	Section 284 and 285 of RA 7160 In the IRA computation, the ff. factors are taken into consideration: - Population data and master list of land area - BIR Certification of Actual Internal Revenue taxes collected in 2016 (next preceding year)	FY 2015 Census of Population FY 2001 Master List of	LBM IRA computation per LGU	Annually (June 16)

Planning-budgeting Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
	<p>In addition to the IRA, some LGUs are entitled to Special Shares in the Proceeds of National Taxes:</p> <ul style="list-style-type: none"> - Share in the national wealth - Excise tax on burley and native tobacco products - Gross income taxes paid by businesses in Economic zones (ECOZONES) - VAT (Value added tax) - VAT in lieu of Franchise Tax (Philippine Racing Club and Manila Jockey Club) - Share in the Fire Code Fees <p>DBM also prescribes priorities in the use of the IRA and other local sources:</p> <ul style="list-style-type: none"> - Cost of providing basic services and facilities under Section 17 (b) - 20% of IRA for development projects - 5% of estimated revenue of LGUs from regular sources to be set aside for LDRRM Funds - Barangays to set aside 10% of the general fund for the <i>Sangguniang Kabataan (SK)</i>⁷ <p>LGUs are likewise enjoined to comply with the Administration’s priority to appropriate a substantial fund, specifically for: conduct of barangay clearing operations, including rehab and after care of drug users; establishment of Special Drug Education Centers; and strengthening the criminal justice system. Similarly, LGUs are directed to prioritize funding for the local nutrition action plan, cultural development plans and integrated coastal management programs.</p>	Land Area certified by Land Management Bureau		

⁷ DBM-DILG-NYC Joint MC 2019-01

The budget process for local government units consists of five (5) phases. These are (1) Budget Preparation; (2) Budget Authorization; (3) Budget Review; (4) Budget Execution; and (5) Budget Accountability.

6.2 Budget Preparation (Sec. 318, RA 7160)

Once the LGUs received the LBM as issued by the DBM, the LGUs should start the budget preparation stage. First, the Local Chief Executive would issue the Local Budget Call. Second, all departments are enjoined to prepare and submit their respective budget proposals. Third, budget hearings will be conducted. Fourth, preparation of the Local Expenditure Program and Budget Message. Finally, the submission of the Local Expenditure Program to the Local *Sanggunian*.

Table 11. Budget preparation

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
1. BUDGET PREPARATION				
1.1 Issuance of the Local Budget Call		<ul style="list-style-type: none"> • Statement of Receipts and Expenditures from the treasurer • Estimates of income and budgetary ceiling from the Local Finance Committee 	<ul style="list-style-type: none"> • Spending ceilings by major expenditures (PS/MOOE/FE/CO) • Resource allocation scheme or fiscal policy decisions • Objectives, strategies and priority PAPs • Expected results • Budget calendar and timelines • Budget forms 	Annually
1.2 Prepare and Submit Budget Proposals 1.2.1 Firm Up Major Final Outputs, Identify Performance Indicators and Set Targets	Performance informed budgeting	Budget proposals from heads of departments/ offices based on approved AIP, guidelines and spending ceilings: - Identification of MFOs/PIs – meant to measure how well the goods or services are delivered. Targets are then set and will later (during budget accountability phase) be monitored and evaluated.	<ul style="list-style-type: none"> • Consolidated budget proposals of different departments and offices of the LGU • Local Budget Preparation Forms 1-7 	Annually

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
<p>1.2.2. Estimate Costs for the Budget Year (PS, MOOE, CO) for each PPA</p> <p>1.2.3 Prepare the Project Procurement Management Plan</p> <p>1.2.4. Consolidate PMPs into APP</p> <p>1.2.5. Review and Consolidate Budget Proposals</p>	Participatory budgeting	<ul style="list-style-type: none"> - CSOs are given copies of the Budget Call and are invited to attend/participate in the Budget Forum, budget hearings and SOPA/SOCA/SOMA. CSOs may also propose projects, may assist in determining target beneficiaries and funding requirements. 		
1.3 Conduct Budget Hearings and Evaluate Budget Proposals				Annually
1.4 Prepare the Local Expenditure Program	Performance information	<ul style="list-style-type: none"> • Receipts Program - Cash balances and income from local and external sources • Expenditure Program - Each department to present its mandate, vision, mission, MFOs, PIs targets for the Budget year 	<ul style="list-style-type: none"> • LBP Form 1 – Budget of Expenditures and Sources of Financing • Proposed New Appropriation by Object of Expenditures • Special Purpose Appropriations • General and Special Provisions 	Annually
1.5. Prepare the Budget Message		LCE highlights on Previous year’s fiscal performance, development goals and objectives, policy thrusts, priority PPAs, estimates of income and sources, major items in the LEP, MFO/PIs and targets	Budget Message	Annually

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
1.6 Submit the Local Expenditure Program to the Local <i>Sanggunian</i>			<ul style="list-style-type: none"> • State of the Province/City/Municipality Address • Proposed Annual Budget • Local Expenditure Program • Plantilla of Personnel • Statement of Indebtedness • Annual Operating Budget for Local Economic Enterprises, if any • Annual Investment Program 	Annually

6.3 Budget Authorization (Sec. 319, RA 7160)

The budget authorization phase exemplifies the fundamental principle of local fiscal administration that “no money shall be paid out of the local treasury except in pursuance of an Appropriations Ordinance or law.” (Section 305 (a) of RA 7160). This legislative function starts from the time the *Sanggunian* receives the executive budget as submitted by the LCE and concludes with the enactment of the Appropriations Ordinance and approval of the LCE.

Table 12. Budget authorization

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
2. BUDGET AUTHORIZATION				
2.1 Enact Appropriation Ordinance		Proposed Annual budget	Draft Appropriation Ordinance	Annually
2.2 Approve the Appropriation Ordinance		Proposed Annual budget	Approved Appropriation Ordinance	Annually
2.3 Post the Appropriation Ordinance		Proposed Annual budget	Approved Appropriation Ordinance	Annually
2.4 Submit the Appropriation Ordinance for Review			Transmittal for the Review of Appropriations Ordinance (thru DBM or Provinces)	Within 3 days after approval of the Ordinance

6.4 Budget Review (Sec. 326-327, RA 7160)

The primary purpose of the budget review is to determine whether the ordinance has complied with the budgetary requirements and the general limitations as identified in the Local Government Code as well as the provisions of other applicable laws. Provinces, highly urbanized cities and independent component cities within its jurisdiction and within the Metro Manila area are to be reviewed by the DBM Regional Offices, while the *Sangguniang Panlalawigan* shall review the annual or supplemental appropriations of component cities and municipalities. The review starts from the time the reviewing authority receives the Appropriations Ordinance up to the issuance of the review action, which should not exceed 90 days.

