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# An Assessment of the Local Government Units' Functional Assignments under a Decentralized Regime

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# An Assessment of the Local Government Units' Functional Assignments under a Decentralized Regime

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## Abstract

The Philippines embraced a devolution agenda in 1991, leading to the enactment of the Local Government Code (LGC). Despite over three decades of implementation, devolution has remained incomplete, giving rise to the blurred accountability between the national government and local governments (LGUs), and the inefficient delivery of basic devolved services. In March 2023, President Ferdinand Marcos, Jr. ordered a review of the functions, services, and facilities that will be fully devolved to local governments.

As an input to this review, the study assesses the LGU functional assignments across three critical sectors—health, infrastructure, and agriculture. The study performs an “unbundling” of the broad functions identified in the LGC and examines these in view of the principles of functional assignment and the binding constraints that have hindered devolution in the country. An expenditure analysis is employed to assess whether the increase in available financing in the first year of implementation of the Mandanas ruling has translated to an increase in service delivery of devolved functions as reflected in LGU spending.

The study finds that the emphasis on subsidiarity and local autonomy coupled with the country’s binding constraints and have resulted in large gaps between the *de jure* and *de facto* functional assignments, and disparities in assumed devolved functions across LGUs. The data further indicates an uneven uptake or utilization of the increase in available funding across the different levels of LGUs. The discussion points to the need for a reevaluation of the functional assignments, as well as the government strategy in addressing the binding constraints that continue to hinder devolution: fiscal imbalances, institutional capacity, enforcement, and political economy factors. Specifically, the study recommends a re-assignment of the devolved functions—between national and local, and among the different levels of local government—that not only accounts for institutional constraints but also aligns benefits and costs, and accounts for inter-jurisdictional spillovers.

**Keywords:** decentralization, devolution, local governance, functional assignment, expenditure assignment, Mandanas ruling

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## List of Acronyms

BLGF	Bureau of Local Government Finance
CDP	Comprehensive Development Plan
COE	Current operating expenditure
DBM	Department of Budget and Management
DOH	Department of Health
DTP	Devolution transition plan
GDP	Gross domestic product
GVA	Gross value added
IRA	Internal Revenue Allotment
LGC	Local Government Code
LGU	Local Government Unit
NG	National government
NGA	National government agency
NTA	National Tax Allotment
PPA	Programs/ Projects/ Activities
PSA	Philippine Statistics Authority

# **An Assessment of the Local Government Units' Functional Assignments under a Decentralized Regime**

***Marianne N. Juco, Ricxie B. Maddawin, and Rosario G. Manasan<sup>1</sup>***

## **1. Introduction**

The Philippines embraced a devolution agenda in 1991, leading to the enactment of the Local Government Code (LGC) with the aim of enhancing the efficient and effective delivery of basic services nationwide. This legislative framework outlines the devolved functions of Local Government Units (LGUs). Section 17 of the LGC specifies the basic functions, services, and facilities that are assigned to LGUs. However, three decades of implementation resulted in a lack of clarity regarding the assignment of functions and responsibilities between the national and local governments. The accountability between national and local governments has become blurred for several reasons. Firstly, national government agencies (NGAs) have encroached upon LGU functions, facilitated by funding provided by both the executive and legislative branches of the government. This encroachment is largely influenced by both fiscal and political economy factors. Secondly, capacity constraints further complicate the delineation of responsibilities. Further, there is a notable absence of an operational strategy for the effective implementation of devolution in the country. A comprehensive review and strategic realignment of devolved functions, in light of longstanding issues, can help ensure the successful and coherent implementation of the devolution agenda in the Philippines.

The 2019 Supreme Court ruling on the *Mandanas et al. and Garcia* Internal Revenue Allotment (IRA) petitions (Mandanas ruling) resulted in a higher LGU share in national taxes.<sup>2</sup> The aggregate national tax allocation (NTA) increased by 38 percent in 2022 relative to the IRA level in 2021, a 24 percentage point increase from an estimated 14 percent growth in the IRA for 2022 without the Mandanas ruling. In response to the increase in NTA allotment, Executive Order (EO) 138 was issued on June 1, 2021 to mandate NGAs to prepare their respective devolution transition plans (DTPs) which shall identify and clarify functions, services, and facilities that will be fully devolved from the NGAs to the LGUs not later than the end of FY 2024. These functions, services, and facilities (FSFs) shall include those indicated under Section 17 of LGC 1991. Further, the EO 138 aims to fund the increase in the IRA / NTA resulting from the Mandanas ruling through a transfer of control over an initial P185 billion from national government to the LGUs.

However, in March 2023, President Ferdinand Marcos, Jr. suspended the implementation of EO 138 and ordered a review of the FSFs that will be retained in NGAs' budgets and those that will be "fully devolved" to LGUs. As an input to this review, DILG recommended that the identification of the FSFs that will be fully devolved to LGUs as well as the phasing of the transition period should consider LGUs' institutional capacity and fiscal capacity, as well as the magnitude of the financial resources needed to deliver the deliver the FSFs. As such, now is an opportune time to revisit the discourse and strategy surrounding decentralization in the country, particularly in assessing whether the devolved FSFs under Section 17 of the LGC are appropriate for full devolution to LGUs. The effective utilization of the NTA and the ability of LGUs to translate financial allocations into tangible and impactful services become pivotal considerations. As the country navigates the implications of the Mandanas ruling on the

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<sup>2</sup> The Mandanas et al. ruling expanded the tax base from just the national internal revenue taxes to include all national government tax collections, thereby significantly improving the fiscal capacity of LGUs.

NTA, the assessment of the LGUs' capacity as well as existing institutional constraints becomes a crucial aspect of the ongoing decentralization discourse.

To initiate a meaningful discussion, it is crucial to examine the basic services that the LGUs have been providing over time and to assess any changes brought about by the various legislations like the Universal Health Care Act, and more recently, the Mandanas ruling. An acknowledged challenge in the devolution process is the intricate task of *unbundling* the broad service functions of the government and allocating them to different levels of government, as highlighted by Manasan (2020). While Section 17 of the LGC outlines the functions that are assigned or devolved, these functions are often articulated in broad sectoral terms. Consequently, some of these functions may not be entirely suitable for exclusive assignment to LGUs. However, within the comprehensive scope of these functions, specific components may be appropriately assigned exclusively to either the central government or to LGUs, as elucidated by Manasan (2020, p. 5). This necessitates a nuanced examination of the devolved functions to determine the optimal distribution that ensures effective service delivery and efficient governance at both the local and national levels. The ongoing evolution of roles and responsibilities within the devolution framework, especially in the light of significant judicial rulings like that of the Mandanas ruling, underscores the importance of a comprehensive dialogue and strategic planning to address these complexities.

While existing literature has underscored the fundamental principles governing the assignment of roles and functions in the context of devolution, the concept of *unbundling* emerges as a complex empirical issue. Consequently, it becomes imperative to draw insights from our own experiences, integrating practical knowledge into the formulation of a structure that optimally facilitates the delivery of FSFs at both the national and local levels. The study aims to answer the following research questions:

- (i) What are the *de facto* devolved functions assumed by the different levels of local government? Are these consistent with the functional assignment defined in the LGC 1991?
- (ii) What are the binding issues and constraints that hinder the full assumption of these devolved functions?
- (iii) Do existing expenditure assignments enable the delivery of these devolved services at the local level?
- (iv) What mechanisms are needed to encourage or incentivize local governments to prioritize certain functions?

## **1.1. Objectives**

The main objective of this study is to examine the devolved functions, services, and facilities that the LGUs have been providing over time. We assess the assignment of functions to LGUs in light of the principles for functional assignment, the realignments made in response to fiscal, capacity, and institutional constraints, and assess those that are proposed for full devolution or re-devolution given the Mandanas ruling. The study also examines whether the first year of implementation of the Mandanas ruling has an impact on the delivery of devolved services as reflected in the expenditure accounts of the local governments.

### **1.1.1. Specific objectives**

The study plans to:

- (i) Review existing literature on the principles of assignment of roles and functions under devolution.
- (ii) Review existing literature on the issues and challenges faced by NGAs and LGUs in the Philippines with respect to the assignment of roles and delivery of basic services.



- (iii) Unbundle the FSFs listed under Section 17 of the LGC.
- (iv) Conduct detailed expenditure analysis of LGUs (and NGAs) before the pandemic and during the first year of the implementation of the Mandanas ruling.

## **1.2. Significance of the study**

The assignment of roles and functions under devolution is not a uniform process; rather, it is influenced by a variety of factors specific to each local context. This study aims to explore these diverse considerations, including local needs, capacities, constraints, and the contextual nuances that shape the unique landscape of each community and political economy. These factors play a crucial role in determining how devolved functions are prioritized and implemented at the local level.

Through a comprehensive analysis that includes empirical evidence, theoretical frameworks, and practical insights, this study seeks to examine the devolution process and the assignment of functions. By examining these elements in detail, the findings of this study can significantly contribute to designing an appropriate functional assignment for delivering devolved services. This structure would be grounded in a nuanced understanding of the complex interdependencies between national and local governments in the country.

Ultimately, the study aims to contribute to the discussion on the reevaluation of functional assignment of devolved services to enhance the effectiveness of the government's devolution implementation. By recognizing the unique needs and conditions of each locality, the study advocates for a tailored approach to devolution that can improve service delivery, promote local autonomy, and ensure that the benefits of devolution are fully realized across different regions.

## **1.3. Scope and limitations**

Section 17 of the Local Government Code of the Philippines mandates local government units (LGUs) to provide a wide range of essential services and facilities within their jurisdictions. These include healthcare, social welfare, environmental management, agricultural support, infrastructure development, education, and housing. The code emphasizes the importance of ensuring that these services are accessible and efficiently delivered to meet the needs of local communities.

This study focuses on three critical sectors: (1) health, (2) infrastructure, and (3) agriculture. The decision to concentrate on these sectors is informed by the findings of Juco et al. (2023), which indicate that these sectors encompass the most significant number of devolved roles and functions assigned to LGUs. This targeted approach allows for a more in-depth analysis of how LGUs are managing and delivering services within these key sectors, providing insights into their effectiveness, and identifying areas for improvement.

The study draws from the LGC 1991, national government agency (NGA) devolution transition plans (DTPs), various guidance documents and sectoral roadmaps, and utilizes data from the statement of expenditures (SOE) obtained from the Bureau of Local Government Finance (BLGF). The study examines these in an attempt to unbundle the devolved broad functions, services and facilities (FSFs) identified in the LGC 1991. The study examines expenditure data to understand how LGUs allocate their resources across the different FSFs in the three critical sectors: health, infrastructure, and agriculture. By analyzing expenditure data, the study aims to identify trends, and assess the adequacy and efficiency of spending in these key areas. Further, the study assesses changes to the spending patterns of LGUs within the first year of implementation of the Mandanas ruling in 2022.

While this study aims to provide a comprehensive analysis of LGU functional assignments and expenditure patterns, several limitations must be acknowledged. One of the primary challenges encountered is the practice of cross-charging of LGU expense accounts, making it difficult to match specific devolved functions, services, and facilities to the expense account classification as reported in the SOE. This is discussed in detail in Section 7.

#### **1.4. Organization of the study**

The study is structured as follows: Section 2 covers the concepts and definitions of decentralization, de-concentration, devolution, delegation, and functional assignments. Section 3 reviews the literature on two key topics: (i) the principles of functional assignment, and (ii) the Philippine experience and the constraints on implementing devolution. Section 4 presents the study's conceptual framework. Section 5 describes the methodology used for analyzing functional assignments and conducting an expenditure review. The results of the analysis are detailed in Section 6, the unbundling of functional assignments, and in Section 7, the expenditure analysis. Section 8 provides the study's conclusions. Section 9 provides the recommendations.

## **2. Concepts and definitions**

### **2.1. Decentralization: de-concentration, devolution, delegation**

Decentralization generally involves transferring responsibilities and authority over public functions from the central government to local governments or autonomous and semi-autonomous entities (Rondinelli et al., 1983). It can take various forms, including: (1) political decentralization, which increases citizen participation in public policy decisions, typically through elected representatives; (2) fiscal decentralization, which grants other levels of government the power to tax and generate revenue (Yuliani, 2004); and (3) administrative decentralization, which delegates administrative powers, such as fiscal and regulatory actions, to local governments through policy decisions (Litvack et al., 1998).

The manner of transfer from central to local may take different forms. First, de-concentration refers to the transfer of responsibilities but without the decision-making authority. Oversight, accountability, and funding come from the central agency. Second, delegation refers to the transfer of decision-making and delivery of public functions to semi-autonomous organizations. The local government is only partly accountable to the citizens but mainly accountable to the central agency wherein oversight and financial resources come from. Finally, devolution refers to the transfer of the responsibility in delivering required functions as well as the authority for decision-making, finance, and management concerns for distinguished legal geographic boundaries where the local governments exercise their authority to perform public functions. Accountability, discretion, and funding are assigned to the local government which is mostly accountable to its citizens. The local government may also be partly accountable to the central agency for compliance with mandated service standards, performance levels, and reporting requirements (Litvack et al. 1998, GTZ 2009).

These three categories of decentralization are helpful in the discussion of functional assignment. These show that there are administrative and technical, political, and fiscal dimensions and indicate that performing functions raises the issue of capacity, authority/discretion, accountability, and resources.

## 2.2. Functional assignment

In this section, we draw heavily from the rich discussion of functional assignments from GTZ (2009). According to GTZ (2009), a function is a general set of activities that work within a system to produce a result. In the context of government, a governmental function is a public good or service directly received by the public such as goods and cash transfers, education and health services, and internal processes such as planning, budgeting, procurement, etc. In the Philippines, the legal basis for functional assignment at the local government level is the Philippine Constitution and the LGC 1991.

### *Functional assignment vs expenditure or revenue assignment*

GTZ (2009) defines revenue and expenditure assignments as the authority to collect taxes, fees, and other sources of income, and spend resources, respectively, in certain spheres of government activity. Fiscal decentralization refers to the assignment of expenditure and revenue functions to local governments. Meanwhile, functional assignment encompasses both expenditure and revenue assignment, and other sets of activities important to governance and service delivery but not directly related to spending and revenue raising. These are regulation and policy setting, planning, and other central-level roles that may be delegated or devolved to the local government such as supervision, coordination, and roles, structures, and authority linked to the implementation of functions apart from revenue and expenditure assignments.

### *Obligatory versus discretionary*

Whether functional assignments are obligatory or discretionary is determined by a country's constitution or laws. There are many countries where the legal framework specifies that functional assignments are obligatory. This typically applies to basic services and minimum service standards. Obligatory functions also lessen local government discretion and autonomy. On the other hand, when the legal framework contains right of initiative provisions, such as in the Philippines, the functional assignments become discretionary. Discretionary provision is ideally accompanied by rules to adjudicate conflicts in service delivery between different levels of local government (i.e., parallel provision, first-to-initiate, first priority, etc.). Generally, fully local functions are to be devolved, under local government discretion, while functions with larger scope be retained at the national level.

Ideally, when functional assignments are discretionary, it is helpful for the national government to maintain a positive obligatory list to ensure the delivery of mandated basic services. The common challenge when national governments institute minimum service standards is the enforceability and monitoring of service delivery. Considerations regarding government capacity at the national and local levels, as well as the financial adequacy of local governments to meet the mandated service levels, are important.

### *Concurrent/shared versus exclusive*

Concurrent functions are broad sectoral unbundled functions that are assigned to different levels of local government simultaneously. Concurrent or shared functions can be jointly delivered—carried out by more than one level of government, simultaneously, or sequentially provided—and can be taken up by the lower level of government when the higher level has not provided it yet. Meanwhile, it may be erroneous to call functions assigned to local government as exclusively local since these functions are, to some extent, remain accountable to the national government. Exclusive functions may be more

relevantly associated with those assigned to the national government. For example, reallocation, re-distribution, and stabilization are exclusively national functions (Musgrave 1964).

### *Uniform versus asymmetric*

Asymmetric decentralization denotes a tailored transfer of services from national to the different levels of local governments, in contrast to a standardized or uniform assignment of functions. The tailored assignment acknowledges the different characteristics of each level of local government in terms of the roles or functions it can undertake given its level of resources and administrative capacity. Asymmetric functional assignments to local governments allow them to address unique political, socio-cultural, or economic characteristics or aspirations. The asymmetry can be i) full asymmetry—where each level of local government receives a specific level of autonomy or decentralization, ii) asymmetry by rural and urban designation, and iii) by special autonomy areas. With an asymmetric assignment, the national government must have the capacity to fully manage a fully asymmetric design.

## **3. Review of literature**

To frame our discussion, it is helpful to review the devolved functions, services, and facilities, in light of i) the key principles and foundations for devolution, and ii) the existing and binding constraints in Philippine governance and political economy. First, we assess whether the current functional assignments, those retained at the national level and those assigned to the different levels of local government, are in line with the principles of functional assignment. Second, we review the binding constraints, identified in the 30 years of available literature, that have prevented the full implementation of the devolution of functions, services, and facilities defined in the LGC 1991.

### **3.1. Principles of functional assignment**

The primary guiding principle for the assignment of functional responsibilities is attributable to Oates (1972, p. 55). He states that “each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize the benefits and costs of such provision.” In this section, we summarize the most frequently cited general principles that guide the assignment of functions to local governments and their effective implementation.

GTZ (2009) describes that in practice, countries prioritize specific principles in defining their functional assignments, and observes that there is a high degree of commonality in the criteria for functional assignments among countries. However, while the defining criteria may be the same, Shah (1994) argues that practical and institutional considerations across different countries may result in a different functional assignment. It also notes that it is not uncommon for governments to review, reassess, and readjust the initial functional assignments made in their devolution agenda. While the primary goal is often to facilitate the achievement of full decentralization, a re-evaluation requires an acknowledgment of constraints and political economy realities that had not been accounted for in the earlier processes and resulted in some functions being realigned and/or even re-centralized.

The guiding principles for functional assignment are as follows:

- *Economies of scale or efficiency principle*  
Functions that involve economies of scale are best assigned primarily to the national government or when such functions are devolved, it is best assigned to a higher level of local government, or

perhaps to be shared between the national government and local governments. It is important to note that economies of scale “exist up to a certain point after which they plateau, and even sometimes reverse when settlements are so large as to impede the efficient delivery of some services.”GTZ(2010 p. 18).

In the case of devolution, GTZ (2009) proposes that when the functional assignment is made based on economies of scale, some standardization of the dimension of scale is required. For example, scale may be associated with population size. It may also be associated with economies of agglomeration such that when a local government body is made more efficient by administering a critical mass of devolved functions. Efficiency may likewise be achieved with economies of scope such as when public services that deliver distinct outcomes may be bundled together in one process or function. Relatedly, scale may also refer to the level of technical capacity or availability of technical staff at each level of government. Finally, economies of scale may likewise be achieved with inter-jurisdictional cooperation among the different local government units.

- *Subsidiarity principle*

Functions that are most effectively delivered at the local level should be assigned to the lowest local government level (Litvack et al. 1998; GTZ 2009). Further, Steen et al. (2017) assert that such functions should only be elevated to the national government when the immediate level (e.g., lower levels of government) is not able to effectively deliver. Local governments are closer to their citizens and can respond to specific constituent needs which could be more efficient and less costly.

The subsidiarity principle is also related to the *principles of discretion and local autonomy*. Decision-making, control, and service delivery at the lowest level of government can enable the government to effectively respond to local demands and needs especially when there is a *heterogeneity of demands and preferences* among and across the different localities.

Subsidiarity is also related to the *principles of controllability and accessibility of constituents* which state that the functions should be assigned to the level of government where they can receive the most scrutiny and control by citizens. The assignment of functions at the lowest level of government ensures the *proximity* of service delivery to the intended beneficiaries and can pave the way for increased local participation. The proximity of local governments creates room for *democratic accountability* of local politics.

- *Externalities or spillovers of benefits and costs*

Externalities or spillovers occur when a significant impact in terms of costs and/or benefits is felt beyond the jurisdiction of local governments. As a principle of functional assignment in devolution, public goods and services are best administered (and financed) by local governments, when there is little or no spillover of benefits (or costs) beyond their jurisdiction. In instances wherein benefits are received and/or costs are incurred by more than one local government unit, the local governments administering the public service or providing the good, as well as those receiving the spillovers, will tend to underserve or underprovide due to the leakages. Hence, with spillovers, the function should be administered by the next higher level of government or the national government.

- *Equity or redistribution principle*

Functions that are related to the government’s role of ensuring the equitable allocation of resources should be best assigned to the national government. It would be inefficient to assign the redistributive role to local governments for two reasons: first, fiscally poorer jurisdictions would not have sufficient resources to engage in redistributive programs, and second, if redistribution were

administered locally, then wealthier households and firms would relocate to jurisdictions with less equalizing policies creating disincentives for local governments from pursuing greater redistribution (Local Public Sector Initiative 2015). Also, for reasons of equity, national governments likewise need to ensure a certain degree of uniformity in service delivery standards across the different levels of local governments. With devolved functions, service management and program financing should be assigned to the provincial government (Government of Ontario 1991).<sup>3</sup>

- *Principle of finance follows the function*

Functional assignment, in the context of expenditure responsibilities, becomes efficient when the funding mechanisms maintain the link between the benefit of public services and the cost of delivering the service. The principle of finance follows function could be considered as an extension of the *subsidiarity principle* and *fiscal equivalence principle* when applied to the financing of the assigned functions to the local governments. It asserts that local governments will provide the optimal level of service when the citizens of a particular jurisdiction both benefit from and pay for the public service, in contrast to the case of spillovers discussed earlier. This principle then requires that local governments will have to ensure the assignment of revenue instruments for a sustainable revenue stream to fund their services (Dillinger and Fay 1999). This means that the local regulatory authority can determine local tax rates and fees. Shah (1994) offers a conceptual foundation for tax assignment. An over-assignment of expenditure functions relative to resources may result in failure in service delivery (Llanto 2012). In poorer jurisdictions, resource transfers such as well-designed equalization grants may offer a solution to poor financial capacity.

- *Principle of form follows function*

The organizational form should be aligned with the functional assignment to enable practical and efficient ways of discharging functions (GTZ 2009). This is in contrast to imposed central-level organizational structures that may be inefficient (or perhaps inefficient in an already decentralized set-up) and overlap with existing local government structures. This principle asserts the matching of the functional assignments with local government territorial structures (i.e. their capacity or scale, for instance in terms of population) and capacity. With this consideration, asymmetric functional assignment between same-level local governments may be an appropriate approach to devolution.

### **3.2. Binding constraints in Philippine devolution**

It has been more than 30 years since the LGC took effect in January of 1992. The country's decentralization efforts have been studied by a multitude of local and international experts and organizations. In this section, we present a summary of 30 years of literature that discusses and analyzes binding constraints in Philippine devolution. We observe nine common themes across these studies, specifically: i) vertical and horizontal fiscal imbalance, ii) perverse incentives for fiscal autonomy, iii) fiscal conflicts between the national government and local governments, iv) functional conflicts between the national government and local governments, v) functional conflicts among local governments, vi) failed performance monitoring and indicator systems, vii) limited absorptive capacity and chronic underspending of local governments, viii) lack of accountability, and ix) persistent inequity.

The table below presents a summary of findings in the literature. Certain portions are directly lifted or paraphrased from the studies cited.

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<sup>3</sup> Government of Ontario, Report of the Advisory Committee to the Minister of Municipal Affairs on the Provincial-Municipal Financial Relationship, 1991.