Table 13. Budget review

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
3. BUDGET REVIEW				
3.1 Check the Appropriation Ordinance with the Appended Budget Documents		Appropriations Ordinance		Annually
3.2 Review the Appropriation Ordinance	Check Appropriation Ordinance and budgetary requirements and general limitations, to wit: <ul style="list-style-type: none"> - 20% Development Projects IRA, Budget Year (BY) - 5% LDRRMF Regular Sources, BY - Aid to Barangays (1,000 / barangays) - Debt Service not to exceed 20% of regular sources for the BY - 5% Gender and Development - 1% Protection of Children (IRA for BY) - Total Appro = estimated receipts for BY - 45% or 55% PS Limitation - 2% Discretionary Fund, basic RPT, next preceding Fiscal Year 	Local Budget Review Form No. 3-b	<ul style="list-style-type: none"> • Local Budget Review Form 1A (Checklist on documentary and signature requirements for the Annual Budget) • Local Budget Review Form 1B (...Supplemental Budget) • Local Budget Review Form 2 (Summary Findings and Recommended Review Actions) • Local Budget Review Form 3A (summary Worksheet – Receipts and Expenditures) 	Within 90 days from the receipt of the submitted Annual/Supplemental Budget

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
	- Confidential Fund – 30% BY for Peace and Order Program		<ul style="list-style-type: none"> Local Budget Review Form 3B (Budgetary Requirements and Limitations) 	
3.3 Issue the Review Action	Budget may be declared (a) operative in its entirety; (b) operative in part; (c) inoperative in its entirety; and (d) inoperative in part.	Approved Appropriations Ordinance/Annual Budget (LBP Forms 1-7)	Review Letter with stamp of review (DBM ROs); Resolution if reviewed by the <i>Sangguniang Panlalawigan</i>	

6.5 Budget Execution (Sections 305, 320, 336, 344 and 346, RA 7160)

Budget execution phase involves the release of allotment, certificate of fund availability and the cash. In this phase, the following processes takes place: recording of actual obligations and disbursements, collection of funds and receipt of revenue and implementation of corrective measures or realignments or supplemental budget, if applicable (DBM 2016).

Table 14. Budget execution

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
4. BUDGET EXECUTION				
4.1 Release of Allotment for the LGU on the basis of the Approved Appropriation Ordinance 4.1.a. Post the statement of Receipts and Expenditures in LGU website	Fiscal transparency – Full disclosure policy	Annual report of Receipts and Expenditures	Local Budget Matrix/Allotment Release Orders (LBE Form No. 1 for PS, 1A for MOOE, 1B Financial Expenses, 2 for Capital Expenditures)	Within 20 days from the release of the allotment
4.2 Prepare Summary of Financial and Physical Performance Targets and Cash Program	Procurement process – GPRA, RA 9184		<ul style="list-style-type: none"> • Summary of Financial and Physical Performance Targets (LBE Form 3) and Cash Program • Revised Project Procurement Management Plan (PPMP) and the corresponding Annual Procurement Plan (APP) 	Within 20 days after the end of each quarter
4.3 Obligate and disburse funds	<ul style="list-style-type: none"> • Procurement process – GPRA, RA 9184 • Unified Account Code Structure for Local Government Units • Tagging of climate expenditure in the annual budget 			Within the fiscal year

Budget Phases / activities	Planning – budgeting framework used	Key inputs	Key outputs	Notional timeline / frequency
4.4 Adjust cash program for shortages and overages			Adjusted Cash Program	Within 20 days after the end of each quarter
4.5 Implement corrective measures as proposed by the Local Finance Committee and approved by the Local Chief Executive		Local Budget Review Form No. 1B. – Checklist on Documentary and Signature Requirements for the Supplemental Budget	Realignments/Supplemental Budgets, if applicable	If applicable, within the year

6.6 Budget Accountability (Sections 305 and 340, RA 7160)

Budget accountability is essentially the monitoring of performance of the LGU in terms of local income generation and resource utilization within the year. An integral part of accountability is the evaluation of the financial and physical performance of the LGU. (DBM 2016)