**Table 1. Summary of binding constraints**

Lesson type	Summary of findings and comments	References	Sectors studied
1. Fiscal imbalances	<p>NTA insufficiency</p> <ul style="list-style-type: none"> <li>- As early as 10 years after the implementation of the LGC 1991, studies have noted the insufficiency of the NTA<sup>1</sup> to fund all devolved functions. The NTA was found to be less than the cost of devolved functions for several LGUs, resulting in negative resource transfers. The reason is that the incremental NTA shares were not linked to the cost of devolved functions. Further, it was also found that significant funds outside of the NTA transfers were spent on the devolved functions, particularly on capital expenditures.</li> <li>- With the Mandanas ruling, 30 years later, the effective increase in NTA received by local governments still results in vertical and horizontal fiscal imbalances which remain even after the “<i>unfunding</i>” of devolved functions which are currently funded through NGA budgets.</li> </ul> <p>Mismatch and inefficiency (finance does not follow function)</p> <ul style="list-style-type: none"> <li>- The principle of finance follows functions that did not happen with the implementation of the LGC. The NTA was determined disjointly and determined ahead of the LGC 1991 with the basis being the Presidential Decree 144, c. 1973. Further, the NTA allocation criteria do not consider how functions and expenditures are assigned to local governments.</li> <li>- There is a mismatch between the cost of devolved functions and the NTA transfers to the different levels of government, with provinces and municipalities acquiring more functions relative to transfers, while cities and barangays have the opposite experience. The assignment of what services to be devolved was likewise highly politicized.</li> <li>- Expenditure assignments were shown to be inefficient due to the lack of a clear funding source or mismatching of the revenue and expenditure assignments at the local government level. The mismatch in expenditure responsibilities has contributed to the varying fiscal performance and outcomes across LGUs.</li> <li>- The growth equity fund (GEF) was intended to offer financial support to poorer and more rural LGUs. However, long-standing vertical and horizontal fiscal imbalances are expected to persist, as EO 138 does not address the fundamental flaws in the design and criteria for distributing the NTA that have been previously highlighted.</li> <li>- The inefficient tax assignment has also constrained local government efforts to raise their source revenues.</li> <li>- The proliferation of redundant public infrastructures such as seaports, airports, and public roads is also indicative of the inefficiency of expenditure functions and their financing.</li> <li>- In the health sector, unclear and inconsistent purchasing roles have impeded efforts to enhance PhilHealth's strategic purchasing function. Existing policies and purchasing mechanisms have undermined the capacity of both national and subnational governments to ensure financial risk protection.</li> </ul>	<p>(Capuno, Manuel and Salvador 2002), (Soriano, et al. 2005), (Manasan 2007), (Llanto 2012), (J. Capuno 2017), (Manasan 2020), (World Bank 2021), (UNDP Philippines 2022)</p>	All sectors
			Infrastructure
		<p>(Nuevo, et al. 2022), (J. Cuenca 2020),</p>	Health

Lesson type	Summary of findings and comments	References	Sectors studied
	<ul style="list-style-type: none"> <li>- The findings suggest that greater health decentralization has a negative impact on access to hospital inpatient services and access to sanitation (i.e., toilets). This is attributed to the lower province-level spending on hospitals due to a mismatch between the cost of devolved hospitals and the NTA. Such a negative effect has remained over the years because most LGUs do not have adequate health budgets to maintain and upgrade devolved health facilities.</li> </ul>		
2. Perverse incentives for fiscal autonomy	<p>NTA dependency</p> <ul style="list-style-type: none"> <li>- While LGUs have the authority to generate their own revenues, most remain heavily reliant on the NTA. In 2018, provinces, cities, and municipalities had average NTA dependency rates of 83%, 65%, and 84%, respectively. Wealthier regions with greater capacity to raise local revenues are less reliant on the NTA, whereas dependency in poorer areas can reach up to 98%.</li> <li>- Among LGUs, only Highly Urbanized Cities (HUCs), where much of the country's economic activity is concentrated, primarily relied on their own revenue sources rather than transfers from the central government.</li> <li>- As the NTA effectively grows yearly, in nominal terms, and is automatically released quarterly, it becomes the most reliable and readily available income source for most LGUs. This creates a moral hazard problem and disincentive effect as local chief executives may become less inclined to increase taxes for local taxpayers and property owners, and instead continue to rely on the NTA as the main income source. In fact, studies found that LGUs that received higher IRA tended to be lax in their tax effort.</li> <li>- Research highlights the lack of meaningful incentives or rewards for enhancing service delivery and revenue generation at the local government level. Without such incentives, the implementation of the Mandanas ruling alone is unlikely to motivate LGUs to fully utilize traditional or innovative revenue-raising strategies.</li> </ul> <p>Conversion of municipalities to cities</p> <ul style="list-style-type: none"> <li>- The country has seen the rapid conversion of municipalities to cities as a response to the NTA formula.</li> </ul>	(Manasan 2004), (Soriano, et al. 2005), (Martinez-Vasquez and Liu 2011), (J. Capuno 2012), (Diokno 2012), (J. Capuno 2017), (Mendoza and Ocampo 2017), (C. J. Diokno-Sicat, C. Adaro, et al. 2020), (Nuevo, et al. 2022)	All sectors
3. Fiscal conflicts between local governments and national government	<p>Augmentation of the NTA formula</p> <ul style="list-style-type: none"> <li>- Since 1991, Congress and various local government leagues have proposed several changes to enhance the NTA formula. These include integrating additional income sources into the internal revenues used as the basis for allocations, increasing LGUs' percentage share, or ensuring the automatic release of NTA funds.</li> <li>- In these proposals, local governments were united in opposition to the national government, while suggestions that merely reallocated the total LGU share internally gained less support.</li> <li>- Financial tensions between national and local governments often emerge when the national government</li> </ul>	(Capuno, Manuel and Salvador 2002), (Soriano, et al. 2005), (Llanto 2012), (J. Capuno 2017)	All sectors



Lesson type	Summary of findings and comments	References	Sectors studied
	<p>imposes corrective measures requiring LGUs to allocate portions of their income for devolved functions.</p> <p>Unfunded mandates</p> <ul style="list-style-type: none"> <li>- Unfunded mandates contribute to the financial stress of local governments. These pertain to expenditure assignments to local governments that are mandated by the national government without a clear and equivalent funding source or revenue assignment.</li> <li>- Some examples of these unfunded mandates are the Magna Carta of Public Health Workers (RA 7305), Barangay Health Workers' Benefits and Incentives Act of 1995 (RA 7883), and the Technical Education and Skills Development Act (RA 7796).</li> <li>- In the health sector, for example, the Magna Carta benefits for health workers was an intervention to improve the morale and welfare of devolved health workers and consequently secure the effective delivery of local health services. However, local governments were mandated to provide for the Magna Carta benefits from their own budgets. As a consequence, the DOH provided grants to local governments for the extra allowances of health workers to address the fiscal constraint.</li> </ul> <p>Sections 17 (c) and (f) of LGC 1991</p> <ul style="list-style-type: none"> <li>- Financial conflicts between local governments and the national government arise not only due to the mismatch in the allocation of expenditure functions and finance under decentralization. Sections 17 (c) and (f) of the LGC allow NGAs to be engaged in devolved activities and for politicians to insert funding for pet projects as an instrument of political patronage. Congressional allocations (also previously called pork barrel funds), and other central transfers, contribute to the fiscal and functional conflicts between national and local governments.</li> </ul>		<p>Health</p> <p>Health, infrastructure</p>
4. Functional conflicts between local governments and national government	<p>Ambiguity in functional assignment</p> <ul style="list-style-type: none"> <li>- As stated above, certain provisions within the LGC 1991 allow NGAs to be engaged in devolved activities resulting in a two-track delivery system.</li> <li>- Moreover, the national government has not fully transferred certain functions mandated by the LGC and has, at times, seemingly arbitrarily reclaimed responsibility for some devolved functions, such as hospital services.</li> </ul> <p>Inefficiency (form did not follow function)</p> <ul style="list-style-type: none"> <li>- Specifically for health services, studies have shown that devolution resulted in a fragmented health delivery system. In contrast to a previously centralized and integrated provincial health / hospital referral system<sup>2</sup> which served natural catchment areas that extended beyond local government jurisdictions, the assignment of devolved health functions that were confined to local jurisdictions resulted in fragmentation and inefficiency.</li> <li>- This was evident in the break in the flow of health</li> </ul>	(Capuno, Manuel and Salvador 2002), (J. Capuno 2017), (Abrigo and Ortiz 2018), (Capuno, Rivadaneria, and Beazley et al. 2018), (Domingo and Manejar 2021), (Nuevo, et al. 2022), (Juco, et al. 2023)	<p>Health</p> <p>Health</p>

Lesson type	Summary of findings and comments	References	Sectors studied
	<p>information and disease surveillance, and erratic and more expensive drug supply. Devolved hospitals and health facilities were less than ideally located and capacitated. For example, devolved health facilities were located far from central districts of local governments or were at their boundaries. Devolved hospitals also lacked doctors, medical technologists, and other specialists.</p> <p>Asymmetry and limited national influence on allocation</p> <ul style="list-style-type: none"> <li>- The LGC mandates that funding for devolved functions be prioritized over non-devolved ones. However, because the NTA does not specify conditions or allocations for programs and expenditures, LGU budgeting for services varies widely.</li> <li>- An assessment of LGU devolution transition plans under EO 138 revealed ambiguities in how LGUs define priority devolved functions. Additionally, the priorities across provinces, cities, and municipalities differ significantly, with a mapping of identified PPAs highlighting disparities in sectoral priorities among these LGUs.</li> <li>- Financial allocations to devolved functions were also found to be sub-optimal despite the abundance of fiscal resources, and regardless of the location and income level of the local government. Apart from low allocations, fiscal trends also show low budget utilization rates by local governments, largely attributable to i) unclear issuances from oversight agencies and ii) spending preferences of local administrations.</li> <li>- This observation was notable in the health sector in the mid-2000s when DOH introduced the Local Investment Plan for Health (LIPH). The program makes use of a bottom-up planning process for the medium-term investment plan for health at the local level. The program failed due to the lack of assurance as to the size and timing of the release of funds from the national government and hence local governments did not account for these transfers in the local budget preparation.</li> <li>- Finally, nonadherence to national agency direction did not merit any form of effective penalty and/or sanction, and budgetary commitment was regarded as a measure of political priority.</li> </ul>		<p>Health, social welfare, agriculture, environment, infrastructure, DRRM</p> <p>Health</p>
5. Functional conflicts among local governments	<p>Spillovers</p> <ul style="list-style-type: none"> <li>- As discussed above, the devolution of health facilities and hospitals resulted in these facilities being less than ideally located as they previously served catchment areas that extended beyond local government jurisdictions. This resulted in several devolved provincial hospitals that are located in cities. This creates a source of inter-jurisdictional spillovers and tension between cities and provinces.</li> <li>- Similarly, the management of shared resources such as marine, coastal, and forestry resources that extend beyond local jurisdictions, especially in the case of adjacent cities and municipalities, also introduces conflicts among local government units.</li> </ul>	(J. Capuno 2017), (Abrigo and Ortiz 2018), (Domingo and Manejar 2021)	<p>Health</p> <p>Environment</p>

Lesson type	Summary of findings and comments	References	Sectors studied
	<ul style="list-style-type: none"> <li>- More generally, local public services that have inter-jurisdictional externalities would require cooperation among affected local government units. For example, in metropolitan areas such as Metro Manila, these pertain to air quality, perennial flooding, and garbage collection (and management of inland water systems). Existing local government structures are limited in dealing with these metropolitan problems.</li> </ul> <p>Failure of cooperation among LGUs</p> <ul style="list-style-type: none"> <li>- As early as 1992, several initiatives were introduced to foster cooperation among local government units and address spillovers brought by functions with inter-jurisdictional outcomes.</li> <li>- In the health sector, the DOH implemented three initiatives to encourage joint planning, provision, and finance of health services by local government units. These initiatives are the Comprehensive Health Care Agreement (CHCA), the Inter-Local Health Zones (ILHZs), and the Provincewide Investment Plan for Health (PIPH). Such initiatives required provincial, component municipality, and city governments to commit financial resources with the DOH matching or augmenting the local resources.</li> <li>- In the environment sector, a similar initiative was implemented for the management of coastal resources in Iloilo province. This is the Banate Bay Resource Management Council, Inc. (BBRMCI) established in 1996 by the coastal municipalities of Anilao, Barotac Nuevo, and Banate. However, the project failed when one of the municipalities withdrew support for operations.</li> <li>- The failure of such initiatives was due to the following: i) the lack of counterpart funds from municipalities (for the case of CHCA), ii) political rivalries from congressional representatives and local chief executives belonging to rival political parties and families (for the case of ILHZ), iii) weak enforcement of fund commitments (for PIPH), and iv) lack of penalties for breach of agreement for the defaulting municipalities (for BBRMCI).</li> </ul>	(J. Capuno 2017)	<p>Infrastructure</p> <p>Health</p> <p>Environment</p>
6. Failed performance monitoring/indicator systems	<p>Availability of indicators</p> <ul style="list-style-type: none"> <li>- More than 30 performance indicator systems and award schemes have been introduced since 1991. However, none of these have attained sufficient credibility and coverage. An alternative—which is a simple comparison of service delivery outputs across local government levels disincentivizes the LGUs to cater to the diverse preferences for local public services.</li> <li>- As of 2022, for the health sector, only a comparison of LGU compliance with minimum service standards—i.e., 80 percent child immunization rates—is valid. Other indicators, like the Good Governance Index whose component indicators refer to NG functions, are also more appropriate benchmarks for NG performance at the local level.</li> <li>- As of 2023, an initial evaluation of local government devolution transition plans highlighted a lack of detailed information on the state and quality of local public</li> </ul>	(J. Capuno 2012), Capuno, Rivadaneria, and Beazley et al. 2018), (Nuevo, et al. 2022), (Juco, et al. 2023)	All sectors

Lesson type	Summary of findings and comments	References	Sectors studied
	<p>services, particularly regarding devolved functions. The review also identified unclear processes in how LGUs develop their transition plans, define functions, assess the quality of existing service delivery, evaluate current capacities, and determine the capacity-building interventions needed to take on additional devolved responsibilities.</p> <p>Transparency</p> <ul style="list-style-type: none"> <li>- While transparency has significantly improved at the national level over the years, progress at the LGU level has been slower.</li> <li>- In 2012, the DBM issued National Budget Circular 542, directing all NGAs and LGUs to publish approved budgets, lists of major programs and projects, implementation statuses, and annual procurement plans on their websites. However, many LGUs lack websites or fail to update them regularly. Reports are often prepared manually, making assessments challenging. Although budgets and expenditures are publicly accessible, they are not always easy to understand. Additionally, there is no integrated system to track spending across different levels of government.</li> <li>-</li> </ul>		
7. Limited absorptive capacity and chronic under-spending	<p>Low budget utilization</p> <ul style="list-style-type: none"> <li>- Research indicates that LGUs face constraints in their absorptive and service delivery capacities, akin to underspending challenges at the NGA level. Their limited capability to efficiently manage the expanded fiscal resources provided under EO 138 results in low budget utilization rates, a trend observed across all sectors.</li> <li>- Research highlights that LGUs often lack sufficient manpower and technical expertise among their staff to effectively convert financial resources into tangible service delivery outcomes.</li> <li>- This is particularly evident in large-scale, complex capital investments like infrastructure development. Research has revealed a significant inverse relationship between the proportion of capital outlays in LGU budgets and their budget execution rates. This pattern holds true across all types of local governments, even among those with higher capacity.</li> <li>- In DRRM, suboptimal fund utilization was observed across all regions, regardless of income class or location. The potential causes for this include: i) unclear fiscal guidelines from COA, DBM, and DILG, and ii) spending preferences or priorities among local governments. Local governments often become reluctant to spend when there are varying interpretations of guidelines on the ground, which makes expenditure programs vulnerable to misinterpretation. Additionally, there is the ongoing risk of disallowances being declared.</li> </ul> <p>Limited planning capacity</p> <ul style="list-style-type: none"> <li>- Low budget utilization and absorptive capacity can be</li> </ul>	<p>(Navarro 2014; Monsod 2016) (Domingo and Reyes 2017), (J. Capuno 2017), (World Bank 2021) (UNDP Philippines 2022)</p> <p>(C. J. Diokno-Sicat, C. Adaro, et al. 2020)</p>	<p>All sectors</p> <p>Infrastructure</p> <p>DRRM</p> <p>All sectors</p>

Lesson type	Summary of findings and comments	References	Sectors studied
	<p>linked to the LGUs' capacity for development planning.</p> <ul style="list-style-type: none"> <li>- A study revealed low compliance with required multi-sectoral development plans. For instance, by 2020, only 40% of surveyed municipalities had up-to-date comprehensive development plans (CDP), 57% utilized the Community-Based Monitoring System (CBMS) for ecological profiling, though it was not used consistently or thoroughly, about 50% regularly prepared project briefs and conducted the required second round of prioritization, and only 38% had monitoring and evaluation strategies in place.</li> <li>- For instance, regarding DRRM, a study found that although community resilience is emphasized in RA 10121, i) the institutional structures for stakeholder representation and participation still need improvement; ii) funding should be clearly allocated to community-led initiatives, as well as proposals from sectoral committees and barangay councils; and iii) monitoring and evaluation strategies must be designed to accurately capture and track DRRM funds, goods, and services across agencies, funding sources, and different enabling conditions.</li> </ul>	(Domingo and Manejar 2021),	DRRM
8. Fiscal accountability	<ul style="list-style-type: none"> <li>- Although EO 138 and its associated memoranda highlight the importance of civil society involvement and outline some measures for citizen participation and monitoring, the implementation framework for EO 138 seems to lack fiscal transparency and accountability safeguards that can be utilized by ordinary citizens.</li> <li>- In fact, due to the well-established connection between enhanced fiscal accountability and greater reliance on own-source revenue generation, the increased NTA dependency among LGUs resulting from the Mandanas ruling could potentially have negative spillover effects on their accountability and responsiveness to constituents.</li> </ul>	(UNDP Philippines 2022)	All sectors
9. Persistent inequity	<ul style="list-style-type: none"> <li>- Overall, the structural changes resulting from devolution have not ensured equitable distribution or efficient resource utilization across sub-national entities, particularly in the health sector.</li> <li>- Despite the requirement for LGUs to allocate 20% of their annual NTA to development projects through the local development fund (LDF), much of this funding is directed toward programs and projects that do not contribute to economic development. Development projects prescribed by DILG and DBM include the construction or rehabilitation of health centers, potable water systems, farm-to-market roads, local infrastructure, and sanitary landfills; as well as community reforestation and flood control programs.</li> <li>- In practice, however, development projects are often broadly defined to include "soft" initiatives such as plaza beautification and capacity-building programs like study tours for local officials. In 2016, the Commission on Audit reported that around 2.3% of LDF funds were used for purposes other than intended.</li> <li>- As a result, strong "centrifugal" forces are expected to emerge in LGU performance following the</li> </ul>	(Diokno 2003, 4), (Commission on Audit 2017), (Diokno-Sicat et al. 2020), (Nuevo, et al. 2022), (UNDP Philippines 2022)	Health, infrastructure

Lesson type	Summary of findings and comments	References	Sectors studied
	implementation of EO 138, with high-performing, high-capacity LGUs better able to utilize the Mandanas funds compared to those with lower capacities. -		

Notes: 1/ formerly IRA; 2/ For example, the most common illnesses and simple medical needs were to be provided at the barangay level. Low-incidence but more serious illnesses were to be treated in district hospitals that encompassed two or three municipalities. Most complicated cases were to be treated in tertiary provincial or regional hospitals.

Source: Compiled by Authors

#### 4. Conceptual framework

The *de jure* assignment of functional responsibilities refers to the formal allocation of duties and powers as stipulated in a country's constitution or legal framework, outlining which level of government is officially responsible for various public services. For the Philippines, the legal framework outlining the assignment of devolved functions is the LGC 1991. However, the *de facto* assignment often differs significantly due to institutional, political, and capacity constraints, as well as the misalignment of functional assignments with the actual power, authority, or discretion that local governments have over necessary resources. Further, this misalignment can result from a lack of control over human resources, inadequate financial resources, insufficient decision-making power and legal support, and externalities arising from the unfitting devolution of functions that may be better assigned at a higher level of government.

With over thirty years from the initial implementation of the LGC in 1991, the study reviews the extensive literature on the devolved roles and functions for the different levels of subnational governments in the Philippines, with a focus on the alignment between the *de jure* functional assignments and principles of functional assignment defined in the international literature. The study performs an *unbundling* of the general functional assignments that were broadly defined in the LGC into specific functions, services, and facilities (FSFs). The assessment also focuses on the binding constraints (i.e., institutional, political, and capacity, and limitations or misalignment in power, authority, or discretion over necessary resources) revealed in over thirty years of devolution implementation in the country; and the adjustments or changes made to the functional assignments (i.e., realignment, renationalization, extension of funding support from national to local governments, etc.) as a response to these constraints, resulting in the *de facto* functional assignments to local government.

Through an expenditure review, the study assesses whether “finance follows function” in the context of the sectoral decentralization efforts. Analyzing local public sector expenditures provides insights into who is *de facto* responsible for service delivery, revealing discrepancies between formal responsibilities and actual spending practices. The study evaluates whether the assumption of more devolved services by LGUs is reflected in the changes in actual LGU sectoral expenditures accounts, with a specific focus on the first year of the Mandanas ruling implementation. We determine whether, with increased funding from the implementation of the Mandanas ruling in 2022 onwards, there is an impact on service delivery as reflected in increased spending patterns at the local government level.

## 5. Data and methodology

This section outlines the methodology designed to provide a comprehensive and systematic approach to understanding the functional assignments and expenditure patterns of local government units (LGUs) in the Philippines. Our focus is on examining how these assignments and expenditures have evolved, particularly in light of financial, institutional, and capacity constraints, and legislative and judicial developments such as the Mandanas ruling in 2019 and EO 138 in 2021.

The study draws from the LGC 1991, national government agency (NGA) devolution transition plans (DTPs), various guidance documents and sectoral roadmaps, and utilizes data from the statement of expenditures (SOE) obtained from the Bureau of Local Government Finance (BLGF). The study examines the detailed sectoral plans in an attempt to *unbundle* the devolved broad functions, services and facilities (FSFs) identified in the LGC 1991. The study examines SOE data to understand how LGUs allocate their resources across the different FSFs in the three critical sectors: health, infrastructure, and agriculture. By analyzing expenditure data, the study aims to identify the *de facto* FSFs assumed by local governments as supported by their spending trends, and assess the adequacy and efficiency of spending in these key areas. Further, the study assesses changes to the spending patterns of LGUs within the first year of implementation of the Mandanas ruling in 2022. A key informant interview (KII) with the Bureau of Local Government Finance (BLGF) was held on June 3, 2024 to clarify SOE accounts classification, procedures, and ensure correct interpretation of the SOE data.

To provide a focused analysis, the study concentrates on three critical sectors: health, infrastructure, and agriculture. These sectors were selected based on their significant roles and functions devolved to LGUs, as highlighted in the findings of Juco et al. (2023). By narrowing the scope, the study aims to deliver detailed and actionable insights into these areas, which are crucial for local development and governance. For the expenditure analysis, all provincial, city, and municipal local government units (LGUs) across the Philippines are included with the exception of LGUs from the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). This exclusion is due to the unique administrative and governance structures within BARMM, which differ from those in other regions of the country.

The study utilizes detailed expenditure accounts from the statement of expenditures (SOE) provided by the BLGF. The following table provides the definition of the specific expenditure accounts of the SOE data attributed to each sector:

**Table 2. Definition of variables**

<b>Expenditure account</b>	<b>Definition</b>
<b>Health</b>	
Chest Clinic	Chest Clinic will provide medical services and treatment specifically for chest-related illnesses and conditions in the area (Jur, 2024)
Office of Health Officer	The office is mandated to provide Primary Health Care that includes the Implementation of programs aimed at disease prevention and health promotion, and community-based health management intended for the early management of common illnesses; formulate and implement policies, plans, programs, projects, and activities to promote the health of the people; execute and enforce all laws, ordinances, and regulations relating to public health such as the Sanitation Code; conduct health information campaigns and render health intelligence, epidemiological and disease surveillance services; and ensure the delivery of health

<b>Expenditure account</b>	<b>Definition</b>
	services particularly during and in the aftermath of man-made and natural disasters and calamities (Taytay Information Office n.d., par.1).
Office of the Population Officer	The City Population Office (CPO) implements programs, projects, and activities on the Philippines Population and Development Programs anchored on Population and Development Integration Strategies (POPDEV), Responsible Parenting/Family Planning (RP/FP), and Adolescent Health and Development (AHD) (Bacolod City Population Office, n.d.).
Office of the Provincial/City/Municipal Hospital	The district hospital is responsible for the overall management and administration of the hospital formulation of policies, plans, programs, and strategies to ensure the implementation of health standards for the attainment of quality health care and high standards of clinical training for medical and allied medical personnel; and the day-to-day supervision and administration of the functional units (Bataan Government, 2024).
<b>Infrastructure</b>	
Maintenance of Plaza, Parks & Monuments	The City Parks and Recreational Facilities Management Office provides services for the greening, cleanliness, appearance, and functionality of parks, public areas, spaces, and recreational facilities (City of Naga, n.d.).
Sewerage and Drainage System	The Sewage Disposal System is defined as a system of collection, transportation, treatment, and disposal of sewage (E-LibCMS, 1997).
Street Lighting – General Administration	Street lighting can provide safety benefits at midblock and intersection locations and improve pedestrian safety, particularly at crossing points (Street Lighting, 2022).
Office of the Provincial/City/Municipal Architect	The Office of the City Architect's primary function and responsibility is to prepare architectural plans and design and formulate measures, and technical assistance through the Local Chief Executive's agenda of construction of key infrastructure projects for the city as a necessary element that would initiate progress and stimulate sustainable local economic growth in the city, including the rural communities (City of Tayabas Website, 2024a).
Office of the Provincial/City/Municipal Engineer	The Office of the City Engineer is responsible for all infrastructures, public works services, and other engineering technical support in the city (City of Tayabas Website, 2024b).
<b>Agriculture</b>	
Demonstration/Farm Nurses	A Learning Site for Agriculture is a farm that applies relevant agricultural technologies, uses practical farming methods, and operates effectively, making it a model for others. It serves as a practicum area to enhance classroom learning and as a venue for training and extension activities, offering practical, hands-on experience for immediate application, among other purposes.
Extension and on-site Research Services (BAEX)	BAEx is an institution with a mandate to implement an agricultural extension program designed for farm management, home management, and rural youth development (Serrano, 1987).
Irrigation System	Irrigation refers to purposely providing land with water, other than rain,



Expenditure account	Definition
	for improving pastures or crop production. Irrigation usually implies the existence of infrastructure or equipment for applying water to crops, such as irrigation canals, pumps, sprinklers, or localized watering systems. It may also include manual watering of plants using buckets, watering cans, or other devices. Uncontrolled land flooding by overflowing rivers or streams is not considered irrigation (PSA Openstat, 2018).
Office of the Provincial/City/Municipal Agriculturist	The Municipal Agriculture Office is mandated to provide extension on-site research services and facilitate related to agriculture and fishery activities which include dispersal of livestock and poultry, fingerling, vegetable seed farms, medicinal plant gardens, fruit trees, and other kinds of seedling nurseries; demonstration farms, improvement and development of distribution channels; preferably through cooperatives; water and soil utilization and conversion projects; enforcement of fishery laws in municipal waters including conservation of forests (La Trinidad Government Website, n.d.).
Office of the Veterinarian	The City Veterinary Office serves as a channel for local government in facilitating projects and programs on the animal population. This embraces the animal health division, disease prevention and control, animal dispersal program, rabies eradication drive, upgrading of animal breeds through artificial insemination, and other programs assigned by the City Government (City Government of Puerto Princesa, 2012).