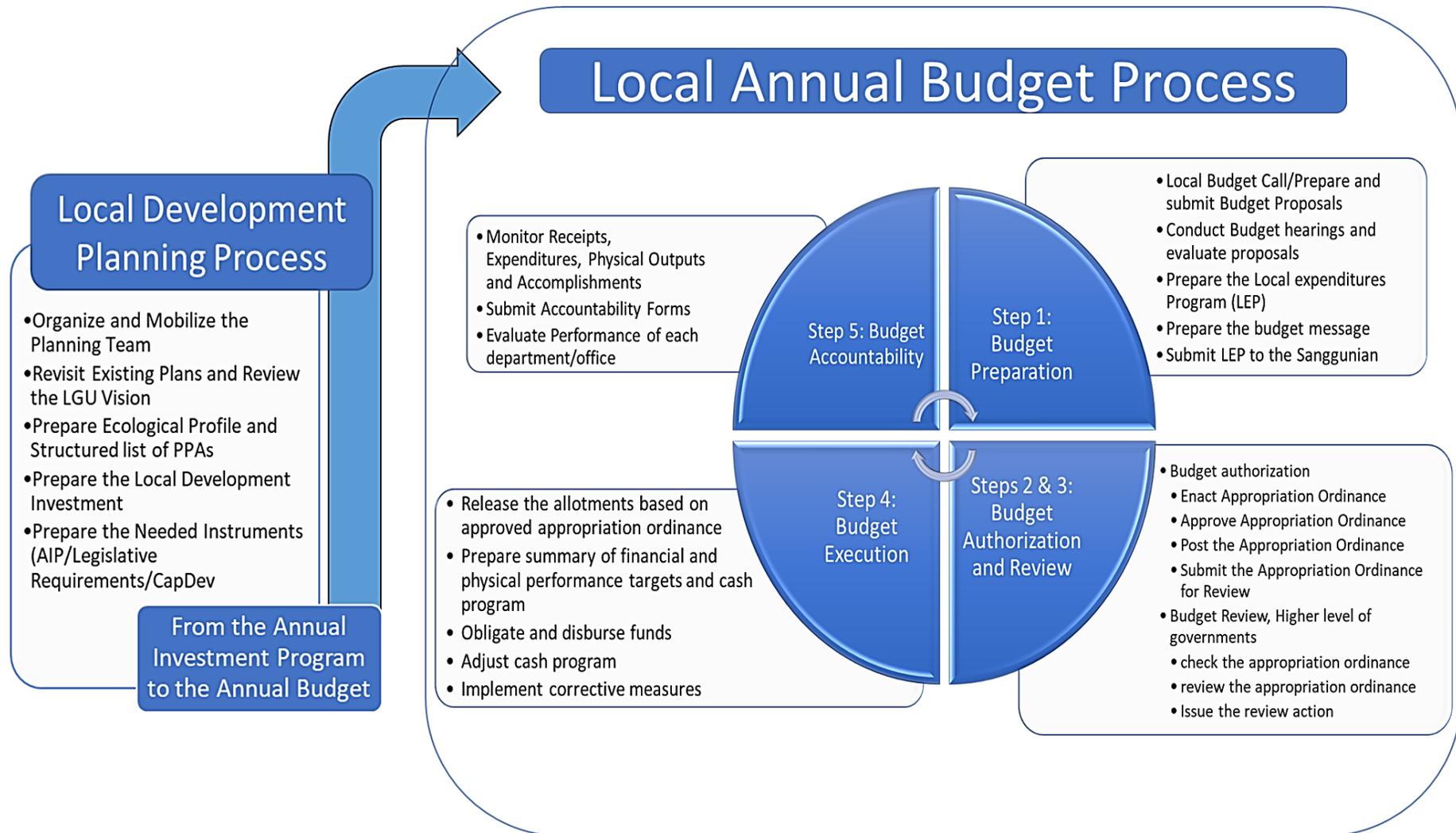
Table 15. Budget accountability

Budget Phases / activities	Planning – budgeting framework us	Key inputs	Key outputs	Notional timeline / frequency
5. BUDGET ACCOUNTABILITY				
5.1 Monitor Receipts and Expenditures	Budget Monitoring and Evaluation Framework	<ul style="list-style-type: none"> Evaluation of results by PPAs include Financial (Actual vs. Budget) and physical (actual vs. target) Monitoring of results by PPAs include Financial (Obligation vs. Disbursement) and physical (quantity and timeliness) performance 	<ul style="list-style-type: none"> Local Budget Accountability Forms 1 (Quarterly Report of Income) Local Budget Accountability Forms 2 (Quarterly Financial Report of Operation) Local Budget Accountability Forms 4 (Statement of Receipts and Expenditures) 	10 days after end of each quarter
Monitoring of Physical Outputs and Accomplishments			<ul style="list-style-type: none"> Local Budget Accountability Form 3 (Quarterly Physical Report of Operation) Project Monitoring Report (PMR) 	<p>Within 30 days from end of Fiscal Year</p> <p>Within 14 calendar days after the end of each semester</p>
5.2 Submit Accountability Forms	Budget Monitoring and Evaluation Framework		Local Budget Accountability Forms 1-5	

Budget Phases / activities	Planning – budgeting framework us	Key inputs	Key outputs	Notional timeline / frequency
5.3 Evaluate Performance of each department/office	Performance informed budgeting		Local Budget Accountability Form 5 (Physical and Financial Performance Evaluation Form)	Semi-annual

The local planning-budgeting framework can be summarized in Figure 5 below. It shows that the link between planning and budgeting for local governments is through the Annual Investment Plan. The AIP, and of course all the steps necessary in drafting it, plays a critical role, in ensuring that the development plan envisioned gets the necessary budgetary financing. In Figure 5, the box on the left summarizes the DILG-prescribed steps in drafting a comprehensive development plan, it can be seen that the arrow connects the plan to the local annual budget process through the defined AIP.

Figure 5. The Local Planning-Budgeting Link



7. Local Development Planning and its Budgeting in Practice

This section presents the highlights of the primary data collection exercise for the DILG-PIDS Baseline Study on Policy and Governance Gaps for the Local Government Support Fund – Assistance to Municipalities program (LGSF-AM) (Philippine Institute for Development Studies Forthcoming). The survey focused on development planning practices of all municipalities and their compliance to the DILG-prescribed guidelines on planning and budgeting. It presents the results of the group interviews of key LGU officials involved in the Municipal Planning Team (MPT). The group was comprised of the Municipal Planning and Development Coordinator (MPDC), Municipal Budget Officer (MBO)/Accountant and the Municipal Engineer, or their alternates or representatives. Although the role of barangays is important in the planning and budgeting, it was not within the scope of the assessment done since the focus was on municipalities.

7.1 Planning

This section presents the survey responses mapping out local development planning practices covering six (6) aspects: (1) Municipal Planning Team; (2) LGU existing plans and vision; (3) preparation of ecological profile and structured list of PPAs; (4) local development investment program (LDIP); (5) annual investment program (AIP); and (6) preparation of needed implementation instruments for the CDP. Aspects on the Local Development Investment Plan (LDIP) and Annual Investment Plan (AIP) are discussed in Section 7.2 Budgeting.

7.1.1. Municipal Planning Team

As prescribed by the DILG, the first step in the development planning process is the establishment of the MPT that: (1) serves as the overall committee responsible for coordinating all technical and administrative activities of the CLUP, including stakeholder consultations and meetings; and, (2) facilitates the presentation of the draft CLUP/CDP to the LDC for endorsement to the SB (DILG 2016). An Executive Order (EO) is issued to create and mobilize the MPT for the preparation of the CDP. The EO must have a corresponding workplan which lays down the required tasks of each of the members. Among the 1,373 LGUs interviewed for the study, 1,267 (92.3%) reported that an Executive Order was issued for the most recent formation of their LGU's MPT (Philippine Institute for Development Studies Forthcoming).

The MPT composition must encourage inclusiveness, comprehensiveness and ownership of the CDP. The core planning team of the MPT must have members from the five development sectors (i.e., economic, social, environment, infrastructure and institutional development) since needs of the LGU in each of these sectors should be the basis of identified programs, projects and activities (PPAs). Furthermore, recognizing the many demands on local government officials, the DILG Guidelines for Local Planning stated that the LGU Department Heads need not be the members of the MPT but only that these offices be represented.

The LGSF-AM survey results showed that, aside from the MPDC the predominant members of the MPT were the Municipal Engineers (95.2%), Municipal Budget Officers (92.6%), and the representatives of the civil society organizations (87.5%). Although the Local Chief Executives (LCEs) are not mandatory to be a member, 80.7% of the LGUs surveyed reported that their current

LCEs were members of their most recently formed MPT. Other significant memberships include: (1) Municipal Local Government Operations Officer (MLGOO) at 74.7%; (2) the President of *Liga ng mga Barangays* at 74.4%; and (3) the Chairman of the *Sanggunian Bayan* at 72%, all of the respondent municipalities.

There are also representatives from national government agency (NGA) the Department of Education, the Philippine National Police (PNP) or the Armed Forces of the Philippines (AFP) for 80.2% of surveyed municipalities (Table 16). Other NGAs represented in the MPT are the Department of Social Welfare and Development (48.8%), Department of Agriculture (47.2%), and the Department of Health (44.9%) of municipal respondents. The varied sectoral membership in the MPT could reflect the varied priorities of municipalities but highlighting how education and public safety are the top two, especially given that education is not a devolved function.

Table 16. NGAs that are members of the municipal planning team for the CDP⁸

National Government Agencies	Percentage Share
Department of Education (DepEd)	80.2%
Philippine National Police (PNP)/Armed Forces of the Philippines (AFP)	80.2%
Department of Social Welfare and Development (DSWD)	48.8%
Department of Agriculture (DA)	47.2%
Department of Health (DOH)	44.9%
Department of Agrarian Reform (DAR)	39.2%
Others	27.9%
Department of Labor and Employment (DOLE)	18.4%
Housing and Land Use Regulatory Board (HLURB)	18.0%
Technical Skills and Development Authority (TESDA)	15.1%
State Universities and Colleges (SUCs)	13.8%
National Commission on Indigenous Peoples (NCIP)	10.9%
Commission on Higher Education (CHED)	8.8%
National Anti-Poverty Commission (NAPC)	7.0%
National Housing Authority (NHA)	6.6%

N = 868

It is also mandatory that the MPT include in an advocate for specific thematic concerns in the planning structure of sectoral committees to ensure their concerns are properly represented. Such advocates are represented by members of CSOs that participate in local development planning. The survey shows that across all regions, CSOs representing the (1) urban poor (84.2%); and, (2) the farmers and landless workers (83.2%) were the largest representation in the MPT. Organizations representing persons with disabilities, artisanal fisherfolks, and women also showed large proportions of participation in the MPT with shares of 58.8%, 52.8%, and 47.9%, respectively.

⁸ The question in the PIDS LGSF-AM Baseline Study Survey (2019) which allowed for multiple answers were: (1) Who are the members of the Planning Team for the CDP?; and, (2) If applicable, which National Government Agencies (NGAs).

7.1.2. LGU Existing Plans and Visions

In the next step in the preparation of the CDP, revisiting existing plans and vision of the LGU, the MPT is tasked to assess its responsiveness to recent mandates and prevailing LGU situations. This step helps defining the current situation by assessing the relevance of sectoral and thematic plans or determining obsolescence and the need for updating to ensure a responsive Ecological Profile (EP). As indicated in the DILG CDP Preparation Guide (2008), the MPDC has the major role of checking the responsiveness of the Vision of the LGU to current mandates and prevailing situations.

Respondents indicated that their MPDC initiated the updating both their LGU's latest CLUP and CDP/LDIP/AIP, with shares of 41.2% and 42.2%, respectively. These were followed by Local Chief Executive and by the LGUs Planning Team. It was interesting to note that the desire to have a collective vision seems to be the case for almost half of the municipalities. Almost half (47.6%) of the total number of LGUs indicated that the most recent Vision of the LGU was identified by the LDC. This was followed by the MPT (21.8%), the collective stakeholders (8.7%) and the Executive Legislative Agenda (ELA) Committee (7.9%).

Another important finding was that, though almost all of the municipalities claim to have the required plans, closer examination showed that the plans were not all recent and of correct time coverage. The CLUP, which has a validity of nine years, can be regarded as the plan for the long-term management of the LGU. From the survey, 91.3% of the total number of municipalities indicated the availability of their LGU's CLUP (Table 17). However, in terms of the correct coverage, which is nine years, only 64 (5.10%) of the LGUs were found to be within this range.

Furthermore, the CDP, which covers a range of six years, was available for 1,339 of the municipalities surveyed. However, similar to the results for the CLUP, in terms of the correct coverage, only 490 out of the 1,373 LGUs were found to be recent and of the correct range (Table 17).

In terms of the availability of the LDIP, 97.5% of the LGUs indicated its availability (Table 17). However, only one third of the total number of LGUs were found to have LDIPs falling within the correct ranges.

Table 17. Number of LGUs with correct/valid CLUP, CDP and LDIP (in terms of coverage or period of validity), as of 2017

CLUP Range of Validity	Number of LGUs (N=64)	CDP Range of Validity	Number of LGUs (N=490)	LDIP Range of Validity	Number of LGUs (N=414)
2009-2017	0	2012-2017	8	2015-2017	1
2010-2018	1	2013-2018	16	2016-2018	10
2011-2019	2	2014-2019	47	2017-2019	321
2012-2020	1	2015-2020	20	2018-2020	59
2013-2021	1	2016-2021	39	2019-2021	23
2014-2022	5	2017-2022	256		
2015-2023	10	2018-2023	81		

CLUP Range of Validity	Number of LGUs (N=64)	CDP Range of Validity	Number of LGUs (N=490)	LDIP Range of Validity	Number of LGUs (N=414)
2016-2024	6	2019-2024	23		
2017-2025	16				
2018-2026	20				
2019-2027	2				

Source: LGSF-AM Baseline Study on Policy and Governance Gaps for the Local Government Support Fund Assistance to Municipalities Program (2019)

7.1.3. Preparation of the Ecological Profile and Structured List of PPAs

The ecological profile (EP) should present the current situation and needs of the local government as well as be the basis of identifying the needed interventions, programs, projects and activities (PPAs) to enable a locality to reach its vision. There DILG-prescribed tool to gather data for profiling is the LDIS and RaPIDS, which are used by only 7.1 percent and 5.8 percent of respondent municipalities, respectively. Surprisingly, majority of the respondents (57.0%) indicated that the Community-Based Monitoring System (CBMS) as the primary dataset development tool for the preparation/updating of their LGU's EP. Other municipalities, 4.7% of respondents, claim to have formulated their own dataset tools like a mix of RaPIDS and CBMS coined as the RaPIDS-CBMS. A small proportion, 7.8 percent of LGUs, claim to not use any tool in gathering data in formulating their EP for their CDP preparation. Others, on the other hand, refer to data from the PSA or available sectoral data.

In terms of the frequency of data collection, more than one third of the total number of municipalities stated that they collect data every three years, while others, every year (24.6%) or every five years (9.2%). About a third (27.3%) of the total respondents, on the other hand, indicated that they have not yet established any regular frequency of collection of data.

Most respondents (81.2%) claimed that their municipality allocated a budget for the conduct of data collection for the formulation of their ecological profile. However, survey results indicate a declining share of municipalities allocating budget for more frequent data collection. In particular, 92.8% of the LGU respondents allocated budget for data collection once, 45.3% twice, 24.3% thrice and 11.9% four times.

In terms of sources of budget for data collection, IRA was identified as the top source of funds, regardless of the number of years of its inclusion in the LGU budget. It should be noted that the number of years that the LGUs allocate budget and conduct data collection are not necessarily in consecutive years.

In terms of data requirements for the preparation of the Ecological Profile, various data needs are important in order to come up with sound assessment of the situation of their LGUs. Such are data on demography (95.7%), education (94.9%), and literacy and water and sanitation (94.2%), among others. Some LGUs also related that they included data on religion, skills inventory, tourism, and environment in profiling.

Majority (88.7%) of the respondent municipalities claimed that the data collected enabled them to identify priority sectors in their LGUs. Examples of commonly identified priority areas were: persons with disabilities (78.5%); urban poor (78.5%); farmers and landless rural workers (76.7%); children (61.4%) and women (60.6%).

From the survey, almost all respondents (92.3%) indicated that they developed a Structured List of PPAs after the preparation of the “readily usable” EP. Only a minority indicated otherwise. Further, almost all respondents indicated that all the PPAs in the structured list of PPAs were included in the LDIP. Only a minority of the respondents indicated otherwise.

7.1.4. Preparation of the Needed Implementation Instruments for the CDP

The last step in the CDP Preparation, as stated in the DILG CDP Guidelines, is the preparation of several instruments and authority levers that aid in the implementation of the priority PPAs in the LDIP. This step also provides the linkage from planning to budgeting and completes the cyclical nature of planning thru monitoring and evaluation strategies.

Among the surveyed municipalities, majority (82%) indicated they have a capacity development (CapDev) program that is exclusive for the preparation and updating of the CDP. Majority of those claimed their programs follow DILG’s formulation steps and/or they use the Local Governance Performance Management System (LGPMS) or System on Competency Assessment for Local Government (SCALOG).