Source: Authors' compilation

## 6. An assessment of the unbundled functional assignments

While there is a high degree of commonality in the principles of functional assignment adopted by different countries, in practice however, GTZ (2009) describes how different countries prioritize specific principles in defining their devolution agenda. These differences may be attributed to practical and institutional considerations across different countries (Shah 1994).

In the case of the Philippines, there is an emphasis on subsidiarity and the autonomy of local governments. This is evident in the country's legal framework which contains right of initiative provisions. In effect, the functional assignments contained in the LGC become discretionary (as opposed to obligatory). As discussed in Section 3, discretionary provision is ideally accompanied by rules to adjudicate conflicts in service delivery, and for the national government to maintain a positive obligatory list of mandated basic services within minimum service standards. However, the literature on Philippine devolution has pointed to the nonadherence of local governments to national agency direction and the limited capacity of national agencies for monitoring and evaluation.

The LGC defines broad sectoral unbundled functions for devolution for the different levels of local government, specifically for the provincial government unit, the city and municipal governments, and the *barangay* units. The functional assignment can then be characterized as asymmetric across the levels of LGUs as the LGC differentiates functions between the provincial governments, the city/municipal governments, and the *barangays*. However, functions devolved across the same level of local government are uniform (i.e. all cities are prescribed the same functional assignments regardless of their socio-economic and geographic profiles).

The actual implementation of Section 17 of the LGC over the last 30 years can be described as a combination of delegation and devolution. Most functions, while still in the process of being devolved or currently considered as “partially devolved” are, in effect, delegated functions. There is a transfer of decision-making and authority over the delivery of devolved functions from the national government to local governments, however, local governments are only partially accountable to its citizens and mainly accountable to the national government which oversees and provides funding. Meanwhile, there are also already fully devolved functions where there is a complete transfer of authority for decision-making, finance, and management to the local governments who are then fully accountable to their citizens. Relatedly, capacity constraints of both the national government and the local governments, a mismatch of finance and function, and structural and political economy constraints have resulted in concurrent service delivery or shared functions that are jointly delivered by the national and local governments, and some devolved functions being re-nationalized.

The emphasis on subsidiarity and local autonomy coupled with the country’s binding constraints and fiscal imbalances have resulted in large gaps between the *de jure* and *de facto* functional assignments, and asymmetric disparities in assumed devolved functions and service delivery across the different levels of local government, and across the same level of local governments. In this section, we *unbundle* the devolved functions, services, and facilities listed under Section 17 of the LGC and assess them in light of principles of functional assignments, as well as the existing and binding constraints in Philippine governance and political economy. We review the three key sectors covered in this study, namely, health, infrastructure, and agriculture.

## 6.1. Health

We present the proposed delineation of roles and accountability among the national, provincial, and city/municipal governments on the health sector unbundled functions in Table 3. The data is sourced from the Department of Health devolution transition plan (DOH-DTP) and Section 17 of the LGC. The functions, services, and facilities (FSF) for “re-devolution” are categorized into five classifications, namely, (i) health facilities, (ii) human resources, (iii) epidemiology and surveillance, (iv) public health commodities, and (v) health services.

An initial scanning of Table 3 below shows that aside from FSFs that are exclusively assigned to the national government, all of the other FSFs are concurrently provided by the national government and the local governments. This is true for funding support for health facilities enhancement, and for service delivery in the DOH retained hospitals, Category 1 or high gap-low capacity LGUs, GIDA, peace-building, and high poverty areas. Hence, many of the health sector FSFs will continue to share functions with the national agency. This concurrent delivery system emerged as a response to the constraints of the initial devolution implementation. Many of these issues are discussed in Section 3. The question then arises as to whether such functions are best delegated instead of devolved, in light of the constraints and political economy considerations. And if these functions are best devolved, according to the principles of functional assignment, incentive systems or mitigating strategies are needed to ensure the proper implementation of these devolved FSFs.

An assessment of the identified health FSFs for devolution shows that these are broadly in line with the principles of functional assignments, although the devolution of some functions would sometimes support conflicting principles. For example, the devolution of disease surveillance is consistent with the principle of subsidiarity but the function would have national spillovers and perhaps is better as a delegated task of the national agency. In addition, many of the devolved services are in line with the principles of subsidiarity and local accountability such as construction, repair and maintenance of health facilities, hiring of local health workers, and financing and provision of health services. However,

without (or with limited) (i) local financing sources, (ii) appropriate organization form (i.e., location of facilities corresponding to local political boundaries, localized hiring of medical staff), (iii) local technical capacity, and (iv) national oversight capacity, the national agency may have to continue to fill in local resource and capacity gaps, resulting in redundancy, perverse incentives, blurred accountability an inefficient delivery of health services.

**Table 3. Proposed delineation of roles and accountability on the health sector unbundled functions under Section 17 across levels of government**

Functions under Section 17 across levels of government							
Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Health sector (LGC 1991, Section 17): hospital services and other tertiary health services, secondary health services, primary health services and the implementation of programs and projects on maternal and child care, and communicable and non-communicable disease control services, and the purchase of medicines, medical supplies, and equipment needed to carry out the services herein enumerated							
Health facilities	National policy and health facility standards, technical assistance	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	Non-adherence of local governments due to technical capacity and local preferences; persistent inequity
	Monitoring and evaluation of projects	✓	✓ Technical assistance to cities and municipalities	✓	✓	Consistent with <i>subsidiarity</i> but no clear lines of <i>accountability</i>	Failed performance and monitoring systems: more than 30 performance indicator systems and award schemes had been introduced since 1991 but poor compliance
	Construction, repair, rehabilitation and renovation of provincial, district, municipal hospitals	✓ *DOH retained hospitals and Category 1 LGUs	✓ LGU hospital	✓ Rural health unit, polyclinics, LGU hospital	✓ Barangay health station, rural health unit, LGU hospital	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> , but structural issues remain: 1) <i>interjurisdictional spillovers</i> , 2) <i>form/ organization does not follow function</i> , 3) <i>finance does not follow function</i>	Two-track delivery system. Lower province-level spending on hospitals due to a mismatch between the cost and the NTA. LGUs do not have adequate health budget to maintain and upgrade devolved health facilities. Evidence of LDF used for purposes other than intended. Spillovers disincentivize LGU investment, also hospitals and facilities are less than ideally located and capacitated.
	➤Health facilities enhancement program (HFEP): DOH funding support	✓ *DOH retained hospitals and Category 1 LGUs	✓ LGU hospital	✓ Rural health unit, polyclinics, LGU hospital	✓ Barangay health station, rural health unit, LGU hospital		

	Functions, services and facilities	Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
							DOH funding support instead of ensuring adequate LGU health budget weakens health devolution.
Human resource	National policy and standards, technical assistance, training/capacity building, advocacy	✓	✓			Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	Non-adherence of local governments due to technical capacity and local preferences; persistent inequity
	Pre-service scholarship for medical and midwifery	✓				Consistent with <i>equity and redistribution</i>	Addresses market failures in local job market for health workers, but ideally a fully devolved function if no market failures
	Hiring of doctors, dentists, medical technologists, nutritionist-dietician, physical therapist	✓				Consistent with <i>equity and redistribution</i> but hinders <i>subsidiarity</i> and <i>accountability</i>	
	Hiring of nurses and midwives	✓ For GIDA, peace-building and high poverty areas	✓	✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i> , and <i>asymmetry</i>	Previous experience of lack of funding: Magna Carta benefits for health workers funded through DOH provided grants. Devolved hospitals also lacked doctors, medical technologists and other specialists due to small local job market and limited career progression in local hospitals.

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Epidemiology and surveillance	National policy and standards, technical assistance, training/capacity building, advocacy	✓	✓ Technical assistance to CESU and MESU			Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	Non-adherence of local governments due to technical capacity and local preferences; persistent inequity; political economy considerations
	Establishment of ESU	✓ CHD RESU	✓ PESU	✓ CESU	✓ MESU	Consistent with <i>subsidiarity</i> but function has <i>externalities</i>	Fragmented health delivery system and broken flow of health information and disease surveillance; can be a delegated function since disease surveillance has national spillovers
	Disease surveillance officer	✓	✓	✓	✓	Consistent with <i>subsidiarity</i> but function has <i>externalities</i>	
Public health commodities (UHC Act)	Procurement, warehousing, storage and distribution of the following: - family health, immunization, nutrition and responsible parenting - prevention and control of communicable diseases - prevention and control of non-communicable diseases	✓ Internationally procured with limited local market, economies of scale commodities, population-based services that need to be consistently implemented, individual-based services but without Philhealth package in the interim	✓ Readily available in the local market, services with existing PhilHealth benefit packages, population-based services which the LGUs have capacity to implement -- as augmentation to component LGUs. [Funding through NTA or PhilHealth]	✓ Readily available in the local market, services with existing PhilHealth benefit packages, population-based services which the LGUs have capacity to implement. [Funding through NTA or PhilHealth]	✓ Readily available in the local market, services with existing PhilHealth benefit packages, population-based services which the LGUs have capacity to implement. [Funding through NTA or PhilHealth]	Consistent with <i>economies of scale, subsidiarity and accountability</i> , but structural issues remain: 1) <i>interjurisdictional spillovers</i> , 2) <i>mismatch between finance and function</i> , and 3) <i>ambiguity in roles</i>	Lack of coherence and clarity in purchasing roles has hindered efforts to strengthen the strategic purchasing function of PhilHealth. The current policies and purchasing mechanisms contribute to the weakened ability of national and subnational government to provide financial risk protection. Erratic and more expensive drug supply at the local level.
Health services	Development and implementation of policies and standards; development and enforcement of regulations	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	Lack of enforcement and monitoring and evaluation mechanisms

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Financing and provision of health services which include hospital services and other tertiary health services, secondary health services, primary health services	✓ DOH retained hospitals	✓ Provincial and district hospitals and other tertiary health services	✓ Maternal and child care, communicable and non-communicable disease control, secondary and tertiary health services in City Health Centers (CHCs) and barangay health stations (BHSs)	✓ Maternal and child care, communicable and non-communicable disease control carried out in rural health units (RHUs) and BHSs	Consistent with <i>subsidiarity</i> and <i>accountability</i> , but structural issues remain: 1) <i>interjurisdictional spillovers</i> , 2) <i>mismatch between finance and function</i> , and 3) <i>form did not follow function</i>	Two-track delivery system. Fragmented health delivery system in contrast to a previously integrated hospital referral system which served natural catchment areas. Facilities being less than ideally located, creating interjurisdictional spillovers and tension between cities and provinces.
*Funding support to be retained only for Category 1: high gap, low capacity by 2024.						

Sources: LGC 1991, DOH DTP

## 6.2. Infrastructure

We present the proposed delineation of roles and accountability among the national, provincial, and city/municipal governments on the infrastructure sector unbundled functions in Table 4. The FSFs for “re-devolution” are categorized into four classifications, namely, the construction and maintenance of provincial/ city/ municipal (i) roads and bridges, (ii) flood control systems, (iii) water supply and sanitation facilities, and (iv) LGU buildings and other facilities such as barangay halls, evacuation centers, multi-purpose buildings, child development centers, gymnasiums, sports centers, etc.

An assessment of the infrastructure sector devolved FSFs points to conflicting principles of functional assignment. Specifically, while the assignment of these FSFs is in support of subsidiarity and accountability, the infrastructure projects such as roads, bridges, and flood control naturally create external spillovers. Based on the principles of functional assignment, these FSFs with spillovers are better assigned to a higher level of government. For example, local roads with provincial spillovers are better assigned to the provincial government, and provincial roads with regional spillovers are better assigned to the national government. This rule also applies to flood control projects which typically impact and require the cooperation of adjacent cities or municipalities. Interjurisdictional spillovers of infrastructure FSFs then require interjurisdictional cooperation. Philippine experience, however, has shown the difficulties of ensuring commitment to inter-LGU cooperation due to a lack of locally sourced financing, political conflicts among local politicians, and a lack of disincentives and mechanisms that enforce agreements among parties.

Relatedly, the assignment of infrastructure FSFs to the lower levels of local government faces the problem of limited locally sourced financing and technical capacity to implement such projects. While the maintenance, rehabilitation and repair of the devolved infrastructure are already assigned to the LGUs, the financing of such FSFs is still provided by the national agency creating dependency and perverse incentives. The sector is also prone to political influence such as when national politicians

insert funding in the DPWH budget for pet projects as an instrument of political patronage (i.e., Congressional allocations or pork barrel funds, and other central transfers). This negates the purpose of subsidiarity and blurs accountability as local projects become influenced by national politicians instead of the needs of the constituents.

**Table 4. Proposed delineation of roles and accountability on the infrastructure sector unbundled functions under Section 17 across levels of government**

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Infrastructure facilities intended primarily to service the needs of the residents of the province/ city/ municipality and which are funded out of provincial/ city/municipal funds including, but not limited to, provincial/ city/ municipal/ barangay roads and bridges; school buildings and other facilities for public elementary and secondary schools; clinics, health centers and other health facilities necessary to carry out health services; communal irrigation, small water impounding projects and other similar projects; fish ports; artesian wells, spring development, rainwater collectors and water supply systems; seawalls, dikes, drainage and sewerage, and flood control; traffic signals and road signs; and similar facilities							
Provincial/ city/ municipal or local roads and bridges	Provision of technical assistance and capability building programs for LGUs	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	
	Preparation of the Local Road Network Development Plan (LRNDP) for the province		✓	✓ participation in the formulation of the LRNDP	✓ participation in the formulation of the LRNDP	Consistent with <i>subsidiarity</i> , however, the <i>interjurisdictional spillovers</i> require coordination and cooperation among LGUs.	Studies point to LGUs' limited manpower and technical know-how to deliver larger scale, complex capital investments such as infrastructure development. The proliferation of redundant public infrastructures such as seaports, airports, and public roads is also indicative of the inefficiency. inverse relationship between the share of capital outlays in LGUs' budgets and their budget execution rates
	Preparation of feasibility study, detailed engineering design, and procurement		✓	✓	✓		
	Rehabilitation of prioritized LGU road segments and bridges and financing thereof	✓ Provision of DPWH funding for LGUs	✓	✓	✓	Consistent with <i>subsidiarity</i> , however, <i>finance does not follow function</i> and creates <i>interjurisdictional</i>	National government funding enables for NTA dependency among LGUs. Political economy considerations--politicians insert

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Improvement (i.e., paving of unpaved roads) of prioritized LGU road segments and bridges and financing thereof	✓ Provision of DPWH funding for LGUs	✓	✓	✓	<i>spillovers</i>	funding for pet projects as an instrument of political patronage (i.e., Congressional allocations or pork barrel funds, and other central transfers)
Maintenance of prioritized LGU road segments and bridges and financing thereof	✓ Provision of DPWH funding for LGUs	✓	✓	✓		
Flood control systems	Provision of technical assistance and capability building programs for LGUs	✓			Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	
	Preparation of feasibility study, detailed engineering design, and procurement		✓	✓	Consistent with <i>subsidiarity</i> , however, the <i>interjurisdictional spillovers</i> require coordination and cooperation among LGUs.	Interjurisdictional externalities require cooperation among affected LGUs, especially in metropolitan areas: air quality, perennial flooding, and garbage collection (and management of inland water systems). Existing local government structure are limited in dealing with these metropolitan problems.
	Construction of new LGU flood control structures and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓	Consistent with <i>subsidiarity</i> , however, <i>finance does not follow function</i> and creates <i>interjurisdictional spillovers</i>	National government funding enables for NTA dependency among LGUs. Despite the mandated spending of 20% of LGU annual NTA on development projects called the local development fund (LDF), the amount is spent on programs
	Rehabilitation of new LGU flood control structures and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓		



Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
	Maintenance of new LGU flood control structures and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓	✓		and projects that do not contribute to economic development.
Water supply and sanitation facilities	Provision of technical assistance and capability building programs for LGUs	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	
	Preparation of feasibility study, detailed engineering design, and procurement		✓	✓	✓	Consistent with <i>subsidiarity</i> , however, the <i>interjurisdictional spillovers</i> require coordination and cooperation among LGUs.	Same comments with flood control.
	Construction of new LGU water supply and sanitation facilities and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓	✓	Consistent with <i>subsidiarity</i> , however, <i>finance does not follow function</i> and creates <i>interjurisdictional spillovers</i>	Same comments with flood control.  Lack of economies scale and scope for smaller municipalities.
	Rehabilitation of new LGU water supply and sanitation facilities and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓	✓		
	Maintenance of new LGU water supply and sanitation facilities and financing thereof	✓ Provision of DPWH funding for LGUs	✓ inter-municipal	✓	✓		
LGU facilities	Preparation of feasibility study, detailed engineering design, and procurement		✓	✓	✓	Consistent with <i>subsidiarity</i>	

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Construction of LGU buildings, sports centers, and financing thereof		✓	✓ city halls, barangay halls, evacuation centers, multi-purpose buildings, child development centers, gymnasiums	✓ municipal halls, barangay halls, evacuation centers, multi-purpose buildings, child development centers, gymnasiums	Consistent with <i>subsidiarity</i>	
Maintenance of LGU infrastructure enumerated above		✓	✓	✓	Consistent with <i>subsidiarity</i>	
Augmentation of financing of lower level LGU facilities		✓ For city/municipalities facilities	✓ For barangay facilities	✓ For barangay facilities	Creates <i>ambiguity in accountability; finance does not follow function</i>	Subject to political economy considerations such as when provincial and city/municipal incumbents are not politically aligned

### 6.3. Agriculture

We present the proposed delineation of roles and accountability among the national, provincial, and city/municipal governments on the agriculture sector's unbundled functions in Table 5. The FSFs for “re-devolution” are categorized into twelve classifications, namely, (i) agricultural and fishery extension services, (ii) prevention and control of plant pest and diseases, (iii) prevention and control of animal pests, (iv) establishment of animal breeding stations, (v) establishment of artificial insemination centers, (vi) dairy farms, (vii) dispersal of fingerlings and other seeding materials for aquaculture, (viii) palay, corn, and vegetable seed farms, (ix) demonstration farms, (x) establishment and maintenance of local distribution channels, (xi) operation of farm produce collection and buying station & livestock markets, and (xii) enforcement of fishery laws in municipal water.

An assessment of the agriculture sector devolved FSFs reveals that many of these remain exclusively under national government agency provision. The FSFs that are partially devolved are concurrently provided by the national agency which results in the inefficient delivery of such FSFs. Across the local governments, there is also concurrent provision by both the provincial and the city/municipal governments which raises ambiguity, blurs accountability, and creates redundancy and inefficiency in service delivery.

The need for interjurisdictional cooperation also characterizes the assignment of many of the agriculture sector FSFs. Philippine experience has shown that the management of shared resources, specifically, the marine and coastal resources which extend beyond local jurisdictions, especially in the case of adjacent cities and municipalities, have also introduced conflicts among local government units. Similar to the case of inter-jurisdictional spillovers in infrastructure management, the failure of such initiatives

is attributable to the lack of counterpart funds from participating LGUs, political rivalries, weak enforcement of commitments, and the lack of penalties for breach of the agreement.

The heterogeneity of the agriculture sector across provinces provides for a strong argument for subsidiarity to allow LGUs to respond to the heterogeneous needs of the local agriculture sector. However, the current functional assignments seem to lean more towards central and concurrent provision which weakens the devolution of agriculture FSFs.

**Table 5. Proposed delineation of roles and accountability on the agriculture sector unbundled functions under Section 17 across levels of government**

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Agricultural and fishery extension services	Formulation of national and regional agricultural extension agenda	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery standards	Nonadherence to national agency direction did not merit any form of effective penalty and/or sanction, and budgetary commitment was regarded as a measure of political priority
	Setting of strategic agricultural extension directions, agenda, and plans of the LGU consistent with national and regional plans and roadmaps		✓	✓...and provincial plans and roadmaps for the case of cities and municipalities	✓...and provincial plans and roadmaps for the case of cities and municipalities	Consistent with <i>subsidiarity</i>	LGUs have limited capacity for development planning; also poor compliance with mandated multi-sector development plans
	Implementation of the e-Extension program, Techno Gabay Program, and provision of ICT materials equipment, and relevant IEC materials	✓				Consistent with <i>equity and redistribution</i> , but may be weak in addressing differentiated needs	

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Certification/accr editation of participants in Learning Sites for Agriculture (LSAs)/Schools-for-Practice Agriculture (SPAs)/Farm Schools as well as Extension Service Providers (ESPs) and to become a partner in delivering other extension services to farmers in their respective localities	✓				Inconsistent with <i>subsidiarity</i> and <i>accountability</i>	
Conduct of training needs assessments and analyses, selection and invitation of farmer leaders and rural-based organization (RBO) managers		✓	✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
Conduct of trainings; provision of relevant assistance and support such as starter kits, livelihood assistance, and after training support to ensure the proper implementation of capacity-building activities for farmer beneficiaries; Conduct of School-on-the-Air programs in collaboration with the DA		✓ At province level or for two or more municipalities	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but <i>ambiguity</i> in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Creates a two-track delivery system and redundancy and inefficiency in service delivery. Province and city/municipality relations may be subject to political conflicts.

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Prevention and control of plant pest and diseases	Collection and screening of other potential bio-control agents	✓				<i>Economies of scale and scope</i>	
	Construction and establishment of village type bio-control laboratories		✓ At province level or for two or more municipalities	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but <i>ambiguity</i> in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Creates a two-track delivery system and redundancy and inefficiency in service delivery. Province and city/municipality relations may be subject to political conflicts.
	Assessment and issuance of sanitary/ phytosanitary (SPS) import clearance, phytosanitary clearance, and domestic transportation clearance	✓				<i>Economies of scale and scope</i>	Import regulations
	Screening and validation of different active ingredients against pest and diseases	✓				<i>Economies of scale and scope</i>	
	Plant Pests Diagnosis	✓				<i>Economies of scale and scope</i>	
	Accreditation of importer and exporter, packing facilities, farms, treatment providers, and growers	✓				Inconsistent with <i>subsidiarity</i> and <i>accountability</i>	
	Procurement and production of inorganic pesticides, pheromones lures, and chemical reagents for the production of mother stock bio-control agents	✓	✓ At province level or for two or more municipalities	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but <i>ambiguity</i> in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Creates a two-track delivery system and redundancy and inefficiency in service delivery. Province and city/municipality relations may be subject to political conflicts.

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Construction and maintenance of quarantine operations	✓ Inter-provincial and national border controls	✓ Local quarantine checkpoints that cut across two or more municipalities	✓ Local quarantine checkpoints that cut across two or more barangays	✓ Local quarantine checkpoints that cut across two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> ; with limited <i>spillovers</i>	
Production of plant biological control agents & supplies		✓	✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
Prevention and control of animal pests	Procurement of animal biologics & supplies (for transboundary/ new diseases) and equipment	✓ For 5th and 6th class cities/ municipalities	✓ At province level or for two or more component cities or municipalities	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but <i>ambiguity</i> in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Provision by national and provincial governments may result in redundancy and a two-track delivery system. Province and city/municipality relations may be subject to political conflicts.
	Distribution of animal biologics & supplies (for transboundary/ new diseases) and equipment	✓ For 5th and 6th class cities/ municipalities	✓ At province level or for two or more component cities or municipalities	✓ At LGU level or for two or more barangays		
	Construction and operations of quarantine laboratories for interprovincial and national border controls	✓			National spillovers	
	Issuance of pest advisories, bulletins, alerts, early warning and forecasting system for dissemination in the local level	✓	✓ Dissemination for two or more component cities or municipalities	✓ Dissemination for two or more barangays	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
	Mass production and distribution of biocontrol agents		✓ At province level or for two or more component cities or municipalities	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but <i>ambiguity</i> in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Provision by provincial governments may result in redundancy and a two-track delivery system. Province and city/municipality relations may be subject to political conflicts.
	Establishment of local quarantine checkpoints		✓ Local quarantine checkpoints that cut across two or more municipalities	✓ Local quarantine checkpoints that cut across two or more barangays		

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Establishment of animal breeding stations	Construction and establishment of feedlots/ pasture land/ forage areas and feed storage (production centers) for breeder (nucleus animals)	✓ for beneficiaries in the 5th and 6th class cities/ municipalities and for FCAs	✓ At the provincial level or in two or more municipalities and financing thereof	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but ambiguity in functional assignment blurs <i>accountability</i> and creates <i>redundancy</i>	Provision by national and provincial governments may result in redundancy and a two-track delivery system. Province and city/municipality relations may be subject to political conflicts.
	Production of breeders (nucleus animals)	✓				<i>Economies of scale and scope</i>	
	Operation and maintenance of the national cryo-preservation service facilities	✓				<i>Economies of scale and scope</i>	
	Acquisition of area and establishment and maintenance of production centers (swine) for beneficiaries	✓ for beneficiaries in the 5th and 6th class cities/ municipalities				Consistent with <i>equity</i> and <i>redistribution</i> , <i>asymmetry</i>	
	Animal distribution to constituents			✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
Establishment of artificial insemination centers	Acquisition of area and establishment/ construction of artificial insemination (AI) Centers and Semen Processing Centers for nucleus farms and national / regional training facilities, Ruminants and Swine	✓ For beneficiaries in 5th and 6th class municipalities and for Farmer Cooperatives and Associations (FCA) beneficiaries	✓ At the provincial level or in two or more municipalities and financing thereof	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>asymmetry</i> but ambiguity in functional assignment blurs <i>accountability</i> and creates redundancy	Provision by national and provincial governments may result in redundancy and a two-track delivery system. Province and city/municipality relations may be subject to political conflicts.
	Operation of above facilities	✓ For beneficiaries in 5th and 6th class municipalities and for Farmer Cooperatives and	✓ At the provincial level or in two or more municipalities and financing thereof	✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays		

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
	Associations (FCA) beneficiaries					
Operation and maintenance of the LGU training facility for animal farms and financing thereof			✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
Dairy farms	Construction of facilities and procurement of equipment for dairy farms and financing thereof	✓	✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
	Operation and maintenance of dairy farms and financing thereof	✓	✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
Dispersal of fingerlings, and other seeding materials for aquaculture	Acquisition of area for establishment and maintenance of fish hatcheries	✓ For national/ regional distribution and for 5th and 6th class cities/ municipalities and financing thereof	✓ At LGU level or for two or more barangays and financing thereof	✓ At LGU level or for two or more barangays and financing thereof	Consistent with <i>equity</i> and <i>redistribution</i> , <i>asymmetry</i> , however, may result in <i>ambiguity</i> and <i>inefficiency</i>	Provision by national government may result in redundancy and a two-track delivery system.
	Establishment of fish hatcheries and Production of fingerlings for either broodstocks or seaweed propagules and financing thereof;	✓			Inconsistent with <i>subsidiarity</i> and <i>accountability</i>	
	Operation and maintenance, and financing of above		✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
	Procurement of fingerlings/ seaweed propagules		✓	✓	Consistent with <i>subsidiarity</i> and <i>accountability</i>	
	Fingerling dispersal/ seaweed propagules		✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i> and <i>accountability</i>	



Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Validation of production sites for national/ regional distribution	✓				<i>Economies of scale and scope</i>	
Issuance of Fishpond Lease Agreement Areas (FLA)/ other aquaculture production areas (**permit for privately owned production areas)	✓				Inconsistent with subsidiarity and accountability	
Provision of technical assistance in fingerling distribution, if necessary	✓				Consistent with <i>equity and redistribution</i>	
Palay, corn, and vegetable seed farms	Acquisition of area and establishment and maintenance of seed farms and financing thereof	✓ Higher class (foundation and registered seeds)		✓ Certified, traditional, endemic and organic seed farms/ OPV production for the LGU or for two or more of its barangays and financing thereof	✓ Certified, traditional, endemic and organic seed farms/ OPV production for the LGU or for two or more of its barangays and financing thereof	Consistent with <i>economies of scale, asymmetry, and subsidiarity, finance follows function</i>
	Establishment of seed processing center/ seed processing facilities	✓ Higher class (foundation and registered seeds)  ✓ Equipment and facilities for 5th and 6th class cities/ municipalities and financing thereof		✓ Certified, traditional, endemic and organic seed farms/ OPV production for the LGU or for two or more of its barangays and financing thereof	✓ Certified, traditional, endemic and organic seed farms/ OPV production for the LGU or for two or more of its barangays and financing thereof	Consistent with <i>economies of scale, asymmetry, and subsidiarity, finance follows function</i>
	Establishment, Conservation (ex-situ, in-situ, in vitro) and preservation and maintenance of field gene bank and financing thereof	✓				<i>Economies of scale and scope</i>

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Establishment and maintenance of foundation groves and nurseries and financing thereof	✓				<i>Economies of scale and scope</i>	
Procurement and provision of higher seed class, certified and hybrid seeds for National seed reserved/ Bufferstocking and financing thereof;	✓				<i>Economies of scale and scope</i>	
Establishment of nurseries to identified learning sites and seed production areas	✓ For 5th and 6th class cities/ municipalities and financing thereof		✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>equity and redistribution, asymmetry</i> , however, may result in <i>ambiguity and inefficiency</i>	Provision by national government may result in redundancy and a two-track delivery system.
Procurement of planting materials and financing thereof	✓		✓	✓	Consistent with <i>subsidiarity</i>	
Accreditation of seed growers/producers, plant nurseries, seed farms and their seed production areas and plant nursery operators and their nurseries and certify the produce from seed production area	✓				Inconsistent with <i>subsidiarity and accountability</i>	
Demonstration farms Establishment and maintenance of LGU-owned technology demonstration sites and model farms			✓ At LGU level or for two or more barangays	✓ At LGU level or for two or more barangays	Consistent with <i>subsidiarity</i>	

Functions, services and facilities		Roles and responsibilities				Remarks	
		National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Local distribution channels, farm produce collection, buying station, livestock markets	Identification and acquisition of area for the construction of market-related infrastructure (including facilities, equipment and hauling vehicles)	✓ with national/regional scope and for 5th and 6th class cities/ municipalities and financing thereof	✓ with provincial scope	✓ with city scope	✓ with municipal scope	Consistent with <i>subsidiarity</i> and <i>accountability</i> , <i>asymmetry</i>	Provision by national and local governments may result in redundancy and a two-track delivery system. Province and city/municipality relations may be subject to political conflicts.
	Preparation of FS/business plan/ detailed engineering design (DED) and program of works (POW) for the establishment of market-related infrastructures	✓ with national/regional scope and for 5th and 6th class cities/ municipalities and financing thereof	✓ with provincial scope	✓ with city scope	✓ with municipal scope		
	Construction, O&M of market-related infrastructure including livestock markets	✓ with national/regional scope and for 5th and 6th class cities/ municipalities and financing thereof	✓ with provincial scope	✓ with city scope	✓ with municipal scope		
Enforcement of fishery laws in municipal waters	Procurement of equipment and supplies for enforcement of fisheries laws	✓ At the national/regional level		✓ At the city level	✓ At the municipal	Consistent with <i>subsidiarity</i> ; with interjurisdictional <i>spillovers</i>	Management of shared resources such as marine, coastal, and forestry resources which extend beyond local jurisdictions, especially in the case of adjacent cities and municipalities, introduced conflicts among local government units. The failure of such initiatives was due to the following: i) the lack of
	Enforcement of fisheries laws	✓ Commercial fishing areas >15km of Philippine waters		✓ fishery ordinances in municipal waters (Bantay Dagat)	✓ fishery ordinances in municipal waters (Bantay Dagat)	Consistent with <i>subsidiarity</i> ; with interjurisdictional <i>spillovers</i>	
	Establishment of incentive system for LGUs in protecting municipal waters (i.e. Malinis at Masaganang	✓				Consistent with <i>equity and redistribution</i> : national government to ensure uniformity in service delivery	

Functions, services and facilities	Roles and responsibilities				Remarks	
	National	Provincial	City (HUC/ ICC)	Municipality	Principles of functional assignment	Philippine experience/ binding constraints
Karagatan)					standards	counterpart funds from participating LGUs, ii) political rivalries, iii) weak enforcement of fund commitments, and iv) lack of penalties for breach of agreement.
Establishment and maintenance of fish sanctuary	✓ For 5th and 6th class municipalities and financing thereof		✓ At LGU level or for two or more barangays and financing thereof	✓ At LGU level or for two or more barangays and financing thereof	Consistent with <i>equity</i> and <i>redistribution</i> , <i>asymmetry</i> , however, may result in <i>ambiguity</i> and <i>inefficiency</i>	
Coastal clean-up	✓ with national/regional scope		✓ with city scope	✓ with municipal scope	Possibly with interjurisdictional <i>spillovers</i>	

## 7. Expenditure analysis

Analyzing the spending patterns of government is essential for evaluating how well decentralized governance is functioning, especially within the framework of the Philippines' ongoing devolution efforts. This expenditure analysis offers valuable insights into how national and local governments allocate and use their financial resources across different sectors, revealing the challenges of managing devolved functions. By examining these spending trends, this section seeks to evaluate whether the patterns are indicative of increased delivery of public services by local governments at the local level.

This analysis becomes even more important in light of the 2019 Supreme Court Mandanas ruling, which significantly boosted the financial resources available to LGUs. As this new fiscal reality takes shape in 2022, the first year of implementation of the ruling, understanding how effectively these additional funds are being utilized sheds light on the broader conversation about whether devolution is meeting its intended goals. Through a detailed examination of expenditure data, this section aims to determine whether LGUs have the capacity to effectively utilize these additional resources to improve local services, thereby supporting the broader objectives of decentralization.

### 7.1. General trends in national government and local government spending

#### 7.1.1. National government expenditure trends

Despite the expanded fiscal autonomy granted to LGUs, the national government (NG) has continued to play a central role in funding and managing critical public services and infrastructure projects. This trend reflects not only the NG's ongoing commitment to addressing national priorities, such as health, education, and infrastructure development, but also highlights the challenges that LGUs face in fully absorbing and managing their newly devolved functions.

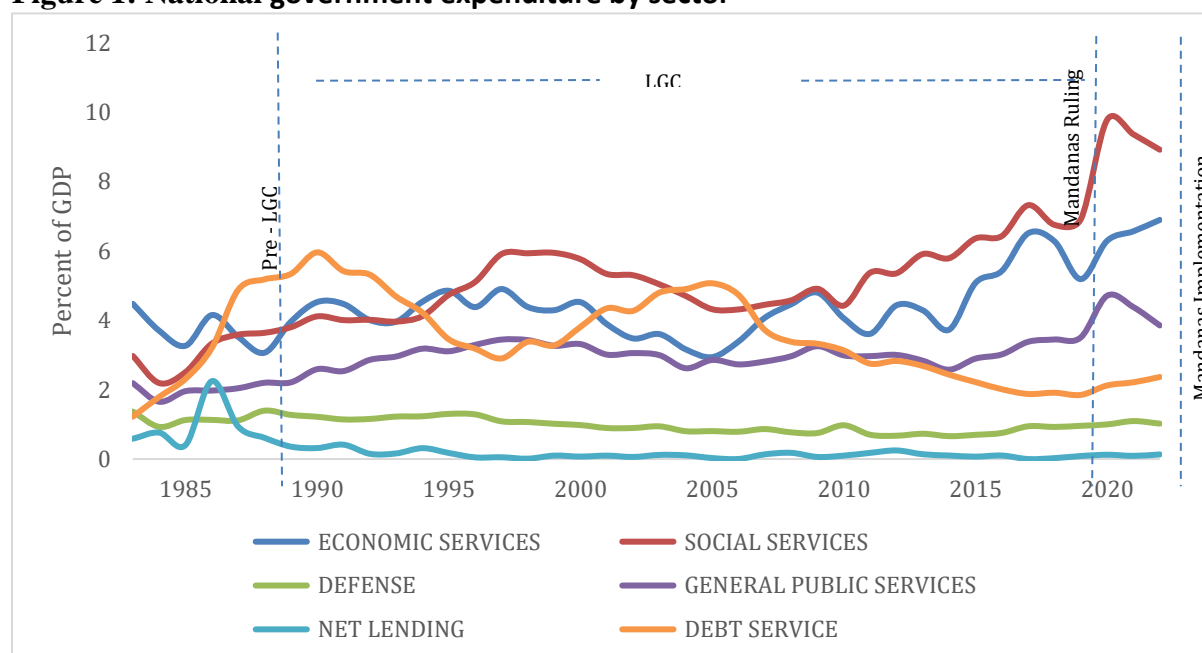
Understanding these trends requires a closer examination of how the NG's spending priorities have evolved in response to both the successes and challenges of the devolution process. As LGUs work to build their capacity and fully utilize their increased financial resources, the NG's role in ensuring the

continuity and quality of public services remains crucial. This section explores how these dynamics have shaped NG expenditure patterns and the broader implications for the devolution agenda and the functional assignment framework in the Philippines.

The expenditure on economic services by the NG has remained relatively steady over the years as a share of GDP, indicating consistent investment in economic infrastructure and development projects aimed at boosting national economic growth. Similarly, spending on general public services has also remained stable, encompassing administrative costs and the functioning of the national government. There has been a significant increase in NG expenditure on social services beginning around 2007 and peaking around 2020, the years leading up to the Mandanas ruling. This surge reflects heightened investment in health, education, and social welfare programs, possibly driven also by the COVID-19 pandemic, which necessitated substantial government intervention and funding. NG debt service has shown noticeable fluctuations, with peaks around 1991 and a rising trend starting in 2011, reaching its highest point around 2020. These fluctuations indicate periods of increased borrowing and debt repayment obligations. The slight decrease by 2022 suggests efforts to manage and reduce debt levels (Figure 1).

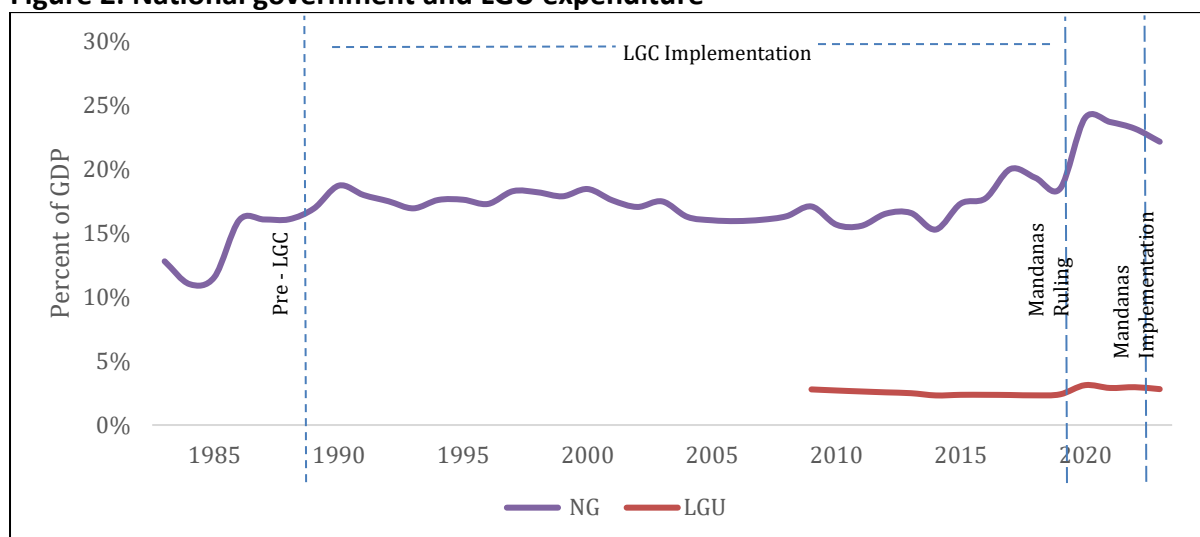
Figure 2 highlights the growing financial capabilities of the NG over the decades, with significant increases in expenditure in later years driven by economic policies and responses to national needs, such as during the COVID-19 pandemic. It can be observed that even with the implementation of the LGC, NG spending has been robust at above 15 percent of GDP from 1991 through 2019. In the first year of implementation of the Mandanas ruling, NG spending increased to about 22% of GDP. While the impact of the Mandanas ruling implementation on LGU expenditures starting in 2022 is evident, as seen in a slight uptick (Figure 2), this remains relatively marginal compared to the increase in NG spending for the same period.

**Figure 1: National government expenditure by sector**



Source: Authors' illustration. Data from DBM.

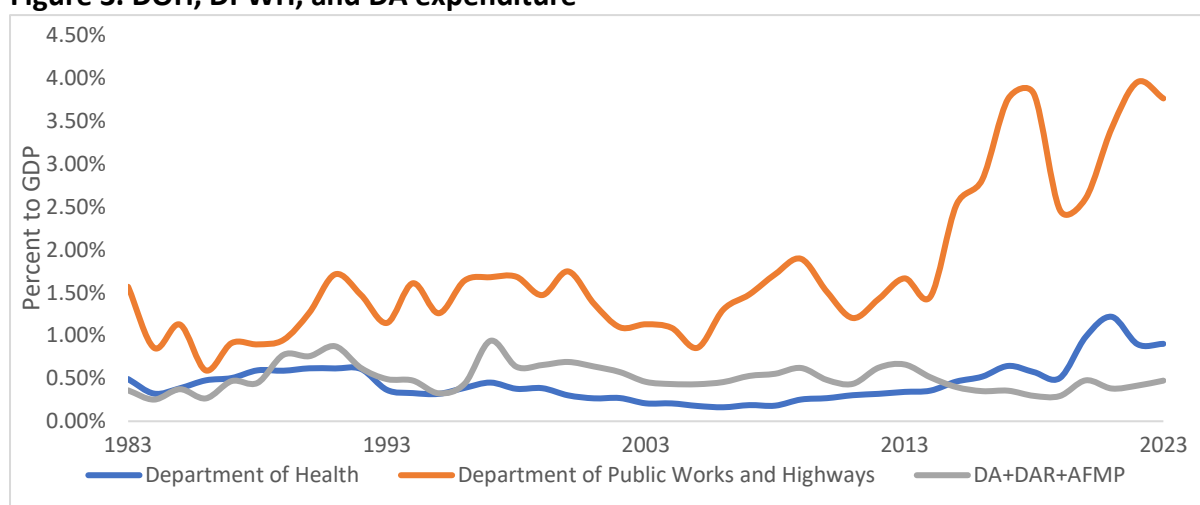
**Figure 2: National government and LGU expenditure**



Source: Authors' illustration. Data from DBM and BLGF.

The DPWH consistently had the highest share of GDP spending among the three sectors studied throughout the period (Figure 3). Beginning around 2016, its expenditure as a percentage of GDP started to rise significantly, with a sharp increase after 2021, reaching over 10% by 2023. This surge likely reflects increased infrastructure spending, possibly due to large-scale government projects or heightened investments in public infrastructure. In contrast, the DOH's spending as a percentage of GDP remained relatively stable and low, typically below 1%. However, there was a noticeable but moderate increase starting around 2020, likely linked to the heightened demand for health spending due to the COVID-19 pandemic. Similarly, the combined spending of DA, DAR, and AFMP has also remained low and stable, generally below 1% of GDP. A slight increase in recent years, similar to the trend observed with DOH, suggests a potential response to external pressures or efforts to enhance agriculture and agrarian reform.

**Figure 3. DOH, DPWH, and DA expenditure**



Source: Department of Budget and Management

The trends in National Government (NG) expenditures over the years reveal a complex interaction between the national and local levels, especially in the context of devolution and functional assignment. Despite the 2019 Supreme Court Mandanas ruling, which significantly increased the fiscal capacity of LGUs, NG expenditures have not decreased as expected. Instead, they have either remained stable or

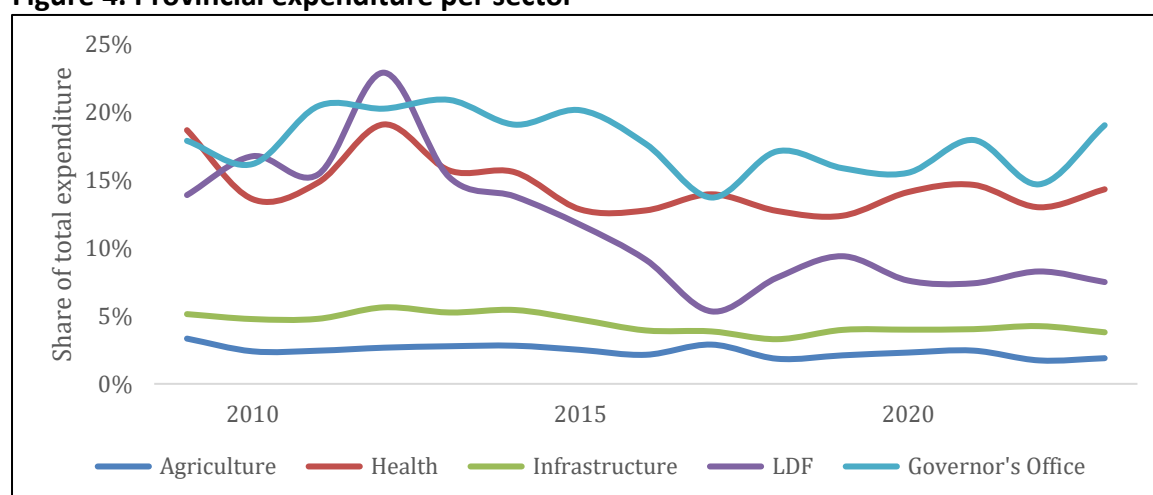
increased in key sectors such as economic services, social services, and infrastructure. This continued high level of NG spending, even in the wake of expanded fiscal autonomy for LGUs, suggests that the national government still plays a crucial role in managing and funding essential public services and projects. One significant implication of these findings is the challenge faced by LGUs in fully absorbing and managing their newly devolved functions. The steady or increased NG expenditures, particularly in sectors like health, education, and infrastructure, indicate that LGUs might not yet have the capacity to handle these responsibilities effectively, necessitating continued NG involvement. This scenario raises questions about the sufficiency of fiscal transfers and the readiness of LGUs to fully execute their devolved functions, highlighting the need for capacity-building at the local level. Moreover, the observed trends underscore the importance of aligning financial resources with functional assignments. While the Mandanas ruling aimed to empower LGUs through increased fiscal resources, the sustained high levels of NG expenditure suggest that there may still be a mismatch between the financial resources available to LGUs and the actual demands of their new responsibilities. This misalignment could hinder the effectiveness of the devolution process, as local governments may struggle to deliver quality public services without adequate support.

### 7.1.2. LGU expenditure trends

#### *Provinces*

The Governor's Office consistently commanded a significant share of provincial expenditure, maintaining a relatively high percentage over the years (Figure 4). It peaked around 2011-2012 but gradually declined afterward. However, starting in 2021, the allocation to the Governor's Office began to rise again, reaching nearly 20% by 2023. Health expenditures were fairly stable between 15-20% until around 2014, after which there was a slight decline. Since then, the allocation has remained relatively stable with minor fluctuations, staying above 10% throughout the period. The LDF saw a sharp increase in its share of the NTA around 2011-2012, peaking as the highest among the sectors. However, after this peak, the LDF allocation dropped dramatically and continued to decrease steadily until 2016. In recent years, the expenditure has stabilized but remains much lower than its peak years. Infrastructure spending has been consistent, fluctuating around 5% of the NTA with minimal variation, indicating a steady, though modest, investment. Agriculture spending showed significant fluctuations early on, with a notable peak around 2012. However, similar to the LDF, it experienced a substantial decline after 2014, stabilizing just above 5% in recent years.

**Figure 4. Provincial expenditure per sector**

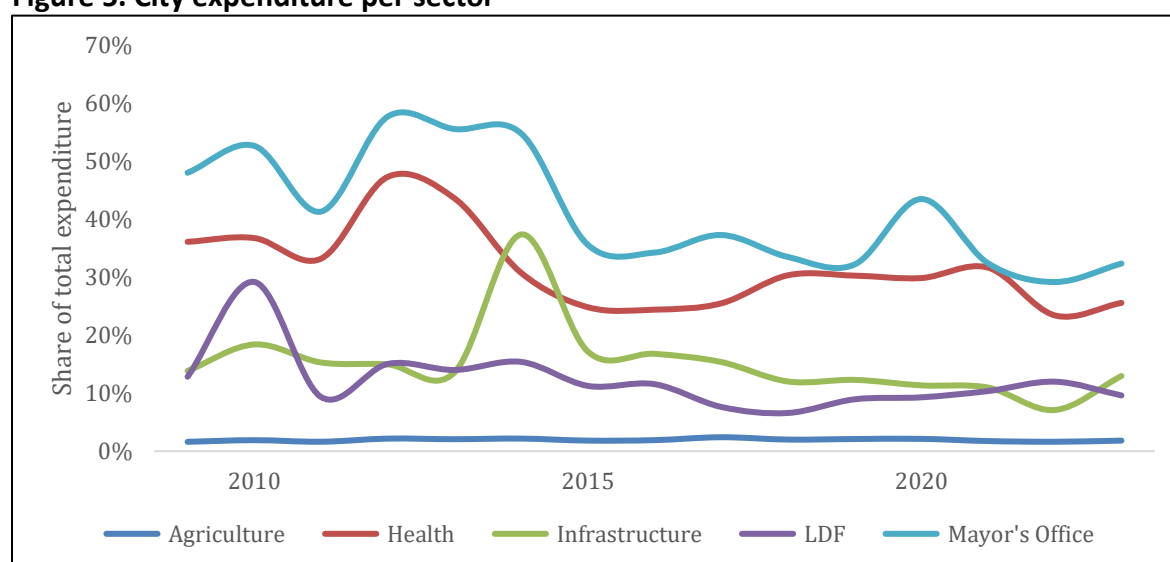


Source: BLGF

## Cities

The Mayor's Office consistently received the largest share of city expenditure as a percentage of the NTA, particularly from 2010 to 2014 when it peaked at over 60% (Figure 5). Despite a decline after 2014, it still accounted for a significant portion of the spending, stabilizing at around 30-40% in later years. Health spending was relatively stable at 30-40% of the NTA until 2014, after which it gradually decreased to around 20-25% by 2023, indicating a reduced emphasis on health. Infrastructure spending was more volatile, peaking at over 30% in 2013 before dropping and stabilizing at 10-15% in the following years, suggesting a shift away from infrastructure projects. The LDF saw a sharp increase around 2011, peaking at 20% in 2012, but then sharply declined and stabilized below 10% after 2016, indicating a de-prioritization of local development. Similarly, Agriculture spending was highly variable, peaking near 20% in 2012 but declining significantly after 2014, remaining below 10% in recent years, reflecting a reduced focus on agricultural investments.