As to who is responsible for the CapDev program, only a fifth (20.8%) indicated the local chief executive (LCE). Almost 80% identified other officials including Human Resource Management Officers (HRMOs, 23%), MPTs (16%), and MPDCs/MPDO (27%). In terms of implementation, 46.1% of the total number of respondents identified the LCE as the responsible official. Other personnel identified to be in-charge of the CapDev program implementation included the HRMO (33.88%), Department Heads (30.41%), and the MPDC/MPDO (13.72%). Hence, the common perception is that the HRMO is mainly responsible for the CapDev program, but the LCE should be the one to implement it.

The DILG prescribed process and tools in formulating CapDev Agenda identifies the LGU’s ELA Team as responsible for leading and driving the formulation process and ensuring that the CapDev Agenda is aligned with ELA priorities (*Local Government Academy 2016*). The reason why municipalities perceive that the HRMOs are the one responsible for this process may be because capacity development plans are often confused to be the same as the Human Resource Development (HRD) Plan. However, HRD plan is only a component of the broader CapDev Program. Furthermore, in terms of implementing the CapDev programs, the person in charge vary per program and is dependent on the type, goal and target of the program (*Local Government Academy 2016*).

In terms of the monitoring and evaluation strategies, only a little more than a third (38.4%) of the 1,373 municipalities claimed to have this mechanism. These implementation instruments, as reported, were majorly drafted by the LGU’s MPDC/MPDO (33.6%). Other officials mentioned to be responsible for drafting Monitoring and Evaluation (M&E) strategies were the LCE (23.3%), the MPT (15%), and the Project team/committees (3%). However, for the implementation of the

M&E strategies, 35.2% believe that it is the LCE's responsibility. Other officials/entities mentioned included the MPDC (21.7%), the MPT (10.6%), and the Project monitoring team (6.3%). In sum, the drafting of M&E is mainly tasked to the MPDC, while the implementation is the responsibility of the LCE. However, in theory, the drafting and implementation of M&E is the responsibility of the whole Local Development Council (DILG 2008).

7.2 Budgeting

This sub-section highlights the latter steps in the CDP drafting which at the same time serves as the crucial planning-budgeting link the drafting of the LDIP and AIP that should, consequently, be included in the local budget.

7.2.1. Local Development Investment Program

Investment programming is the stage in the preparation/updating of the CDP where the PPAs are given corresponding resource requirements such as funding, time and manpower. The principal instrument for this stage is the Local Development Investment Program (LDIP), which translates the CDP into programs and projects that are selected by the LGU for funding in the annual general fund budget or through special generation schemes. (DILG 2008). The LDIP is a two 3-year investment program (6 years in total) that provides for a medium-term, more impactful and sustainable list of PPAs.

An important element in the CDP planning process is to ensure that the planned PPAs are thought out to address needs identified in the EP and that projects intended for inclusion in the LDIP should be prepared in the format of a project brief. These project briefs are collated, screened, prioritized and costed. The survey results show, however, that only half (54.2%) of the municipalities claimed that they always prepare project briefs for each PPAs while 35.83 percent claimed to do them sometimes. The remaining share of respondents reported that they never prepare project briefs for any of the PPAs that they include in their LDIP.

Most of the municipalities (43.4%) identified their MPDC as the person responsible for the preparation of the project briefs. A fifth (19.3%) of the total number of respondents, on the other hand, specified the Municipal Planning Team as the entity responsible for the preparation of the project briefs for the PPAs. There was also a small proportion of LGUs which reported that their LCEs are responsible in the preparation of the project briefs of the PPAs. This implies that not all PPAs are based on project briefs that provides salient information on the feasibility of a project and its corresponding benefits to the local government.

The DILG prescribed tools in prioritizing the list of PPAs are the Urgency Test Matrix, Resource Impact Matrix, and the Conflict-Compatibility-Complementary Matrix (DILG 2008). The survey findings revealed that aside from these tools, municipalities utilize other mechanisms (Table 18). Of the prescribed, however, only 48.5% used the Urgency Test Matrix while 26.4% utilized Resource Impact Matrix. Workshop and consultations are the most commonly used method by more than half of the LGUs (68.0%). Other project selection mechanisms of earlier NGA programs such as the Bottom-up Budgeting (BUB) and the *Kapit-Bisig Laban sa Kahirapan* Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) were identified by some municipalities with shares of 37.7% and 29.2%, respectively. Other municipalities, on the

other hand, use mechanisms from other plans such as the Climate and Disaster Risk Assessment (CIDRA) and the water sector plans (42.0%).

The interesting result that workshops and consultations are the most commonly used method of prioritizing PPAs could imply two things. First, the DILG could revisit the prescribed process of prioritization of projects. Second, this could be identified as another step in the prioritization of projects. Former Pangasinan Gov. Victor Agbayani shared in an interview with the authors that such methods are important in identifying the specifics of projects, but more importantly, it should come after the local administration has already identified priority and a vision of development.

Table 18. Tools/mechanisms utilized by municipalities in screening PPAs for prioritization⁹

Tool/Process	Percentage Share
<i>DILG Prescribed Tools</i>	
Tool 1: Urgency Test Matrix	48.5%
Tool 2: Resource Impact Matrix	26.4%
Tool 3: Conflict-Compatibility-Complementarity Matrix	12.0%
<i>Other Tools/mechanisms</i>	
Workshop/Consultations	68.0%
Climate and Disaster Risk Assessment (CIDRA)	42.0%
Adopted BUB Process	37.7%
Adopted KALAHYAN-CIDSS Process	29.2%
Water sector plans	16.4%
Other	5.7%

N= 1,370

Ideally, after the initial screening of the PPAs, another round of prioritization should be performed. The screening tool prescribed by the DILG for this second round of prioritization is the Goal Achievement Matrix (GAM) and the list of PPAs that are kept after this screening is called the Ranked List of PPAs for Investment Programming. These PPAs shall then be cross-matched with available resources including investible funds¹⁰, manpower and period of implementation. Survey results indicated that out of the 1,373 municipalities, 933 (68%) perform another shortlisting/ranking to come up with the Ranked List of PPAs for Investment Programming. Majority (57.0%) of these claim that they use the GAM for the screening process.

7.2.2. Annual Investment Program: From Planning to Budgeting

The LDIP is a 3-year listing of priority programs that is broken down into the annual investment program (AIP) that should contain the prioritized PPAs that are intended to be financed and implemented in a year. In 2017, only 44.6% of the 1,373 LGUs claimed they were able to finance all PPAs indicated in their 2017 AIP using their LGU budget only. A large portion of the remaining 55.4% who were not able to fund all the PPAs in their AIPs reported that they sought for other sources of funding such as grant-type funding from NGAs, which was requested directly by the LGUs (71.6%) and grant-type funding from the National Government (NG) which was endorsed

⁹ The question in the LGSF-AM Baseline Study survey (2019) which allowed for multiple answers was: "What is the basis for the ranking of shortlisting of PPAs to produce the *Ranked List of PPAs* for the LDIP?"