**Figure 5. City expenditure per sector**



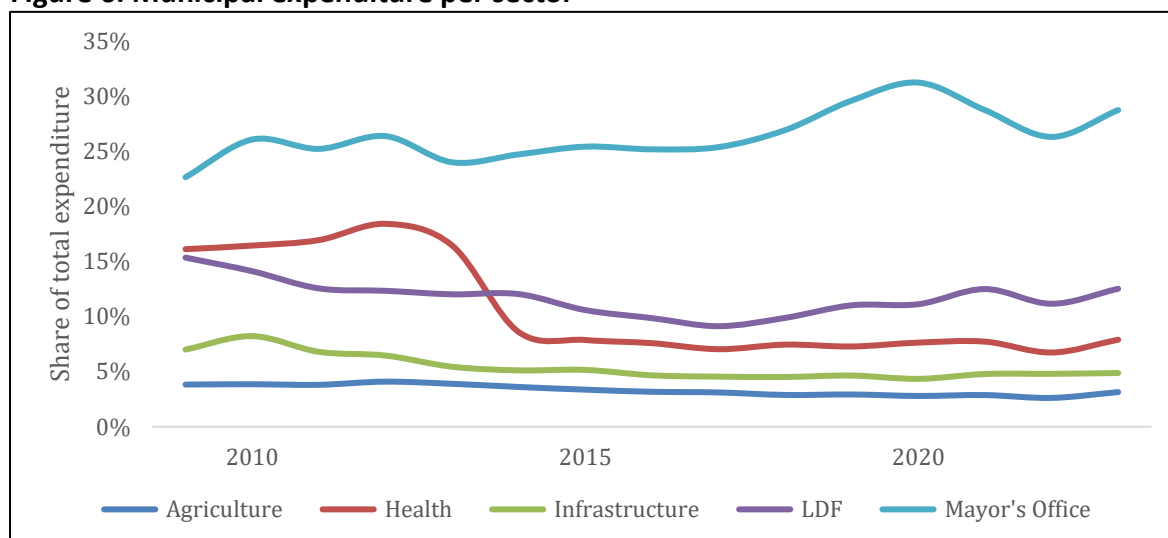
Source: BLGF

## Municipalities

Expenditure on the Mayor's Office consistently accounted for the largest share among the sectors, ranging between 25% and 30% of total LGU spending (Figure 6). There was a noticeable peak around 2020-2021, followed by a slight decline, though it still remained significantly higher than other sectors. Health spending decreased steadily from 2009 to 2013, then stabilized at around 10% of total LGU expenditure. Starting in 2017, there was a slight upward trend, likely due to rising health demands, possibly related to public health issues like the COVID-19 pandemic. Infrastructure spending showed some fluctuations but generally remained stable, accounting for about 5-10% of total expenditure. A modest increase after 2017 suggests a gradual rise in LGU investment in infrastructure. Agriculture spending remained consistently low, generally below 5% of total LGU expenditure, with a slight increase starting in 2017, indicating a modest shift toward supporting agricultural initiatives. The LDF's share of total expenditure steadily decreased from 2009 to 2013, after which it remained relatively low and stable, around 5%, suggesting that the LDF has not been a major focus in LGU spending over the years.



**Figure 6. Municipal expenditure per sector**



Source: BLGF

One key issue identified is the practice of "cross-charging" in LGU expenditure accounts, where spending for various projects, programs, and activities is spread across different offices. While this approach allows LGUs to be flexible with their budgets and respond quickly to needs, it can create problems with transparency and accountability. Specifically, it makes it hard to clearly link spending to specific devolved functions and services, as reported in the Statement of Expenditures (SOE). This lack of clarity can make it difficult to track how funds are being used, which is crucial for making sure that devolution leads to better public services.

The data shows that a large part of LGU spending goes to administrative offices, like the Governor's and Mayor's Offices, rather than to specific sectors like health, agriculture, and infrastructure, which are vital for local development. For example, the Governor's Office in provinces and the Mayor's Office in cities and municipalities consistently account for the biggest share of the spending. Meanwhile, important sectors that directly impact people's lives are interpreted to receive less funding. While the Governor's or the Mayor's Offices may be implementing health, agricultural or infrastructure devolved functions and services, it then becomes difficult to appropriate the spending on these devolved functions.

This situation has significant implications for how responsibilities are managed under devolution. The difficulty in clearly linking spending to specific functions due to cross-charging could prevent LGUs from effectively carrying out their devolved duties. It also raises concerns about whether LGUs are using their increased budgets to improve services in key areas or if funds are being directed elsewhere. In summary, while cross-charging allows for budget flexibility, it complicates tracking and accountability, which could weaken the success of devolution. Tackling these challenges is crucial to ensure that LGUs can meet their devolved responsibilities and enhance service delivery in areas critical to local development.

### **7.1.3. Underspending**

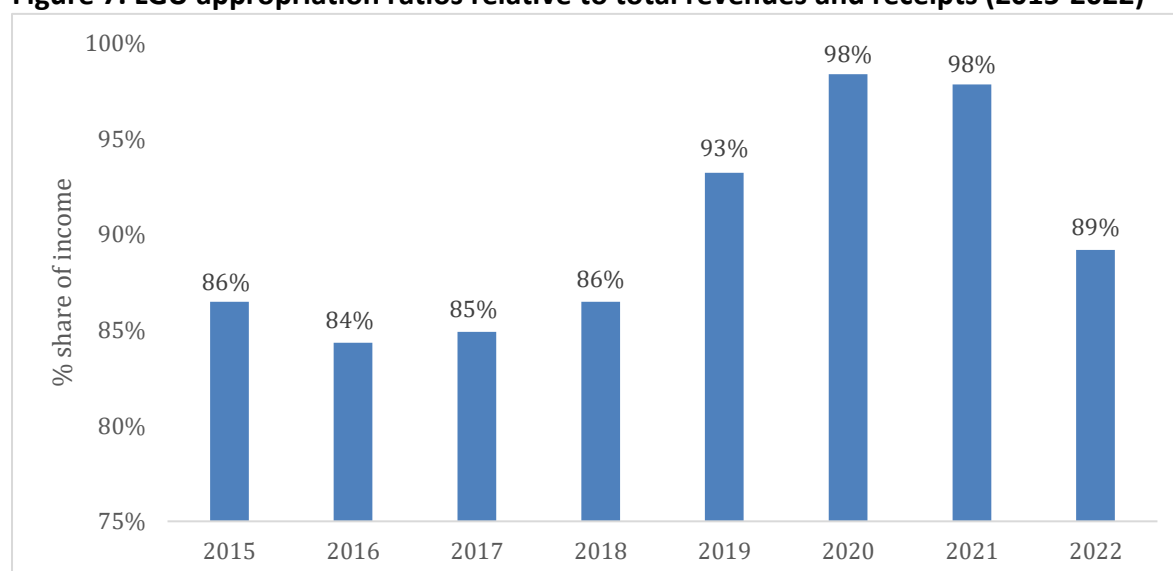
Underspending by Local Government Units (LGUs) presents a significant challenge to the overall effectiveness of decentralized governance. When LGUs fail to fully utilize their allocated budgets or available funding, the delivery of essential public services and the implementation of local development projects can be severely compromised. This issue not only reflects inefficiencies in financial

management but also points to broader challenges related to administrative capacity, project execution, and strategic planning within LGUs. This section examines data from Commission on Audit (COA) and BLGF to understand the underspending among LGUs.

Based on COA data, from 2015 to 2018, the ratio of funds set aside to the resources available stayed fairly steady, hovering between 84% and 86% (Figure 7). This means that during these years, LGUs were consistently able to spend a similar portion of their revenues and receipts. In 2019, the ratio jumped to 93%, followed by a peak of 98% in both 2020 and 2021. This sharp increase indicates that LGUs were able to utilize nearly all of their available revenues and receipts during these years, indicating a significant improvement in their absorptive capacity. This improvement likely corresponds with the heightened financial demands and allocations brought on by the COVID-19 pandemic.

However, the decline to 89% in 2022 suggests that LGUs faced challenges in maintaining the high level of resource allocation seen during the Mandanas implementation. With the increase in available funding, it appears that LGUs were able to utilize a smaller portion of their resources, highlighting potential absorptive constraints. This drop indicates that, despite initially allocating more resources, LGUs struggled to sustain a high level of spending, possibly due to issues in planning, execution, or effective project management. This fluctuation emphasizes the need for ongoing efforts to enhance the absorptive capacity of LGUs, ensuring that the increased revenues from the Mandanas ruling are effectively used to improve public services and local development.

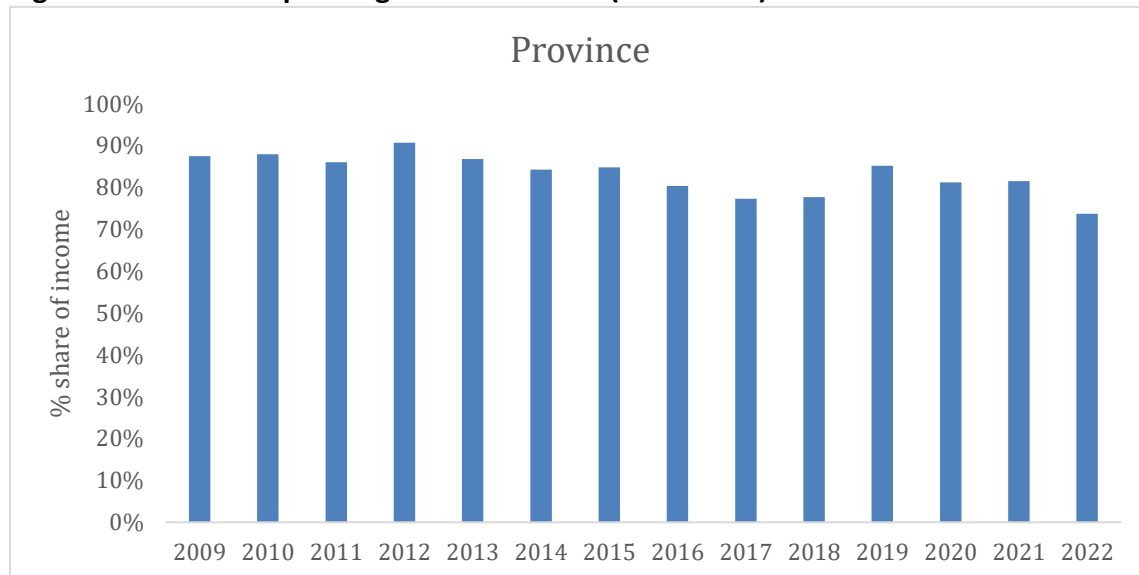
**Figure 7. LGU appropriation ratios relative to total revenues and receipts (2015-2022)**



Source: Commission on Audit

Figure 8 illustrates the ratio of total expenditures to total income for provinces from 2009 to 2022, from BLGF data. Over the years, the trend reveals periods of relatively high spending in relation to income, particularly from 2009 to 2015, where provinces consistently spent close to their total income. This indicates that during these years, underspending was likely minimal, as provinces were utilizing a substantial portion of their available funds. The same with the COA data, there is a sudden drop to the year of 2022 using the SRE data from BLGF. This could be indicative of challenges such as administrative inefficiencies, delays in project implementation, or constraints in absorptive capacity, preventing provinces from effectively utilizing their financial resources to meet their developmental goals.

**Figure 8. Provincial spending to income ratio (2009-2022)**

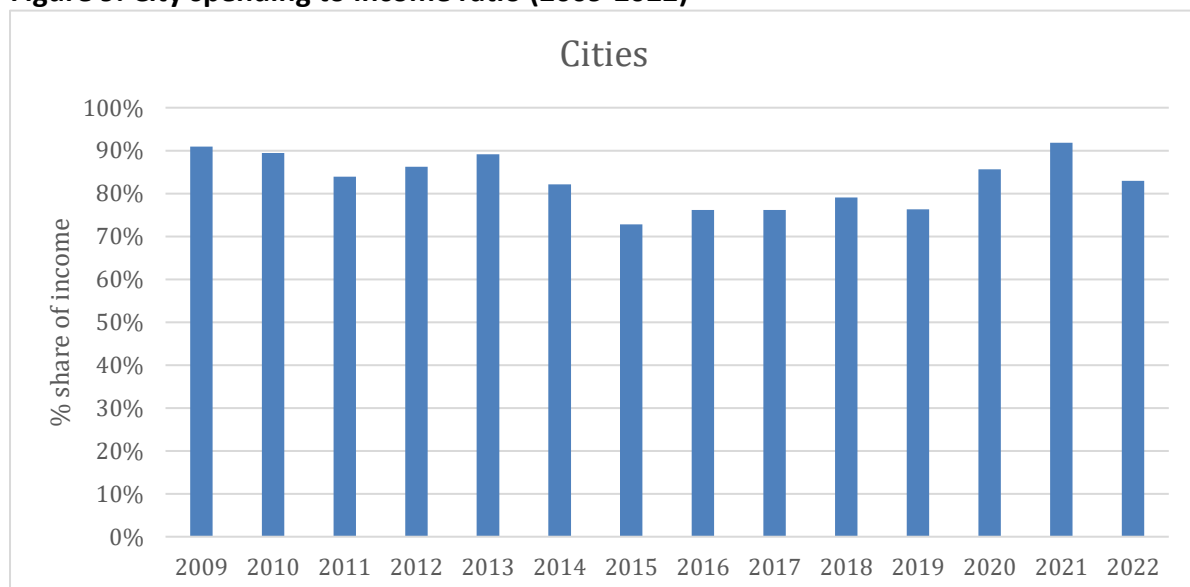


Source: BLGF

Both municipalities and cities showed high expenditure-to-income ratios in the early years (2009-2012), but municipalities reached a higher peak in 2012 (94%) compared to cities. The downward trend in spending efficiency was more pronounced in municipalities, with a steady decline after 2012, whereas cities experienced a more fluctuating pattern with a significant recovery in 2020 and 2021. Municipalities had a sharper and more consistent decline over the years, ending at around 80% in 2022, whereas cities maintained a somewhat higher ratio, reflecting a stronger or more resilient capacity to spend relative to their income, especially in the latter years.

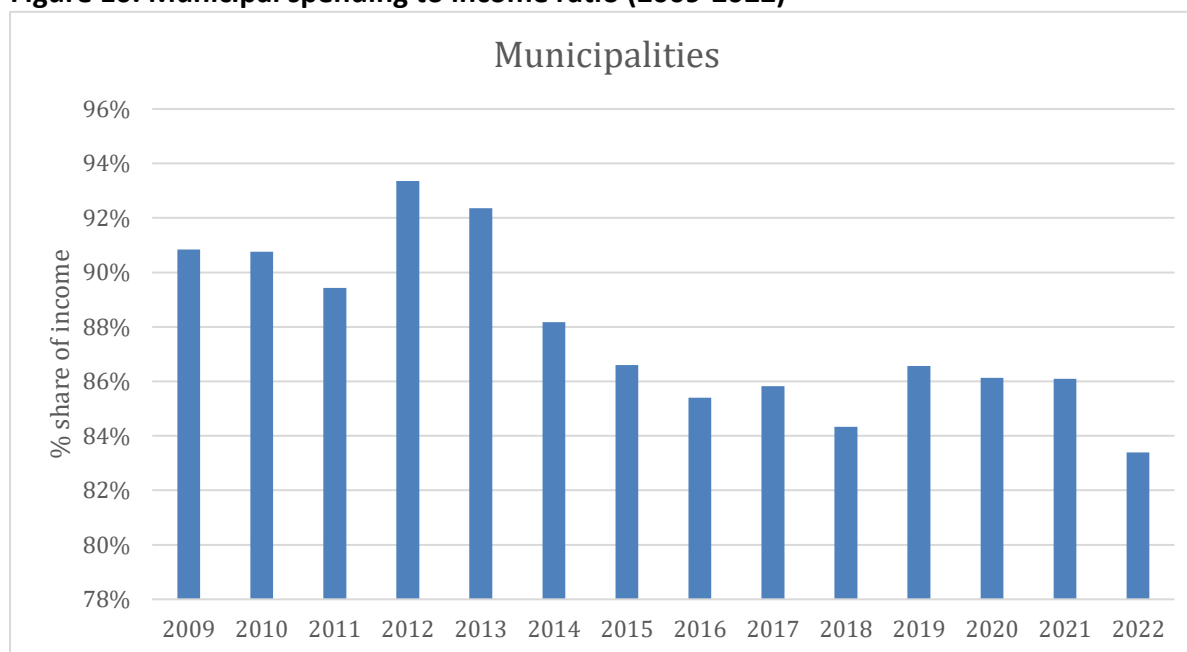
Overall, both municipalities and cities experienced declines in their expenditure-to-income ratios, cities demonstrated a stronger ability to maintain and recover their spending levels, particularly in the years following 2015. This difference suggests that cities may have better financial management practices or more capacity to execute their budgets effectively compared to municipalities (Figure 9 and 10).

**Figure 9. City spending to income ratio (2009-2022)**



Source: BLGF

**Figure 10. Municipal spending to income ratio (2009-2022)**



Source: BLGF

The data presented aligns with the findings of Diokno-Sicat et al. (2020), which point out that in 2016, LGUs were not fully utilizing their Internal Revenue Allotment (IRA) for development projects. Specifically, only 73% of the IRA was utilized for its intended purpose. This underuse was due to a combination of poor planning, insufficient monitoring, lack of focus on important development projects, and funds being spent on the wrong things. This pattern of underspending is also evident in the expenditure-to-income ratios shown in the graphs for municipalities and cities. The downward trends, especially the sharp declines starting around 2014, mirror the issues of not fully using available resources. For municipalities, the consistent drop in spending relative to income after 2012 highlights ongoing struggles with budget planning and execution, as noted in the 2016 Commission on Audit (COA) report.

The COA had recommended better planning, prioritization, and monitoring of development projects, and these recommendations are clearly tied to the fluctuations in spending shown in the graphs, particularly the significant drops seen in municipalities. These trends show that unless these underlying issues are addressed, LGUs will continue to have difficulty fully utilizing their financial resources, which limits their ability to drive local development and improve public services. The graphs also suggest that this issue of underutilization isn't just a one-time problem but rather an ongoing challenge for LGUs. This underscores the importance of following the COA's recommendations to improve planning and evaluation processes so that LGUs can make the most of the resources available to them and achieve real, impactful development outcomes.

## **7.2. LGU spending on devolved functions**

The analysis covers the period from 2009 to 2023, which captures a significant policy shift which is the Mandanas ruling in 2019 and its implementation beginning in 2022. This landmark development profoundly redefines the financial landscape for LGUs by enhancing their fiscal autonomy and expanding their responsibilities. While the LGC initiated a broader devolution of powers to LGUs, the Mandanas Ruling further increased their share of national revenue, providing them with more substantial financial resources to manage local affairs.

By analyzing detailed expenditure data, we aim to gain insights into how LGUs have managed their financial resources across the different devolved functions and assess the impact of the implementation of the Mandanas ruling on LGU spending. The analysis aims to examine trends and inconsistencies in LGU spending, and contribute to a more nuanced understanding of local governance and fiscal management in the Philippines in light of the devolved functions.

### *Health*

Public health spending has important implications on social welfare and development and how the government is able to cater to its constituents' needs. LGU health spending includes those from primary, secondary, and tertiary healthcare. For cities and municipalities, devolved health services include primary health care, maternal and child care, communicable and non-communicable disease control, access to secondary and tertiary health services (specifically for cities), purchase of medicines, medical supplies, and equipment, and nutrition and family planning services. Meanwhile, for provinces, devolved health services include hospitals and other tertiary health services. Tertiary healthcare, also known as specialized consultative healthcare, is typically provided for inpatients who have been referred by primary and secondary healthcare for further medical examination and treatment (E-SPIN, 2023). Of these it is worth noting that while the more basic healthcare (primary and secondary) is generally available to all levels, the more technical healthcare (tertiary) is more available at the city and more so at province level. We further note that these are mostly fully devolved functions, with the national agency, Department of Health (DOH), intervention mostly provided to DOH retained hospitals and Category 1 LGUs.

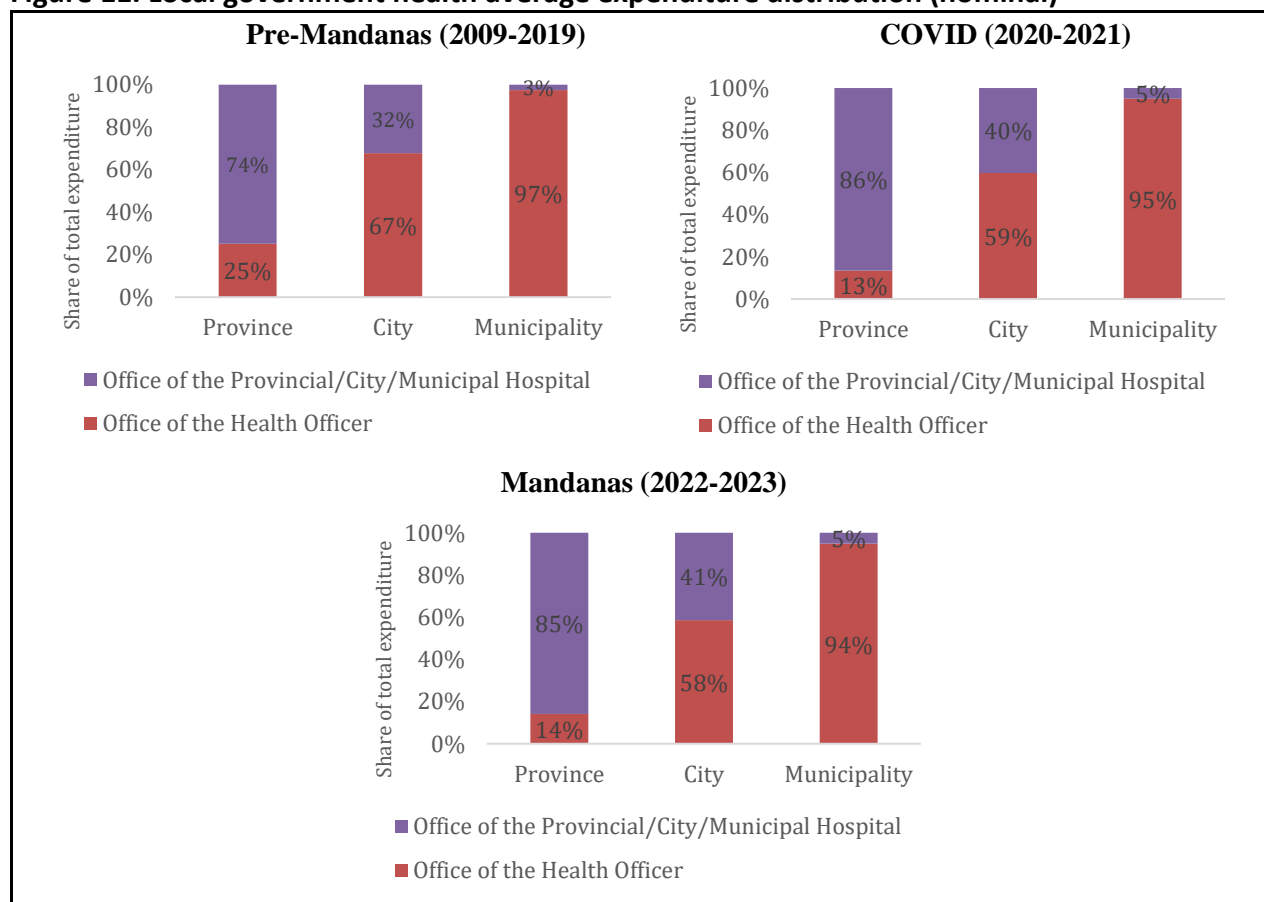
In the LGU statement of expenditures, available health-related expense accounts are as follows: i) Office of the Provincial/ City/ Municipal Hospital (for provinces, cities and municipal LGUs, respectively, ii) Office of the Health Officer, iii) Office of the Population Officer, and iv) Chest Clinics.<sup>4</sup> These four accounts are assumed to capture LGU spending on devolved health functions. For example, the expense account for the Office of the Health Officer is expected to capture LGU health spending on primary health care, maternal and child care, communicable and non-communicable disease control. The Office of the Population Officer is assumed to capture expenses related to nutrition and family planning services. The expense account for Office of the Provincial/ City/ Municipal Hospital captures spending on tertiary services and hospital expenditures. These highlight that limitation of the data in that no further breakdown of spending at the function level is available. Further, the data must be analyzed with a caveat in mind: that LGUs practice a cross-charging of expenditures, traditionally to the office of the local chief executive.

A comparison of the health expenditure distribution for the provincial, city and municipal LGUs, indicate a consistency with the assignment of devolved functions.

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<sup>4</sup> Definitions are provided in Table 2 of Section 5.