¹⁰ The investible fund is identified by the Local Finance Committee (LFC) through the evaluation of the Revenue Forecasts with Medium Term Forecasts of Current Operating Expenses

by the Regional Development Council (14.97%) (Table 19). Further, majority of these LGUs received additional funds from NGAs/NG (excluding IRA) to finance priority PPAs in their latest LDIPs. Majority of these LGUs (72.3%) indicated that their LGUs gave priority to the NGAs and NG funded projects with respect to implementation ahead of funding from the 20% LDF.

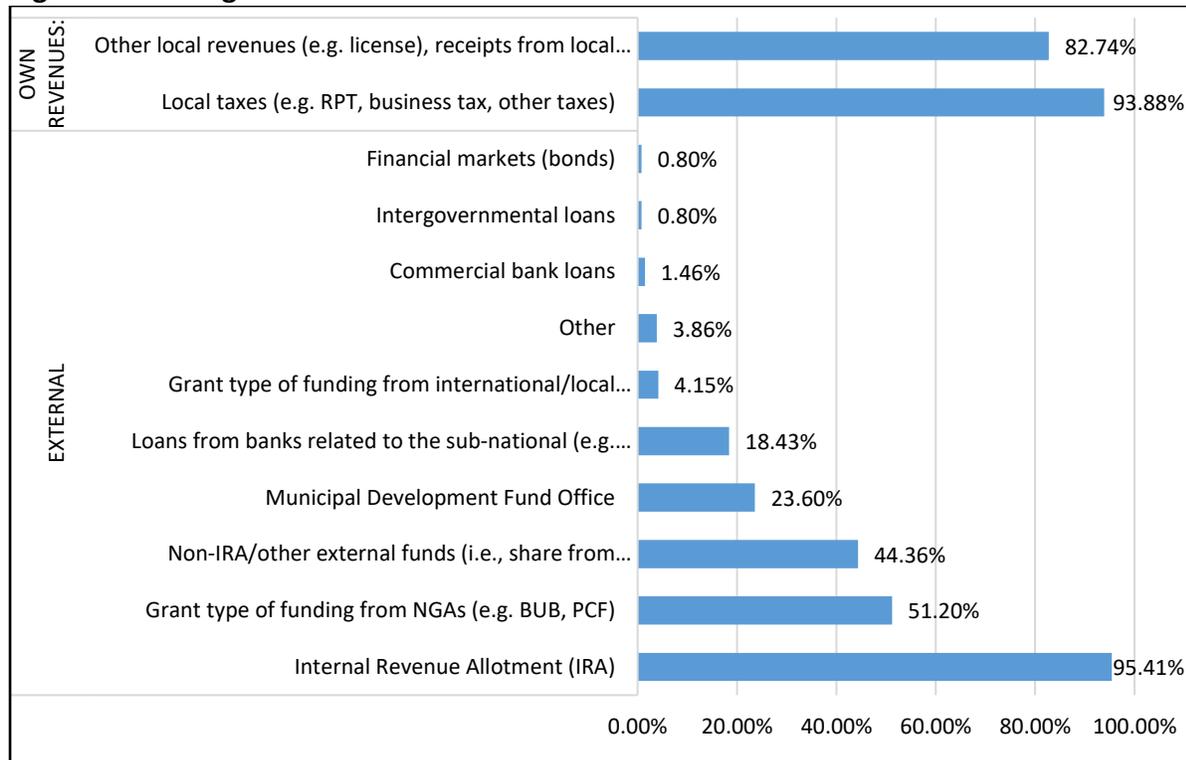
Table 19. Source of financing sought by LGUs

Source	% Share
Grant-type Funding from NGAs, requested directly by the LGUs	75.5
Grant-type Funding from NG, endorsed by the Regional Development Council	15.9
Development Partners	3.8
Other LCEs	1.1
Others	4.2

N= 709

The respondents were asked to identify various funding sources which they utilized in order to finance the PPAs AIPs in 2017. From the results of the survey, almost all of the respondents related that the PPAs lined up in their 2017 AIPs were financed using their own revenues which include those collected from local taxes collections (Figure 6). Similarly, the IRA from the national government was also utilized by all the LGUs in funding their PPAs. Other LGUs also identified other external funds such as shares from national tax collections such as Economic Zones, Expanded Value Added Tax (EVAT), National Wealth, Philippine Amusement and Gaming Corporation (PAGCOR)/Philippine Charity Sweepstakes Office (PCSO), tobacco excise tax, interlocal transfers, grants, donations and aids. A quarter of the total number of LGUs (23.6%) stated that they accessed the Municipal Development Fund for additional funding. Nearly a fifth (18.4%) of the LGUs also availed loans from government financial institutions such as Landbank, Development Bank of the Philippines, Philippine Veterans Bank etc. On the other hand, very few LGUs availed additional funds from commercial bank loans, intergovernmental loans and grant-type funding from international/local organizations.

Figure 6. Funding sources of LGUs for their 2017 AIP PPAs



In addition to the primary sources of financing the municipalities’ AIP, the respondents were also asked if their LGUs used financing schemes. Only a few LGUs (16.39%) took advantage of securing funds through public-private partnerships. However, half (51.31%) of the LGUs indicated they have established local public enterprises as a source of additional funds to finance their PPAs at least in the last five years, 2012 to 2017.

In terms of local development planning in general, LGUs claim to follow the mandated steps. However, the level of compliance depends on the details. CDP steps such as the convening of a planning team and drafting of the LGU Vision are followed but in the next steps such as in the EP and prioritizing list of PPAs, LGUs are not consistent in following the prescribed guidelines. This could be interpreted to necessitate a revisiting of the DILG prescribed planning guidelines such as, the tools needed to prioritize spending or stricter enforcement of or capacity building in requirements such as project briefs that would help improve the quality of plans and investment program.

In the bigger picture, there is also a need to ensure alignment of local with national plans. DILG should regularly exercise its supervisory function on monitoring the inclusion of municipal and city development plans and investment programs in provincial development plans and investment programs.

The correct identification or well informed and prioritized list of PPAs that fund themselves in the LDIP/AIP and funded in local budget ordinances.

8. Summary and discussion

The discussion thus far has presented the legal and institutional framework for local government planning and budgeting as well as evidence on local development planning and its' budgeting. It must be remembered that despite their mandate to plan and budget for devolved functions, local governments are also partners of the national government in attaining development (LGC, Sec.2) It is therefore expected that though local planning and budgeting are conducted separately from the same exercise at the national level, it still takes place within national government planning and budgeting and the scope defined by national government agency oversight advisories and regulations.

In the early 2000s, there was some evidence of poor national government (NG), regional and local government coordination in planning and budgeting (World Bank 2004). Another more specific study highlighted the need to review the functional alignment between national government agencies and local governments in the rural development sector (Lange 2009). Since then, there have been continuous efforts in the realm of public financial management.

Figure 7 maps out the integrated national and local government planning and budgeting framework and evidence of local government planning-budgeting practices. The overarching long-term vision of the Philippine government is the *Ambisyon Natin 2040*. The first column shows the planning framework and the consultative/iterative process by which drafting of the medium-term administration-based Philippine Development Plan (PDP) takes place. National government priorities and development agenda are presented in various fora to inform of the thrust at the national level in the hopes of getting feedback and some alignment with local plans. Conversely, local development plans should find its way to provincial then regional development plans and, finally, to the PDP.

There are two agencies responsible for the alignment of local plans to national development plans. First, NEDA has the mandate of reviewing provincial development plans through the Regional Development Council (RDC)¹¹ as displayed by the block arrow labeled NEDA (RDC). As for the integration of component city and municipal development plans, it is the provincial government that is responsible for ensuring the said plans are incorporated in the provincial development plan. This important link for the harmonization of municipal/component city plans to the provincial plans could be an area of improvement under the supervision of the DILG, as indicated by the blocked arrow.

At present though, there is a joint effort by the NEDA and the DILG called the Localization of the PDP (DILG-NEDA 2018) which offers capacity building on understanding/appreciating the results matrices, how to develop outcomes, identify sources of budget, what projects programs can correspond to the attainment of goals, and define what is needed to translate physical programs to investment programs. Inability to do this leads to low absorptive capacity of LGUs as could be seen in low utilization rates of development funds.

The second column in Figure 7 shows another vertical linkage, this time of investment programming. It is similar to the vertical linkage of development planning but differs in that the

¹¹ Adora Navarro (Undersecretary, NEDA) in discussion with the author, October 10, 2019, Pasig City; EO No. 325, s. 1996

investment programs should be uniquely adopted/incorporated in investment programs of higher levels of government compared to the intended vertical alignment of development plan priorities which is more iterative (NEDA-ADB 2007). The division of areas of oversight agencies is similar to that of development planning and which might also call for strengthened efforts of ensuring the integration of investment programs especially between the municipal/city and provincial levels. In both planning and investment programming, the province as an important link in the harmonization of municipal/city development plans (NEDA-ADB 2007; DILG-NEDA-DBM-DOF 2016).

Apart from the national government agency oversight agency support in planning and investment programming, there is a need to establish expertise at the provincial level to mentor municipal counterparts (DILG 2008). This is justified in that the provision of technical assistance to the component municipalities is part of the regular functions of the provincial government that should be exercised.

As for the third column, this shows the relationship across annual investment programs and the national budget. Insufficient local funding of AIPs make LGUs resort to request financing, primarily from the national government. The evidence shows that municipalities that receive national government grant-type funding from national government agencies do so more often by directly requesting from these, less so through the RDCs. In 2018, per interview with Usec Navarro, there was an attempt for the RDC to endorse LGU projects in the national budget.¹² Tracking the number of RDC endorsed project that passed through the NEP and the GAA would have been possible if national agencies complied in submitting Budget Form C – Summary of RDCs/CSOs Feedback on Agency Major Ongoing Programs and Project (DBM 2019). Per interview with Dir. Macaspac of DBM, there was low compliance rate on this.¹³

The last column shows the last phase of the local planning process and the beginning of the local annual budget process. This is part of the shaded box or the last row in Figure 7, that shows the local planning-budgeting link. In terms of budgeting, the Provincial *Sanggunian* is mandated by the LGC (Sec. 327) to review the Appropriations Ordinance of component cities and municipalities. However, per interview with DBM, the extent of compliance to the said provision cannot be determined. DBM Regional Offices (ROs) only review Appropriations Ordinances of provinces, highly urbanized cities, independent component cities and municipalities within Metro Manila.

In 2015, there was an effort for better convergence among the Oversight Agencies (DILG/DBM/NEDA/DOF-BLGF) by institutionalizing the Coordinating Committee on Decentralization (CCD) the National Inter-Agency Team (NIAT) and Regional Inter-Agency Teams (RIATs) for PFM (DILG-NEDA-DBM-DOF 2016). At present, the RIAT offers capacity building for local-budget fora 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 not ever been convened since 2015. It was suggested that the NIAT could be strengthened to further enhance national and local planning and budgeting.¹⁴

¹² Adora Navarro (Undersecretary, NEDA) in discussion with the author, October 10, 2019, Pasig City.

¹³ Aries Macaspac (Director III of Local Government Regional Coordination Bureau (LGRCB)) in discussion with the author, October 15, 2019, Manila.

Overall, in terms of alignment, the NEDA, through the RDC, is responsible for ensuring that Provincial Development and Physical Framework Plan (PDPFP) enters the Regional Development Plan. However, it is assumed here that the city/municipal development plan are incorporated in the PDPFP, of which the DILG is responsible. The same framework applies for the investment programs (PLPEM). This suggests the need for clarification of oversight as well a strengthened oversight functions to ensuring that city and municipal plans are included in the provincial development and investment plans.

The evidence on local development planning and budgeting practices offers other areas for improvement at the local government level. Though the evidence shows that the DILG-prescribed steps are generally followed by respondent municipalities, there are specific elements within the steps that could either be enhanced, better enforced or revisited to find more appropriate alternatives.

With regard to local plans, there was evidence that more than 90% of municipalities claim to have both comprehensive land use and development plans. Upon closer examination though, and despite the continuous efforts of national government oversight agencies, very few land use plans and less than half of the development plans were recent and had the correct years of coverage (Philippine Institute for Development Studies Forthcoming).

Efforts of national government oversight agencies to integrate and simplify local planning was strengthened in the past decade after several studies documented the lack of an overarching policy on local planning and budgeting. One study observed the presence of weak institutionalized planning was attributed to evidence that less than half of LGUs had functional local development councils (World Bank 2004). In addition, only cities and provinces had comprehensive land-use and development plans while lower level LGUs had only annual investment plans where, ideally, the latter plans should be based on the former plans (World Bank 2004). Furthermore, there was evidence that development planning applied only to the mandated annual requirement of 20% of intergovernmental fiscal transfers, i.e. Internal Revenue Allotment (IRA), allocated to the Local Development Fund (LDF) (Orbeta 2006).

Even after the issuance of local planning policy guidelines; the creation of a CCD involving 4 oversight agencies such as the DBM-DILG-DOF-NEDA; and, numerous capacity-building programs by these oversight agencies, results of the LGSF Baseline survey yielded that 64 (5.10%) of the 1,373 municipalities had updated CLUPs; and around 40.4% of the CDPs were recent and of the correct period of coverage. It is the hope that the most recent effort of the DILG giving LGUs until June 2020 to update their CLUPs and CDPs otherwise face an administrative case will increase the number of updated local plans (DILG 2019).