**Figure 11. Local government health average expenditure distribution (nominal)**



Source: Authors' illustration. Data from the Bureau of Local Government Finance

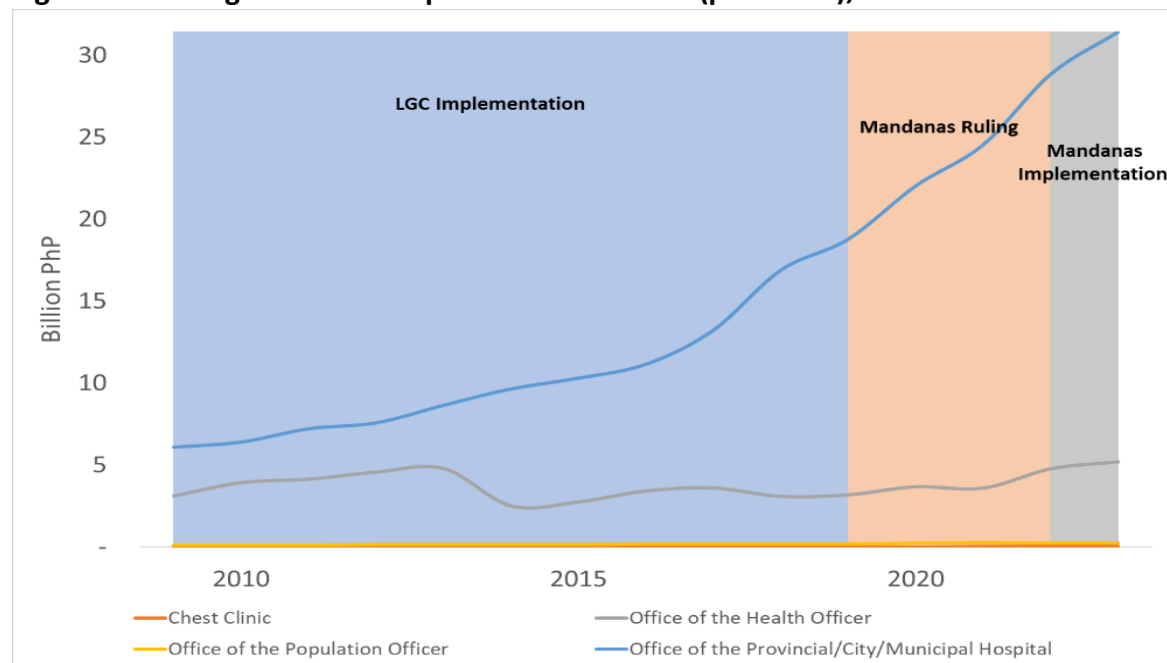
Pre-Mandanas health expenditure is comprised mostly of expenditures attributed to the Office of the Provincial/City/Municipal Hospital and followed by the Office of the Health Officer for Province LGUs. The reverse is true for City LGUs. Meanwhile, Municipal LGU spending is mostly comprised of spending from the Office of the Health Officer with much less expenditure attributed to the Office of the Provincial/City/Municipal Hospital. The distribution of expenditures across the different levels of LGUs confirms and reflects the functional assignments defined in the LGC and the DOH DTP. Specifically, the spending patterns reflect that 73.94% of provincial health spending is allotted to hospital and tertiary services, 97.18% municipal health spending is allotted to rural health units, immunization, epidemiology and surveillance, and other activities of the health officer; and city health spending is split between hospitals and tertiary services with a share of 31.89%, and other health services also assigned to municipalities at 67.20%.

Coming from pre-Mandanas, the COVID period saw increased expenditure share for the Office of the Provincial/City/Municipal Hospital for all LGU levels (Provincial, City, and Municipal). Compared to the COVID period, During the Mandanas period, the distribution for all the LGUs (Provincial, City, and Municipal) stayed mostly the same (Figure 11). The graphs show that the Office of the Health Officer dominates the city and much more so the municipal LGUs while the Office of the Provincial Hospital Dominates the provincial LGUs. Meanwhile, the Chest Clinic and the Office population are not seen in all three graphs (Figure 11).

The provincial LGUs' nominal health expenditure trends show that the Office of the Provincial Hospital consistently had the highest and most steadily increasing spending over the years, as expected for a

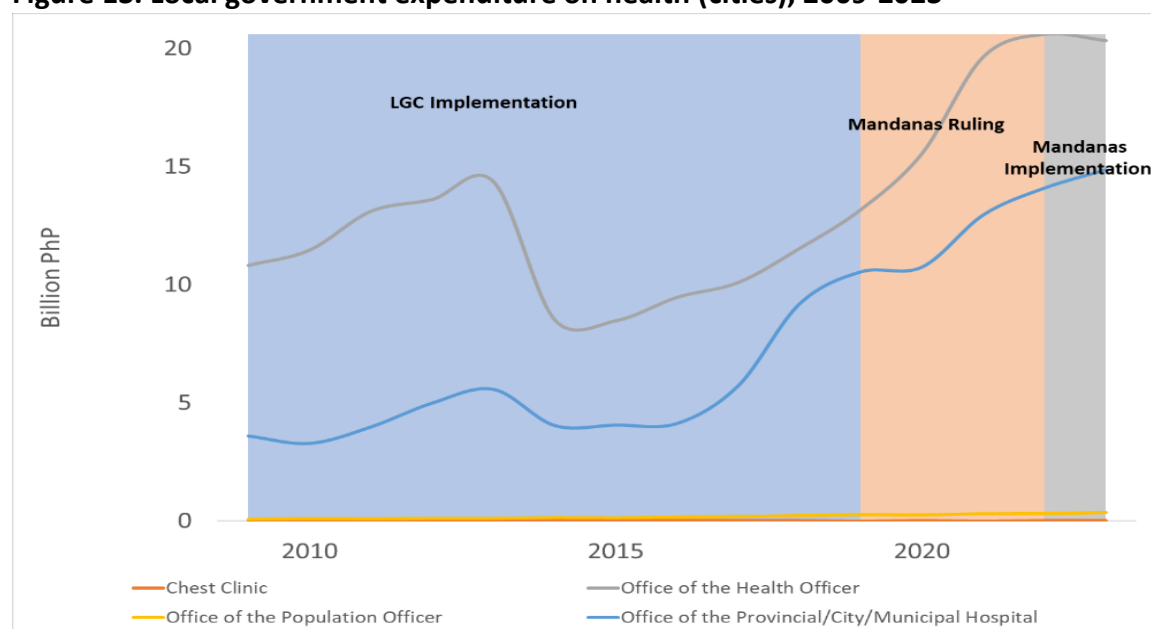
tertiary healthcare provider. The Office of the Health Officer and Office of the Population Officer (for the province) comprise about 15 percent of provincial health spending in 2023 (Figure 12). Meanwhile, city and municipal nominal health expenditures show that the Office of the Health Officer had the highest spending, showing steady increases over the years. The Health Officer's expenditures slightly declined between 2015 and 2017 (Figure 13 and 14). This decrease may be attributed to the increase in PhilHealth income. As Perez (2015) noted, as cited in the study by ThinkWell (2022, p. 23) and the WHO (2022), "a study in 2015 showed data on decreasing provincial health expenditure from IRA, as their PhilHealth income increased, indicating possible adjustments made by LGUs to accommodate PhilHealth funds."

**Figure 12. Local government expenditure on health (provinces), 2009-2023**



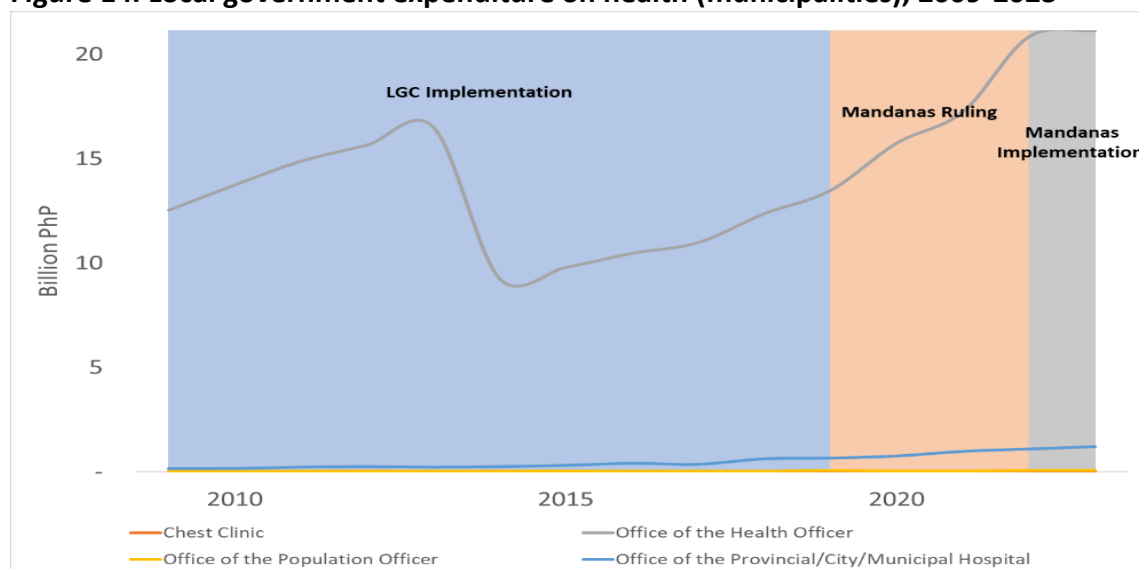
Source: Authors' illustration. Data from Bureau of Local Government Finance.

**Figure 13. Local government expenditure on health (cities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

**Figure 14. Local government expenditure on health (municipalities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

### *Infrastructure*

Infrastructure development is a critical component of local governance, as it directly impacts economic growth, public welfare, and overall quality of life in communities. In the LGU statement of expenditures, the identified infrastructure-related expense accounts are as follows: i) Office of the Provincial/ City/ Municipal Engineer (for the province, city, municipal LGU, respectively), ii) Office of the Provincial/ City/ Municipal Architect, iii) Sewerage and drainage system, iv) Maintenance of plazas, parks and monuments, and v) Street lighting.<sup>5</sup> The limitation of the available data is highlighted with the infrastructure expenditure accounts. Specifically, the devolved city and municipal infrastructure functions namely, municipal roads and bridges, school buildings, health centers and facilities, communal irrigation, small water impounding projects, rainwater collectors and water supply systems, and flood control are expected to be lumped together under the expense account of the Office of the City/ Municipal Engineer. Only the devolved function drainage and sewage has its own separate account. Meanwhile, the maintenance of plazas, parks and monuments, and street lighting are exclusively local functions. For provinces, expenditures related to the broad function of infrastructure support of health, agriculture, education, and economic development, is likewise expected to be credited under the account of the Office of the Provincial Engineer.

This is evident in the breakdown of infrastructure-related expenditure accounts per level of local government. For all three local government levels, infrastructure spending is largely comprised of spending from the Office of the Provincial/City/Municipal Engineer. This is most evident at the provincial level. Still, City LGUs have limited spending on the Office of the Provincial/City/Municipal Architect, Maintenance of Plazas, Parks & Monuments, and Street Lighting - General Administration while that with Sewerage and Drainage Systems is insignificant. Municipal LGUs have insignificant expenditures for those other than the Office of the Municipal Engineer (Figure 15).

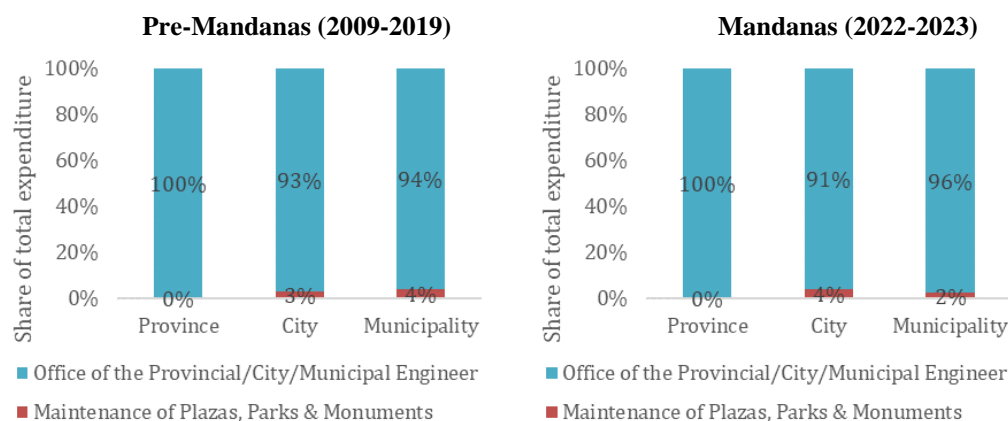
Figure 13 also shows that the Office of the Engineer largely accounts for the infrastructure spending across the three LGU levels during the Mandanas implementation period. The expense pattern in Figure 13 exposes that as an accounting practice, it is possible that most infrastructure-related spending is

<sup>5</sup> Descriptions are provided in Table 2 of Section 5.



credited under the Office of the Provincial/City/Municipal Engineer. City LGUs also consistently allocate slightly more funds for other infrastructure spending. This pattern is mostly similar to the spending trends expressed in real and nominal per capita terms.

**Figure 15. Local government infrastructure average expenditure distribution (nominal)**



Source: Authors' illustration. Data from Bureau of Local Government Finance

For the infrastructure sector, while some functions have been fully devolved, specifically those that pertain to the preparation of the Local Road Network Development Plan (LRNDP) for the province, and preparation of feasibility studies and detailed engineering design for local infrastructure projects, the main functions of construction, rehabilitation, improvement, and maintenance are still only partially devolved as the national agency, the Department of Public Works and Highways (DPWH), continues to provide funding support to LGUs. The data shows a continued upward trend on LGU infrastructure spending, alongside continued financial support from the DPWH.

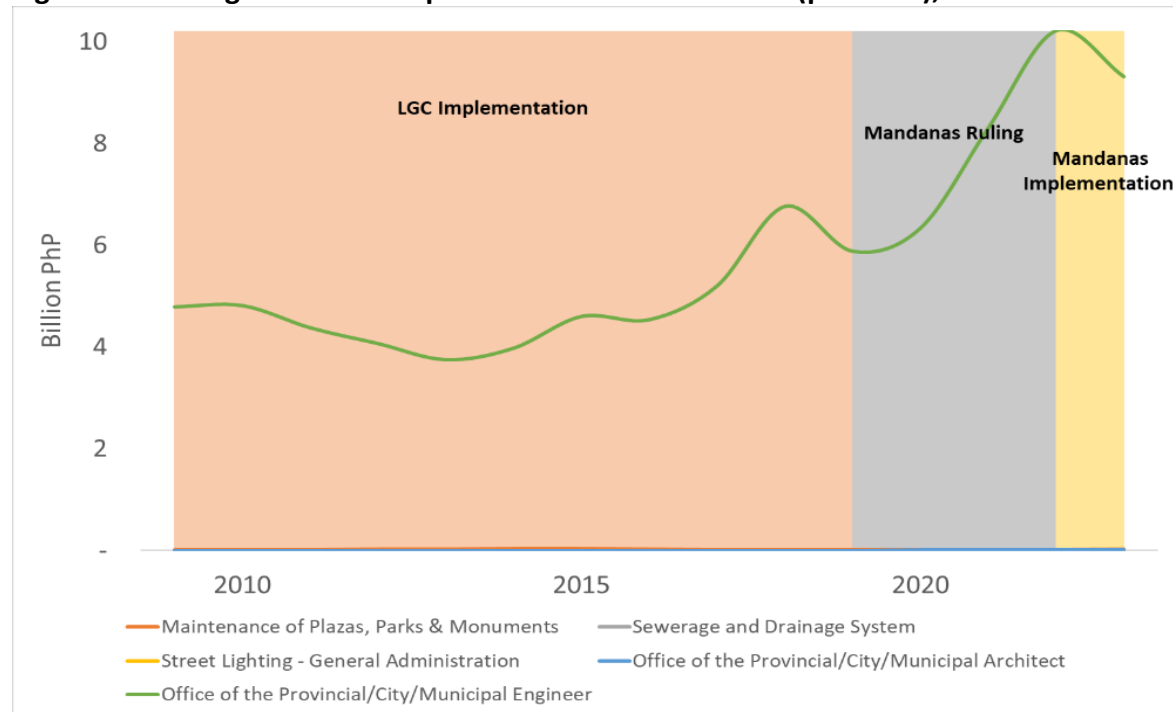
The Office of the Provincial Engineer showed a general increase over the years, with fluctuations, particularly peaking between 2013 and 2015, then decreasing before stabilizing (Figure 16). For city LGUs, the Sewerage and Drainage System account had high initial spending, which declined significantly until around 2013, then stabilized with a slight upward trend in later years. Spending on local functions such as Street Lighting and Maintenance of Plazas were relatively stable spending with minor fluctuations throughout the period. The Office of the City Architect saw an initial increase in expenditure, followed by stabilization with minor fluctuations, remaining at a consistent level. The Office of the City Engineer began with lower spending, increased initially, and then stabilized with some fluctuations, maintaining relatively consistent expenditure over the period (Figure 17).

The trend for the municipality's nominal infrastructure expenditure shows that the Maintenance of Plazas, Parks & Monuments had relatively stable spending with minor fluctuations over the years. The Sewerage and Drainage System experienced a decline in expenditure from 2009 to 2012, then stabilized and showed a slight upward trend from 2019 onwards. Street Lighting - General Administration maintained relatively stable spending with minor fluctuations and slight upward trend throughout the period. The Office of the Municipal Architect saw an initial decline in expenditure until around 2012, followed by stabilization and minor fluctuations. Similarly, the Office of the Municipal Engineer exhibited a decline in spending until around 2012, followed by stabilization and minor fluctuations (Figure 18).

The Office of the Provincial/City/Municipal Engineer has the greatest LGU spending on infrastructure whether for the Province, City, or Municipal level which is generally followed by the Maintenance of

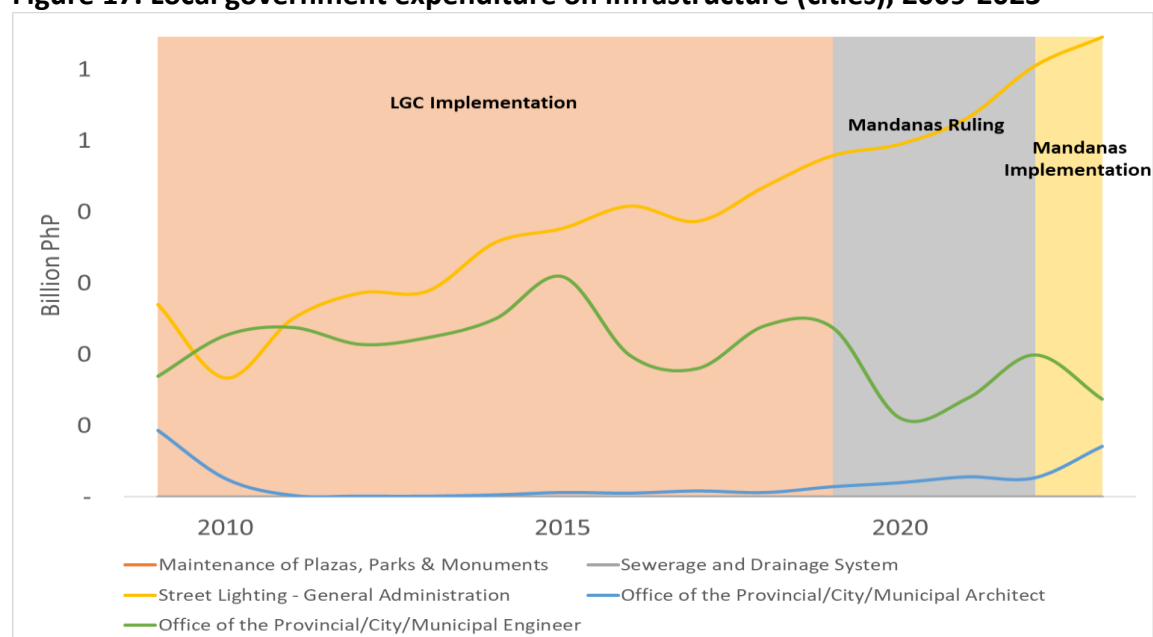
Plazas, Parks & Monuments, and Street Lighting. The Office of the Municipal Architect and the Sewerage and Drainage System have a small infrastructure spending of the LGUs. Similar to the health sector, there may be instances where infrastructure projects, programs, and activities (PPAs) have been charged to other offices, such as the office of the governor or mayor. This practice of cross-charging infrastructure PPAs can often be attributed to internal political dynamics within the LGU.

**Figure 16. Local government expenditure on infrastructure (province), 2009-2023**



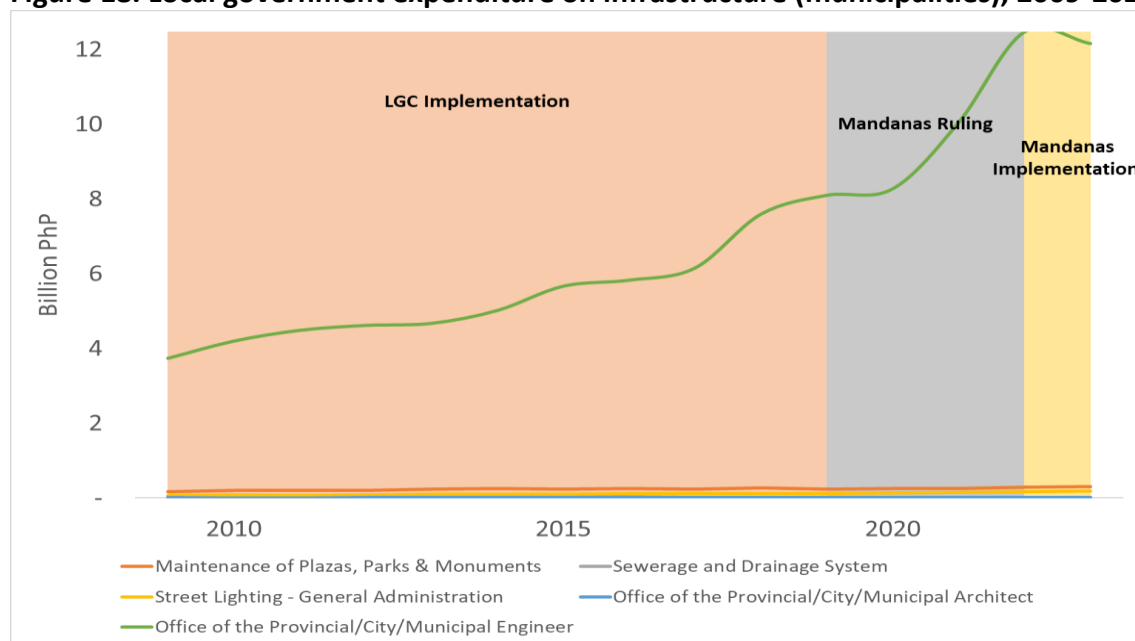
Source: Authors' illustration. Data from Bureau of Local Government Finance

**Figure 17. Local government expenditure on infrastructure (cities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

**Figure 18. Local government expenditure on infrastructure (municipalities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

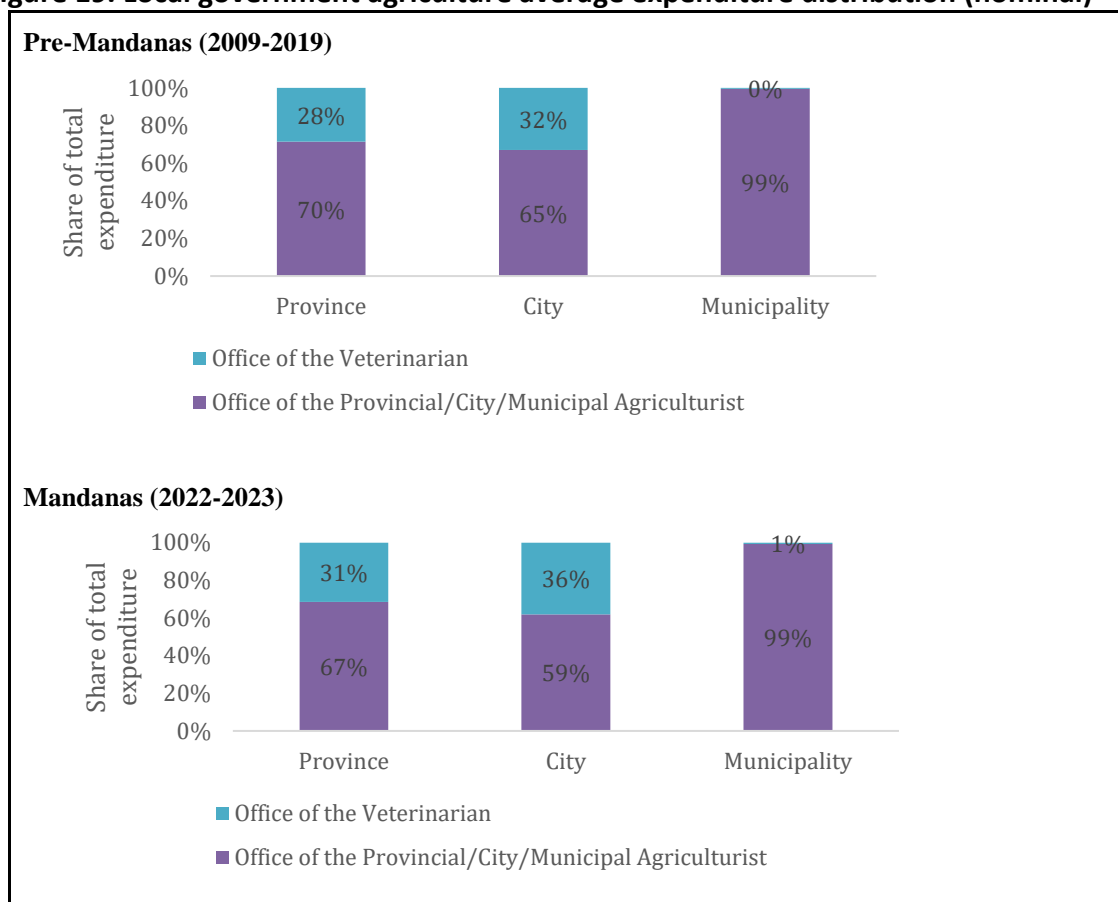
### *Agriculture*

Agriculture plays a crucial role in the Philippine economy, contributing to food security and employment. This is especially true for the rural sector which is more active in agricultural activities such as crop production, animal husbandry, and fisheries production than their urban counterpart.

In the LGU statement of expenditures, the identified infrastructure-related expense accounts are as follows: i) Office of the Provincial/City/Municipal Agriculturist, ii) Office of the Veterinarian, iii) Extension and on-site Research Services (BAEX), iv) Demonstration/Farm Nurses, and v) Irrigation System.<sup>6</sup> Similar to the health and infrastructure sectors, this highlights the limitation of the data in accounting for function-level spending by LGUs. For example, the devolved functions namely, prevention and control of plant pest and diseases, prevention and control of animal pests, establishment of animal breeding stations, establishment of artificial insemination centers, dairy farms, dispersal of fingerlings and other seeding materials for aquaculture, palay, corn, and vegetable seed farms, establishment and maintenance of local distribution channels, operation of farm produce collection and buying station & livestock markets, and enforcement of fishery laws in municipal water all fall under the expense accounts of the Office of the Provincial/City/Municipal Agriculturist, and Office of the Veterinarian. Among the devolved agricultural services, only the demonstration farms and agricultural and fishery extension services have their separate expenditure accounts.

<sup>6</sup> Descriptions are provided in Table 2 of Section 5.

**Figure 19. Local government agriculture average expenditure distribution (nominal)**



Source: Authors' illustration. Data from Bureau of Local Government Finance

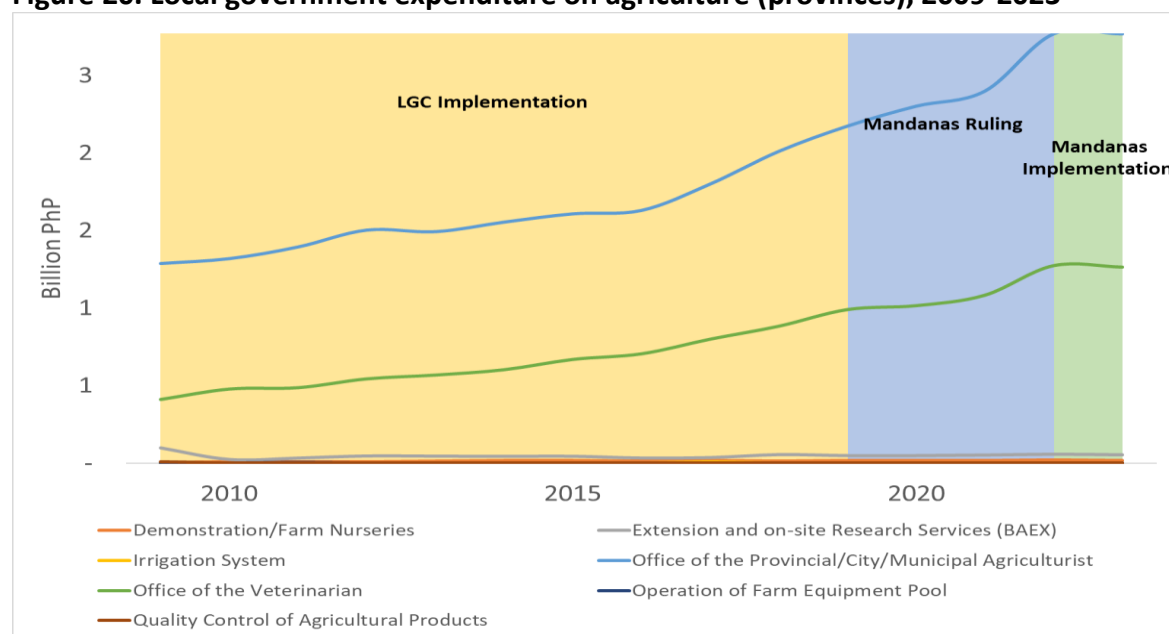
This is evident in the distribution of agriculture-related expenditures for the different levels of local government. During the pre-Mandanas period, the Office of the Agriculturist accounts for most of the agriculture sector expenditures. For municipal LGUs, the Office of the Agriculturist accounts for almost 100% of agriculture-related spending (Figure 19). As mentioned above, this account covers a wide range of devolved agriculture functions, unfortunately, no further breakdown of the account into the specified activities is available. For city and provincial LGUs, a significant share of expenditures is also allocated to the Office of the Veterinarian. The other expenditures such as Demonstration/Farm Nurseries and extension and on-site research services account for a marginal share of agriculture spending (Figure 18). While this function is devolved to municipalities as well, the data may indicate two possibilities: that municipal-level spending for animal health division is provided for by the provincial LGU, or that the accounting practice of cross-charging expenditures obscures veterinary-related expenditures and may have been tagged against the Office of the Agriculturist. During the Mandanas implementation period, aside from Extension and on-site Research Services (BAEX) having a decreasing share of the agricultural expenditures for the city LGUs, the distribution for Agriculture stayed mostly the same with during the COVID period.

The values for provincial agricultural expenditure are slowly but steadily increasing across various avenues. However, provinces ceased spending on irrigation systems after 2011, except for Oriental Mindoro, which resumed irrigation spending only in 2017 (Figure 20). On the other hand, the city's trend on agriculture (Figure 21) has a sharp decline and eventual discontinuation of spending on irrigation systems. In contrast, other sectors experience varying levels of spending with some showing stability and others with moderate fluctuations. There is a significant drop in spending for the irrigation

system starting from 2013 while no spending is recorded from 2015 to 2016. After 2016, spending on irrigation improved and slightly decreased from 2022 to 2023. For the Operation of Farm Equipment Pool, spending is greatly fluctuating and is only present during 2010-2011, 2016, and 2018-2019, after which it completely stops, remaining at zero all throughout. Regarding Demonstration/Farm Nurseries, spending has minor fluctuations but remains relatively stable and slightly increasing from 2008 to 2023, with a few peaks and drops.

The trend for agriculture's nominal expenditure for the municipality shows that the Office of the Municipal Agriculturist's spending remained consistently high with minimal fluctuations, while Extension and On-site Research Services (BAEX) spending started low, increased from 2013 to 2017, and then stabilized at a higher level. Demonstration/Farm Nurseries' and the Office of the Veterinarian spending stayed relatively stable with minor fluctuations with the former having a slightly decreasing trend while the latter has a slowly increasing trend. Quality Control of Agricultural Products spending exhibited a gradual decline with notable peaks and valleys, especially after 2016. The Irrigation System only has data during 2009-2012, 2016, and 2018-2023 and seems to exhibit a relatively stable and slightly decreasing trend. Lastly, the Operation of Farm Equipment Pool showed spending until 2016, after which it resumed in 2018. It exhibited moderate fluctuations and a generally decreasing trend. (Figure 22).

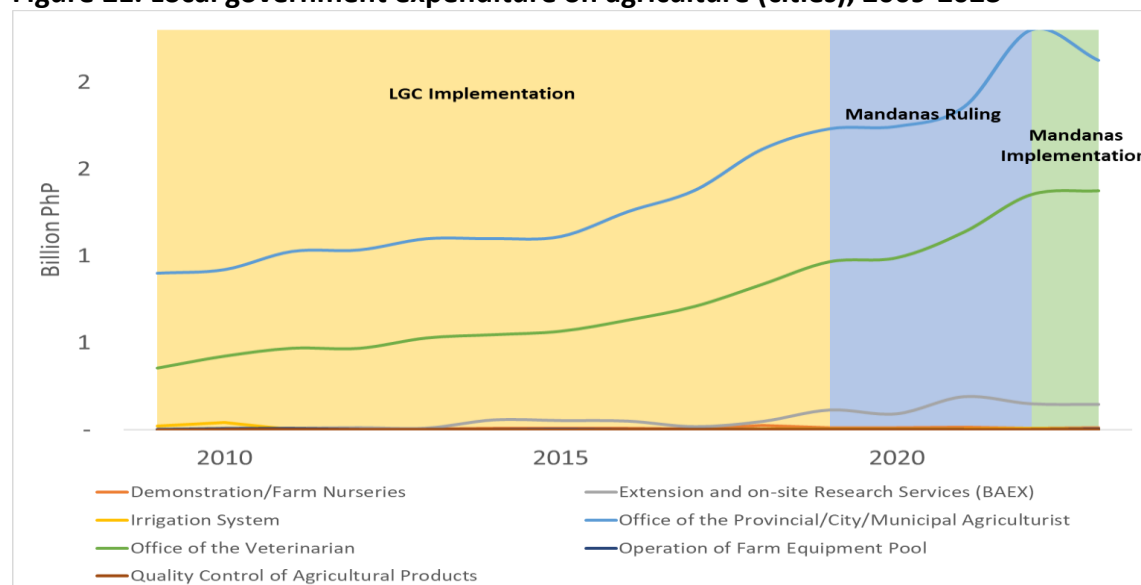
**Figure 20. Local government expenditure on agriculture (provinces), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

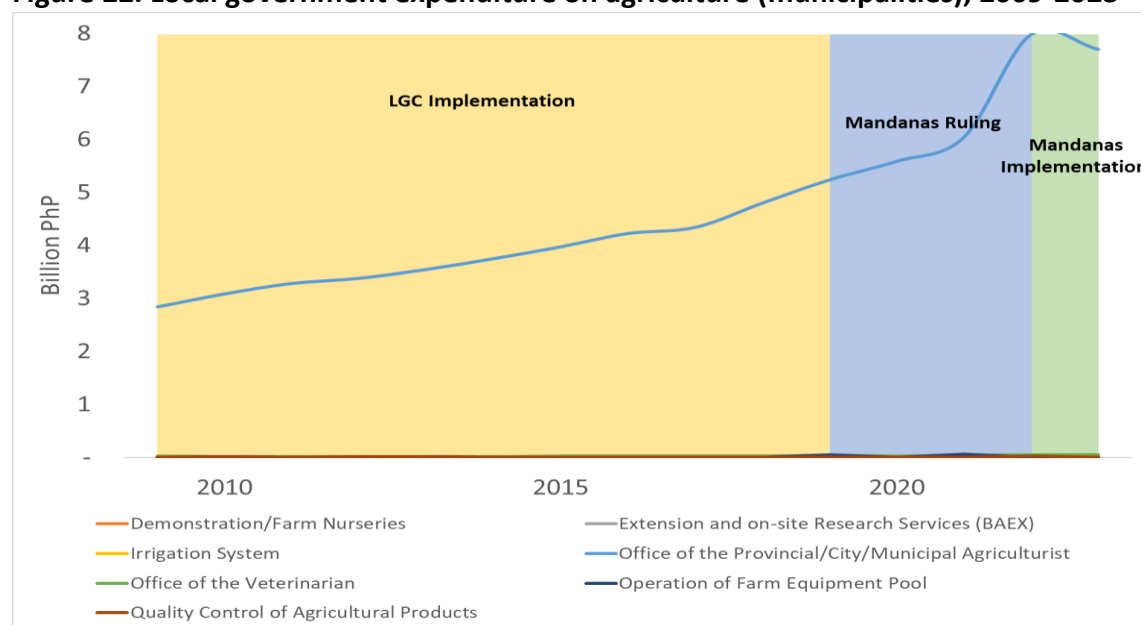
The analysis of agricultural expenditures at the provincial, city, and municipal levels reveals complex interactions between policy changes and external factors like the Mandanas Ruling and the COVID-19 pandemic. While the Mandanas Ruling increased LGUs' financial capacity, its impact on agricultural spending has been varied, with some areas benefiting from stable or increased funding and others experiencing significant declines. The pandemic further complicated this landscape by necessitating the reallocation of resources to urgent health and social needs. Moving forward, there is a need to balance immediate needs with long-term investments in agriculture to ensure sustainable development and resilience.

**Figure 21. Local government expenditure on agriculture (cities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

**Figure 22. Local government expenditure on agriculture (municipalities), 2009-2023**



Source: Authors' illustration. Data from Bureau of Local Government Finance

### 7.3. Impact of the Mandanas ruling implementation on LGU spending

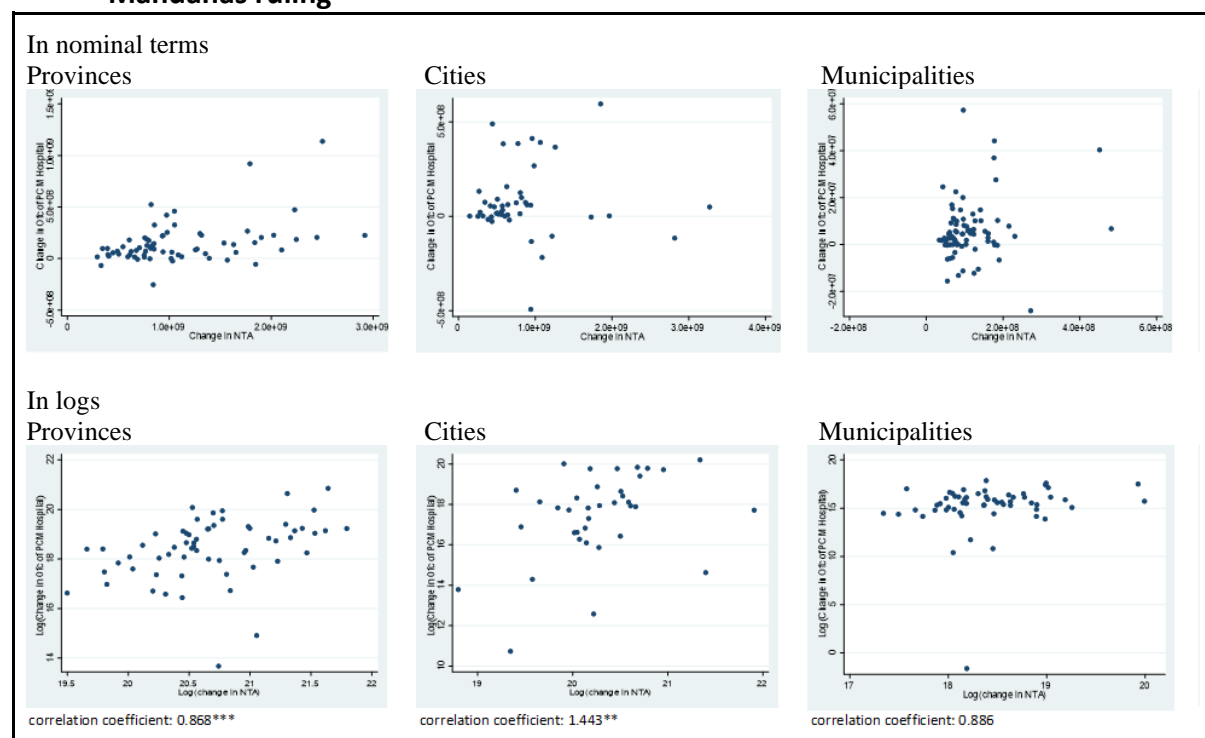
#### *Health*

In assessing the impact on expenditures at the local government level as a response to the Mandanas ruling implementation beginning 2022, we plot the relationship between the change in level of spending for each of the relevant expenditure accounts related to health and the change in total national tax allocation (NTA). We compare the change in levels of spending between the base year 2019, which is before the COVID pandemic and before Mandanas ruling implementation, and 2022 which is the first year of the Mandanas ruling implementation. We examine whether the increase in available financing,

as facilitated by the implementation of the Mandanas ruling, has translated to an increase in service delivery of devolved FSFs as reflected in LGU spending.

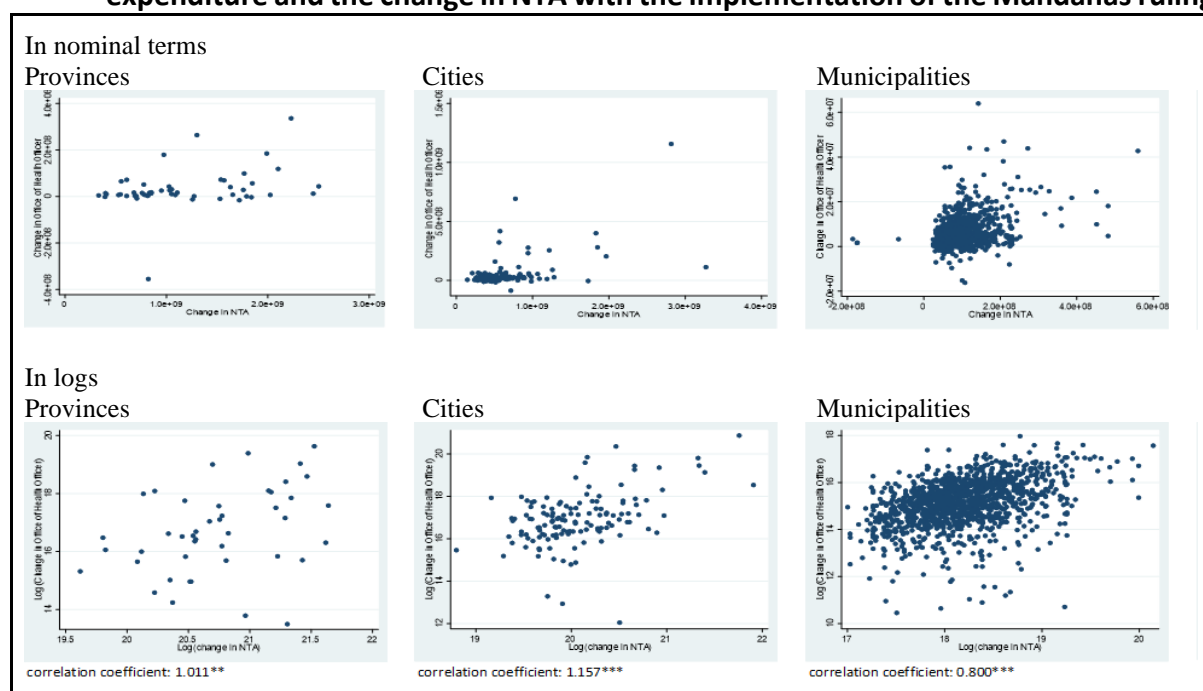
For the health sector, we find a positive and significant relationship between the increase in NTA and the increase in health spending for provincial and city hospitals (Figure 23), interpreted as an increase in delivery of devolved functions with respect to hospital services: provincial and district hospitals and other tertiary health services, and secondary and tertiary services in city health clinics and barangay health stations under cities. The relationship, however, is less pronounced in the spending of municipalities. This indicates that in the first year of the implementation, there is an uneven take up or utilization of the increase in available funding across the different levels of LGUS with respect to the spending credited to LGU hospitals. The spending for the office of the health officer likewise shows a positive and significant relationship, with the change in spending of municipalities being relatively less compared to that of provinces and cities (Figure 24). With a similar interpretation as above, this positive relationship indicates an increase in service delivery related to immunizations and services provided by rural health units which are under the office of the local health officer.

**Figure 23. The relationship between the change in the Office of Provincial/City/Municipal Hospitals expenditure and the change in NTA with the implementation of the Mandanas ruling**



Source of raw data: DOF BLGF, Authors' illustration.

**Figure 24. The relationship between the change in the Office of the Health Officer expenditure and the change in NTA with the implementation of the Mandanas ruling**

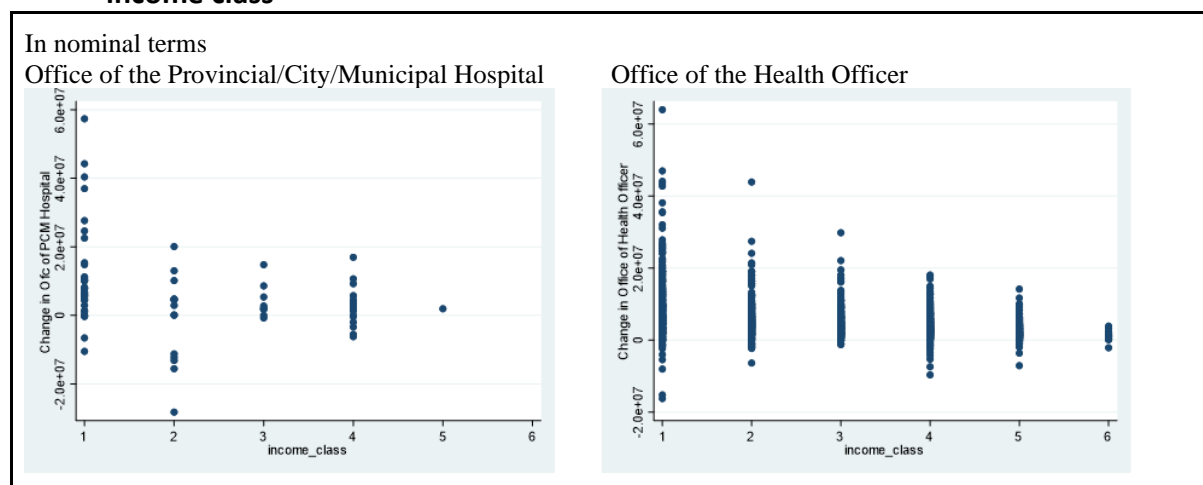


Source of raw data: DOF BLGF, Authors' illustration.

While majority of the health sector FSFs are concurrently provided by the national government and the local governments, as discussed in Section 7.1. earlier, the increase in spending as reflected in the accounts of the office of the provincial/city/municipal hospitals, and the office of the health officer, indicates the alignment of finance and function brought about by the increase in locally available funds made possible by the implementation of the Mandanas ruling.

Disaggregating the data by income class, and with a focus on municipal spending on health, we find that consistent with the DOH strategy of providing financing and operational assistance to high gap-low capacity, GIDA, peace-building, and high poverty LGU, municipalities of income classes five and six registered marginal increase to their health spending despite the increase in NTA (Figure 25).

**Figure 25. The relationship between the change in health spending and municipality income class**



Source of raw data: DOF BLGF, Authors' own calculations.

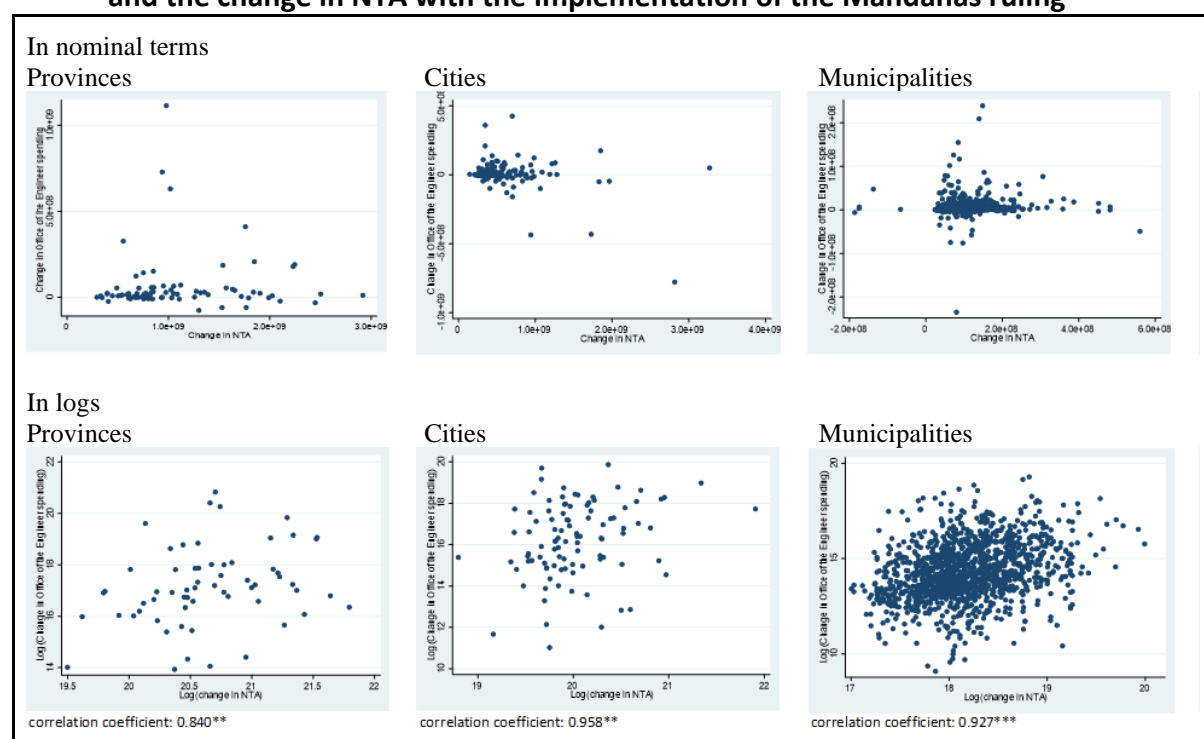


## Infrastructure

For the infrastructure sector, the identified FSFs for devolution are the construction, operation, and maintenance of roads and bridges, flood control systems, water supply and sanitation facilities, LGU buildings, and other facilities such as barangay halls, evacuation centers, multi-purpose buildings, child development centers, gymnasiums, sports centers, etc. However, these FSFs appear to be aggregated under the office of the engineer in the available expense accounts. It is difficult then to attribute LGU expenditures to specific infrastructure FSFs due to the lack of breakdown.