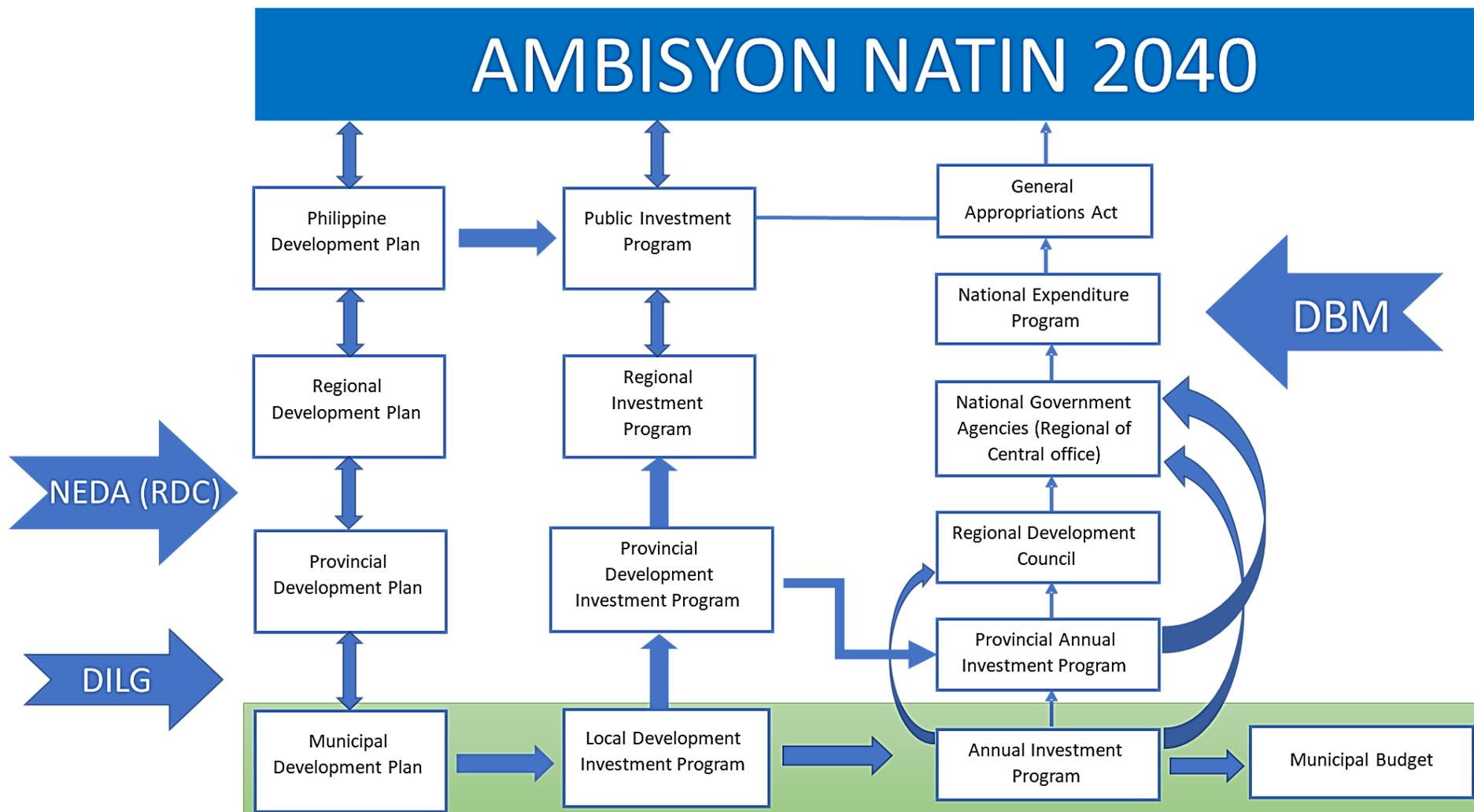
Despite DILG efforts to simplify CDP preparation process, most municipalities (68%) still prefer to conduct workshop/consultations in their planning exercise (See Table 18). In a 2015 study of Guce and David, featuring the innovative solutions to education governance of provincial government of Bohol found that prior to creating the framework, they conducted consultations with different stakeholders, comprising of city/municipal, private sectors, CSOs NGOs, regional and provincial offices of national government agencies and religious groups (Medina Guce 2015).

These consultations helped align city and municipal programs and projects with the goal of the provincial government.

Another area that needs improvement is ensuring the quality of PPAs by regularly preparing project briefs. The results show that only 54% of municipalities claim to do so. The current DILG and NEDA program “Localization of the PDP” (JMC No. 1 Series of 2018) might be able to address this as it offers capacity building on development outcomes and the crafting of investment programs and what is needed to translate these PPAs into physical programs.

Finally, the need for enhancing capacity development programs and other such instruments on the CDP and monitoring and evaluation of the CDP are in order. The evidence shows that about 82% of respondent municipalities claim to have CapDev programs only about 38% claim to have monitoring and evaluation mechanisms for the CDP.

Figure 7. The Integrated National and Local Planning-Budgeting Framework



9. General Findings

Ensuring the attainment of development depends on the ability to implement well-laid plans.

- Strengthen planning
 - For all LGUs, 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 enforce the vertical integration of plans and investment programs from the cities and municipalities to the provinces to the regional to the national.
 - There is a need to establish expertise at the provincial level to mentor municipal/component city counterparts.

One of the major weakness in the planning-budgeting framework of LGUs is their compliance to the prescribed planning-budgeting process in the national level. As discussed in the earlier sections, there are still LGUs that do not prepare project briefs in their proposed PPAs. Furthermore, most of the municipalities do not use the DILG prescribed tools for PPA prioritization, instead they use Workshop and Consultation as a way to prioritize their PPAs. Lastly, LGUs' compliance to updating their plans like the CLUP, CDP and LDIP within the prescribed period is very low. These weaknesses primarily deal with LGU compliance which begs the question of how to make LGUs comply.

In 2017, a large proportion of LGUs were not able to fund all the PPAs in their AIPs due to insufficient funds. Because of this, they sought financial assistance from NG, however, very little is received in the form of grant-type funding using the RDC endorsement track. Hence, this function of the RDC shall be strengthened in order to address this gap in the budgeting process.

One of the weaknesses in the planning-budgeting framework of LGUs. Which can be addressed by the program of NEDA that offers capacity building in drafting project briefs.

Another weakness in the implementation of the prescribed planning process. Much of the weaknesses deals primarily with compliance. Which then begs the question of how to make LGUs comply.

Strengthen the role of RDC. In terms of budgeting, the LGUs find they have insufficient funds which is why they resort to asking for funds from the NG. Very little, however, is received in the form of grant-type funding, using the RDC endorsement track.

- 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.
- Ensuring that development spending follows their mandate.

In terms of budgeting, LGUs that have insufficient funds to finance their AIPs resort to asking for funds from the NG. These were shown to be grant-type funding more commonly sourced from direct requests to NGAs than through the framework of the RDC.

Though it is important that additional funding be sourced for prioritized development projects in AIPs, the receipt of national government grant-type funding has been identified as a reason behind lackluster utilization rates of the local development fund (LDF, mandated by the LGC to be 20% of annual IRA).¹⁴ It is argued that national government funds have limited validity while local funds do not. This, however, delays the development of the locality because of delayed mandated spending.

It is the hope that continuing efforts in public financial management gradually address these issues especially that we are at the cusp of infusing local governments with a broader base for intergovernmental fiscal transfers.

¹⁴ Local Government Code or RA 7160, Section 287

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