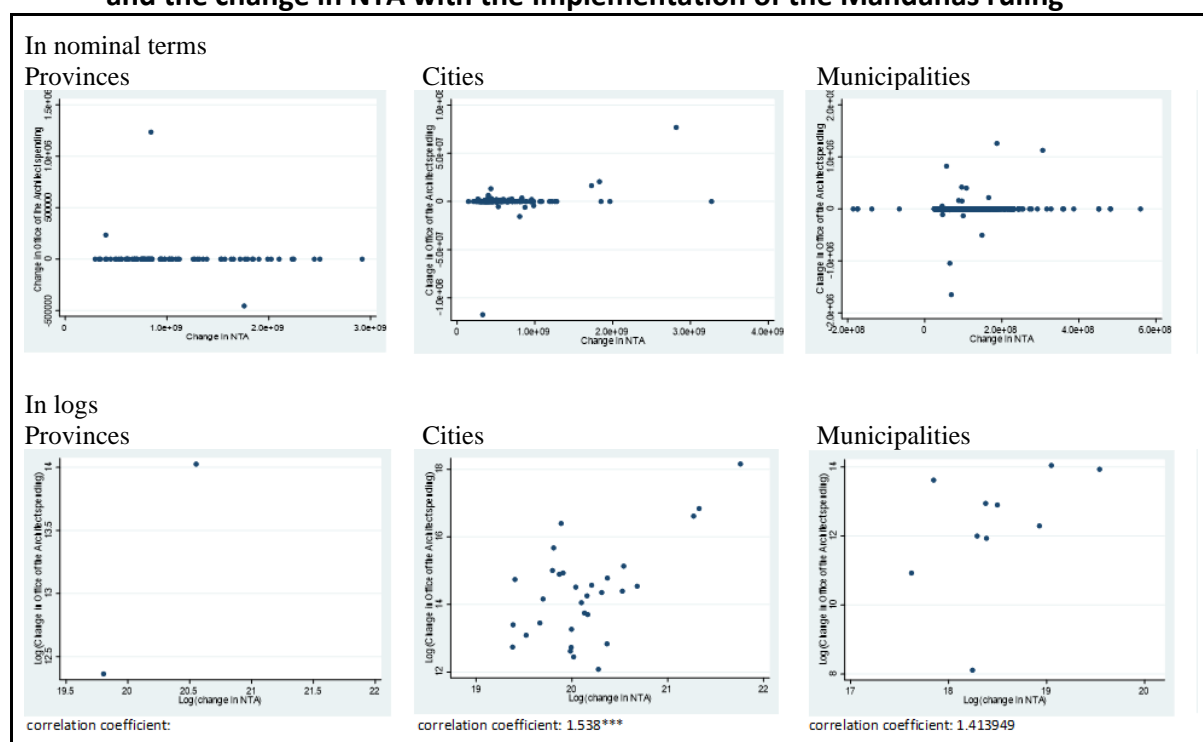
For the infrastructure sector, the study looks at the expense accounts of the office of the engineer and the office of the architect, under the assumption that infrastructure-related FSFs are credited in these accounts. The study finds a positive and significant relationship between the increase in NTA and the increase in spending for the office of the engineer in all the different levels of local government (Figure 26). On the other hand, there is only a marginal change in the spending credited to the office of the architect for the provincial and municipal LGUs and a positive and significant effect is found only in the city expenditures (Figure 27). While the increase in spending may be an indication of the increased assumption of devolved infrastructure FSFs, it is difficult to delineate whether the spending is for construction, operations, and maintenance, and for which type of infrastructure these are spent on.

**Figure 26. The relationship between the change in the Office of the Engineer expenditure and the change in NTA with the implementation of the Mandanas ruling**



Source of raw data: DOF BLGF, Authors' illustration.

**Figure 27. The relationship between the change in the Office of the Architect expenditure and the change in NTA with the implementation of the Mandanas ruling**



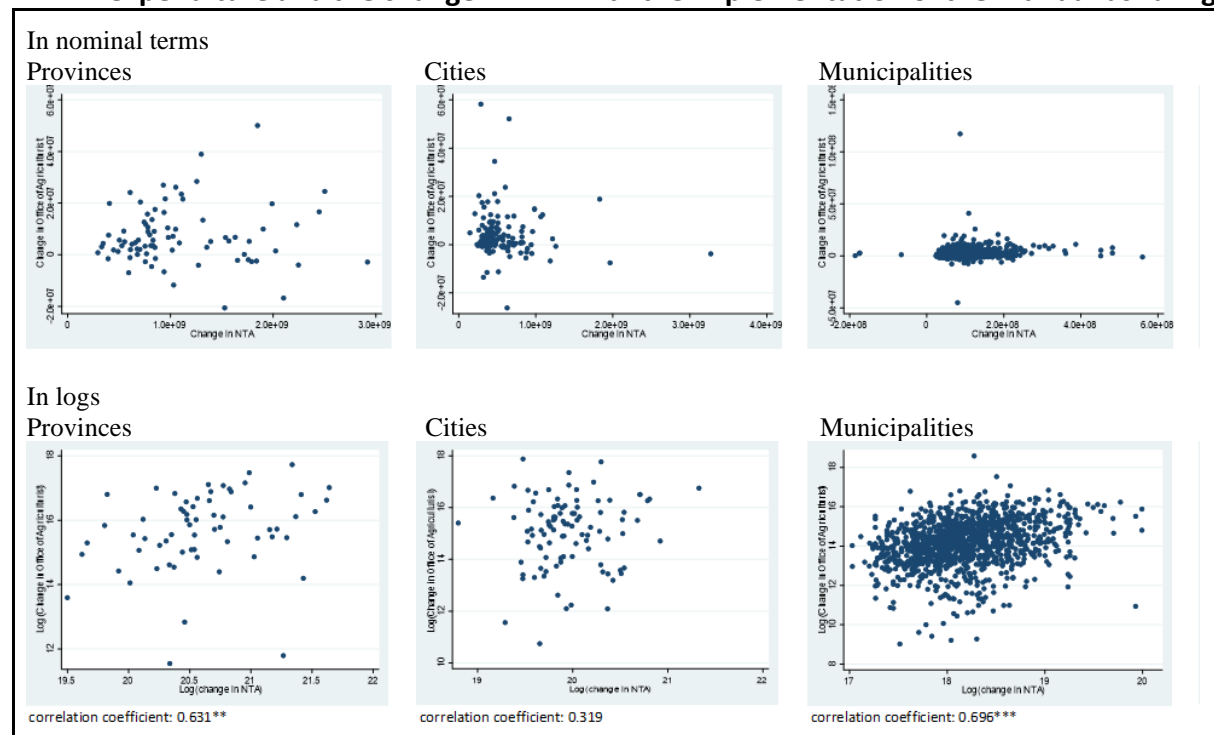
Source of raw data: DOF BLGF, Authors' illustration.

### *Agriculture*

Finally, for the agriculture sector, the study conjectures that a significant number of LGUs credit the spending for the different agriculture functions under the office of the agriculturist<sup>7</sup>, pointing to the high number of LGUs that report zero expenditures on the following devolved functions: demonstration farms, extension and on-site research services, and irrigation. The study finds a positive and significant relationship between the change in spending for the office of the agriculturist and an increase in NTA for provincial and municipal LGUs, indicating an increase in spending on agricultural services (Figure 28). However, it is difficult to attribute the increase in spending to any specific devolved function due to the accounting methodology employed by most LGUs. For the office of the veterinary, which is assumed to account for expenditures on animal breeding stations and animal disease control, the positive relationship is only significant for cities, with many other LGUs reporting zero expenditures for this function (Figure 29). This suggests an uneven uptake with respect to this devolved function, however, it is also possible that other LGUs included the spending for this office to the office of the agriculturist, making it difficult to ascertain whether the available data accurately reflects actual spending and service delivery for the specific FSFs.

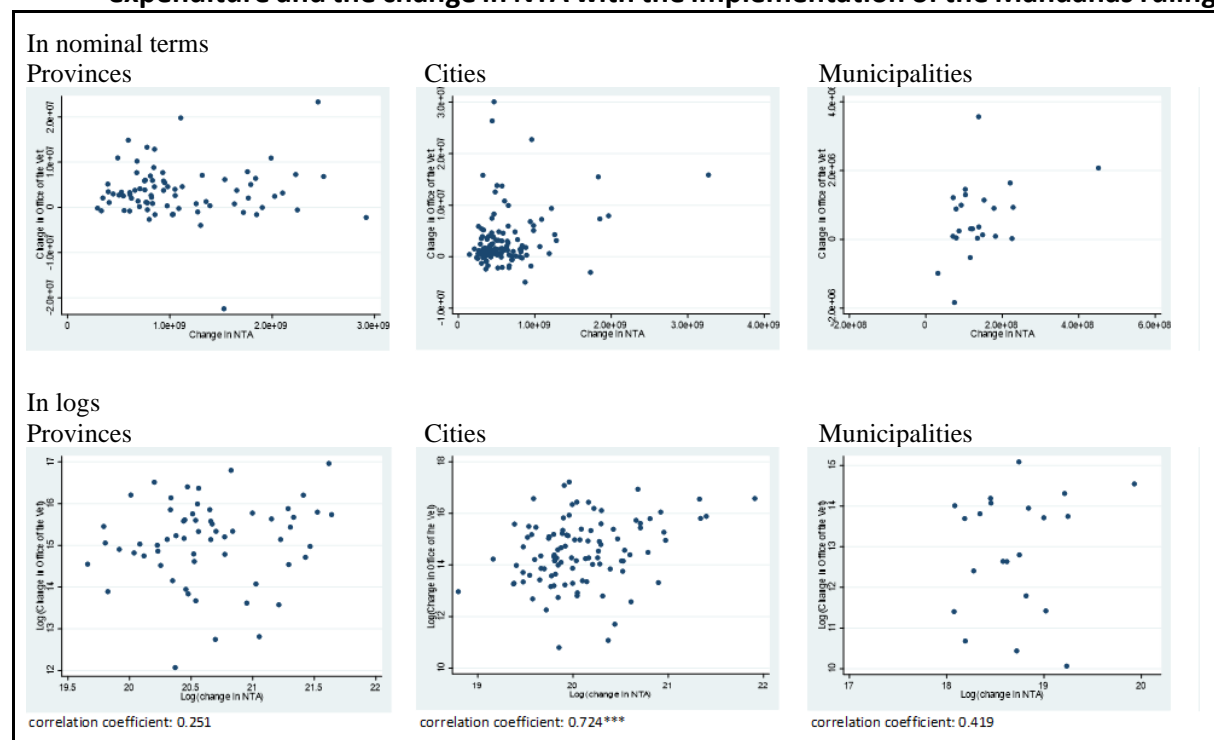
<sup>7</sup> And possibly other expense accounts which may or may not be related to agricultural functions. For example, this may also possibly be credited to the office of the local chief executive if the office sponsors the specific functions (DOF BLGF, 2024).

**Figure 28. The relationship between the change in the Office of the Agriculturist expenditure and the change in NTA with the implementation of the Mandanas ruling**



Source of raw data: DOF BLGF, Authors' illustration.

**Figure 29. The relationship between the change in the Office of the Veterinarian expenditure and the change in NTA with the implementation of the Mandanas ruling**



Source of raw data: DOF BLGF, Authors' illustration.

## 8. Summary of key findings

In this study, we examine the devolved basic services that the LGUs have been providing over time and assess the changes brought about by the 2019 Mandanas ruling. We unbundle the broad service functions defined in the LGC and allocated them to different levels of government. The study assessed the functional assignment of devolved roles and functions across the levels of sub-national governments, supported by a review of expenditure patterns to determine whether expenditure assignments support the local governments' delivery of these devolved services.

In Section 7.1., we find that for the Philippines, there has always been an emphasis on the principle of subsidiarity and the autonomy of local governments. This has largely influenced the implementation of the devolution agenda. In this paper, in particular, we also find that the principle of autonomy applies to the cross-crediting or cross-charging of expense accounts into different offices of the LGU. In effect, the functional assignments contained in the LGC has become discretionary in nature. And the unfinished assumption of devolved functions, even after 30 years of implementation, can be attributed to this reason. Further, while discretionary provision is ideally accompanied by a positive obligatory list of mandated basic services within minimum service standards, the review undertaken by the study has pointed to enforcement constraints, nonadherence, political economy constraints, and considerations.

While the functional assignment in the LGC can be characterized as asymmetric, as functions are differentiated between the provincial, and the city/municipal governments, these are uniform across the same level of local governments. Hence, the same functional assignments apply to the same level of LGUs regardless of their socio-economic and geographic profiles. In this regard, the principle of subsidiarity still holds as LGUs are able to determine which functions to implement and fund.

The study also finds that the implementation of Section 17 of the LGC is a combination of delegation and devolution, with most functions that are considered partially devolved are in effect delegated functions with funding and accountability still traced to the national government. Capacity constraints of both the national and local governments, the mismatch of finance and function, and the structural and political economy constraints have resulted in the concurrent service delivery or shared functions that are jointly delivered by the national and local governments. Hence, the emphasis on local autonomy coupled with structural constraints and the mismatch of function and financing have resulted in large disparities in assumed devolved functions and service delivery across local governments.

In our assessment of the three sectors, health, agriculture, and infrastructure, we find that as a general trend, and aside from the FSFs that are exclusively assigned to the national agencies, most of the FSFs remain to be concurrently provided by the national government and local governments. For example, specific to health FSFs, the national government continues to provide support to DOH-retained hospitals, Category 1 or high gap-low capacity LGUs, and GIDA, peace-building, and high poverty areas. In infrastructure, DPWH continues to provide funding for the devolved infrastructure FSFs. And in agriculture, many of the devolved FSFs are still in effect under the DA, and that there is a pre-defined overlap where higher-level LGUs may concurrently provide for lower-level LGU agriculture FSFs.

Consequently, some of these functions may not be entirely suitable for exclusive assignment to LGUs. However, within the comprehensive scope of these functions, specific components may be appropriately assigned exclusively to either the central government or to LGUs. This necessitates a nuanced examination of the devolved functions to determine the optimal distribution that ensures effective service delivery and efficient governance at both the local and national levels.

The ongoing evolution of roles and responsibilities within the devolution framework, especially in the light of significant judicial rulings like that of the Mandanas-Garcia petitions as well as various legislations like the Universal Health Care Act, underscores the importance of a comprehensive dialogue and strategic planning to address these complexities. Through a thorough looking back at past experience and acknowledgment of binding constraints that have not been, or are needed to be addressed

to pave the way for effective devolution, or to reassess what functions can effectively be devolved given the institutional, political, and economic landscape of the Philippines.

Since the implementation of the LGC, LGUs in the aggregate receive 40 percent of national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year. This has amounted to an average of 3.3 percent of GDP in 2018-2021 to 4.4 percent of GDP in 2022, the first year of the implementation of the SC ruling on the Mandanas-Garcia petitions.

In Section 7.2., we find that in light of the Mandanas ruling implementation, there is an increase in nominal spending for the health, agriculture, and infrastructure expense accounts across the three levels of subnational government. We also find evidence supporting a clear delineation of functional responsibilities as reflected in the sectoral distribution of expenditures consistent with the unbundled functional assignments. Particularly in health, the sectoral distribution shows a large allocation for the Office of the Provincial and City Hospitals (corresponding to hospital and tertiary health services) for provinces and cities, compared to a higher allocation for the Office of the Health Officer (corresponding to secondary and primary health services) for municipalities.

On a per LGU level, changes in spending in the first year of the Mandanas ruling implementation varied. For health spending, the positive and significant effect of spending on hospitals and tertiary services was only seen in provinces and cities. For municipalities, the significant increase in spending for health was evident for income class 1 municipalities, and only a marginal change was seen in income class 5 and 6 municipalities, signaling absorptive capacity constraints and local government priorities. Further, while infrastructure and agriculture FSFs remain largely funded by national agencies, there are also notable increases in spending for infrastructure and agriculture across the three levels of LGUs.

The study makes one notable finding on the accounting practice among LGUs which is the "cross-charging" of their projects, programs, and activities (PPAs) across different offices. This practice allows for flexibility in budgeting and resource allocation; however, it blurs the tracking and reporting of the use of funds. Specifically, we observe this in the expense accounts for infrastructure and agriculture FSFs. It can be observed that for the infrastructure sector, expenditures are often charged to the Office of the Engineer, and for the case of the agriculture sector, spending is credited to the Office of the Agriculturist. Hence, there is also a need for the *unbundling* of the expenditure data which is a limitation of this analysis. At the time of writing this paper, there is no available breakdown of these expenditure accounts into specific activities.

## **9. Recommendations**

### **9.1. General recommendations**

The country's incomplete devolution agenda is traced to several structural constraints that need to be addressed in order to create an enabling environment for LGUs to effectively assume and deliver the devolved functions. These include addressing fiscal gaps, enhancing mechanisms for accountability and transparency, enhancing mechanisms for coordination and cooperation (between national and local governments, and among local governments), more effective capacity building interventions, and strengthening systems for local accountability, and a realignment of the functional assignments. While the already rich existing literature on Philippine devolution provides recommendations on how to address these binding constraints, the study complements these by proposing several recommendations on the functional assignment. We present these in the succeeding sub-section.

In this study, we make two more general recommendations:

First, the government can explore the potential role of provinces as inter-LGU coordinators and providers of incentives for improved LGU performance, incentives for commitment to inter-LGU agreements, and capacity building.<sup>8</sup> Provincial LGUs may also utilize the political and financial capital to initiate and support inter-LGU initiatives. Engaging provinces in this strategic role can help mitigate issues of hyper-fragmentation among LGUs that have resulted in the loss of economies of scale in local public administration and service provision. We expound more on the role of provinces in Section 9.2 below.

Second, the unbundling of the expenditures data in the LGU statement of expenditures can help provide a better estimate of the cost of devolved functions already assumed by the local governments. Specifically, this entails the following: i) specific sectoral FSFs expenditure accounts be created and standardized across all LGUs that implement the same FSFs, and ii) LGUs are mandated to credit the expenditures to the corresponding FSFs expenditure account. This aims to address the issue of “cross-charging” of spending across the different offices of the local governments. With these, the government will be able to account for spending related to specific FSFs regardless of which LGU office undertakes the spending.

## **9.2. Recommendations on functional assignment**

The *unbundled* functions, services and facilities (FSFs) discussed in detail in the Section 6 can be generally categorized into three groups according to their degree of devolution. These are FSFs that *de facto* (i) remain fully under national government, (ii) FSFs that are partially devolved or concurrently provided by both the national government and the LGUs (at varying degrees), and (iii) FSFs that are fully devolved to the LGUs. We find that while most of the general FSFs identified for devolution in Section 17 of the LGC are consistent with the principles of functional assignment, for the Philippines this is primarily the principle of subsidiarity, the devolution agenda can benefit from a reevaluation and realignment of some specific FSFs that are (i) in principle national government functions and should not have been devolved, i.e. those with national externalities, (ii) should be assigned to a higher level of local government due to regional externalities, and (iii) *de facto* difficult to devolve due to the country’s binding constraints. For FSFs that are in principle appropriate for devolution, the discussion points to the need for a reevaluation of the government strategy in addressing constraints that hinder full devolution: fiscal imbalances, capacity, enforcement and political economy.

### **Currently *de facto* national functions**

Some functions that *de facto* remain as national functions are consistent with the national government’s role of ensuring uniformity in service delivery standards and ensuring the equitable distribution of government services (Box 1). These are policy and service delivery standards setting, national sector regulations and agenda setting, national advocacies, provision of technical assistance for the implementation of a national agenda, and facilities with interprovincial reach. It must be noted, however, that the actual implementation and adherence of LGUs to national policies and standards is characterized by high variation because local governments maintain discretion over their own local programs and projects. The literature point to the need for a positive obligatory list with minimum service standards of mandated FSFs, and enhanced capacity for monitoring. Some functions are also inherently national in scale and in scope, and assignment under national government is logical because of economies of scale. Examples are the international procurement of drugs with limited local markets,

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<sup>8</sup> World Bank (2010)

the national seed reserve, cryo-preservation facilities etc. These functions are also considered to have national spillovers.

However, a number of these *de facto* national functions remain with the national government as a response to fiscal imbalances, local market failures, existing organizational and institutional limitations, and capacity constraints which have not been completely addressed even after 30 years of devolution. A strong example is the national hiring of doctors and medical staff for government hospitals by the national agency. This arose due to local labor market failures and limited career progression at the local hospitals especially at the city and municipal LGU level. Devolution of this function to a higher level LGU, specifically the province, increases scale and scope and addresses the issue of inter-city/municipal spillovers. For the agriculture sector, heterogeneity of the sector provides for a strong argument for subsidiarity. A number of these currently national functions can be fully devolved to the provincial LGU, provided that local capacity and financing are in line with the functional assignment. Assignment of these functions to the province enables for improved efficiency due to widened scope and scale of services, addresses inter-city and inter-municipal spillovers, and accounts for unique agricultural needs and characteristics specific to the component cities and municipalities. Similarly, a sub-category of these functions may be devolved to the city and municipal LGUs. For agriculture, these functions include accreditation, and issuance of licenses/permits and lease agreements.

Finally, another sub-category of these *de facto* national functions may be better delegated, instead of devolved, by their nature of having national spillovers. These comprise of FSFs related to disease control in the health and agriculture sectors. For agriculture, these FSFs are currently provided by the national agency (Box 1), while for health, these are partially devolved and concurrently provided by both the national agency and the local governments (Box 2). The literature has pointed to the broken flow of health information and disease surveillance with the devolution of the epidemiology and surveillance function. To improve coordination and since this function has national spillovers, disease surveillance (and similar FSFs in agriculture—pest and disease control in plants and animals) may be better implemented as a delegated function of the national agency. With delegation, funding and authority are assigned to the national agencies.

Box 1 below presents policy options for FSFs that are currently *de facto* assigned to the national government.

### **Box 1. Options for *de facto* national functions**

#### Remain as national functions

##### *Health*

1. National policy for health service delivery standards and facilities standards
2. National policy for manpower/hiring
3. Health advocacy
4. Health regulations
5. Internationally procured drugs with limited local market

##### *Infrastructure*

6. Technical assistance and capacity building

##### *Agriculture*

7. National and regional agricultural extension agenda
8. National seed reserve, national cryo-preservation service facilities, conservation (ex-situ, in-situ, in vitro) and preservation and maintenance of field gene bank

<p><u>For devolution at the province level</u></p> <p><i>Health</i></p> <ol style="list-style-type: none"> <li>1. Hiring of doctors, dentists, medical technologists, nutritionist-dietician, physical therapist; pre-service scholarship for medical and midwifery</li> </ol> <p><i>Agriculture</i></p> <ol style="list-style-type: none"> <li>2. Provincial agricultural extension agenda</li> <li>3. Implementation of e-Extension, Techno Gabay Program/ provision of ICT equipment</li> <li>4. Plant/pests diagnosis, construction and operations of quarantine laboratories for interprovincial and national border controls</li> <li>5. Establishment of fish hatcheries and production of fingerlings; foundation groves and nurseries</li> <li>6. Incentive system for LGUs in protecting municipal waters</li> </ol>
<p><u>For devolution at the city/municipal level</u></p> <p><i>Agriculture</i></p> <ol style="list-style-type: none"> <li>1. Certification/accreditation LSA, SPA, ESP; accreditation of importer and exporter, packing facilities, farms, treatment providers, and growers; issuance of Fishpond Lease Agreement Areas (FLA); accreditation of seed growers/producers, plant nurseries, seed farms etc.</li> </ol>
<p><u>For delegation</u></p> <p><i>Agriculture</i></p> <ol style="list-style-type: none"> <li>1. Collection and screening of other potential bio-control agents</li> <li>2. Village type bio control laboratories</li> <li>3. Screening and validation of different active ingredients against pest and diseases</li> </ol>

### **Concurrent functions / *de facto* partially devolved**

Many of the FSFs that are concurrently delivered by both the national and local governments arose to circumvent fiscal and structural constraints. This has resulted in two-track delivery systems for these devolved functions. For the health sector, there is a clear delineation of where the national government intervenes—in the Department of Health (DOH) retained hospitals, Category 1 (high gap and low capacity) LGUs, and for GIDA, peace-building and high poverty areas. Specific to the Category 1 LGUs, DOH intervention pertains to funding support which is targeted to end in the year 2024. Similarly for the agriculture sector, the national agency intervention is directed towards 5<sup>th</sup> and 6<sup>th</sup> class cities and municipalities, and in FSFs with inter provincial spillovers. It must be noted, however, that for the agriculture sector, many FSFs still remain under national agency provision (Box 1). For the infrastructure sector, the delineation is less clear and the Department of Public Works and Highways (DPWH) provides funding support for the different infrastructure projects across all LGUs in general.

The LGUs' financing constraint is an amalgamation of different factors. First, the inherent mismatch in finance and function which has resulted in horizontal and fiscal imbalances. Second, interjurisdictional spillovers for certain FSFs—i.e. less than ideal location of DOH hospitals which cater to several political jurisdictions, and roads, bridges and flood control projects which affect adjacent LGUs, disincentivize LGU financing for these FSFs. Third, provision of national agency financing disincentivize LGU revenue making. Fourth, the local development fund (LDF) being used for other purposes because of various reasons—LGU prerogative, spillovers, and political economy factors. Meanwhile, national agency provision of these FSFs in low capacity LGUs may also disincentivize investments in capacity building.

Among the concurrent functions (Box 2), a subset of these FSFs is in principle, ideal for full devolution. However, to achieve this, the abovementioned constraints need to be addressed. Several studies have found that the NTA is less than the cost of devolved functions for several LGUs and that there is a



mismatch between the cost of devolved functions and the NTA transfers to the different levels of government.<sup>9</sup> A reevaluation of the NTA formula is then warranted to address inherent fiscal gaps. Studies also pointed to the dearth of significant incentives or reward mechanisms for improvements in service delivery and revenue-raising at the local government level.<sup>10</sup> This warrants incentives to be introduced to encourage LGUs to maximize traditional and more innovative revenue-raising measures available to them. This requires, in parallel, enhanced capacity building—at the national level pertaining to enhanced monitoring to improve LGU compliance with the mandated multi-sectoral development plans, and at the local level pertaining to increased manpower and improved technical know-how of staff to transform financial resources into service delivery outputs.<sup>11</sup>

Among the FSFs that are to be fully devolved to the LGUs are those that are to be realigned under the leadership of the provincial LGU (Box 2). The realignment aims to address several constraints. For health, these are organizational constraints and interjurisdictional spillovers from provincial, district, municipal hospitals, local labor market failures, and small scale and scope of local procurement. For infrastructure, realignment of infrastructure projects with interjurisdictional spillovers to provinces addresses coordination issues, fragmentation, underinvestment and capacity constraints. For agriculture, the arguments are the same in the discussion above (options for currently *de facto* national functions).

Among the FSFs that are to be fully devolved to the cities and municipalities are those with purely local benefits. For health, these include the financing and provision of health services assigned to cities and municipalities. For infrastructure, these include the construction, maintenance, improvement, and rehabilitation of purely local road segments and bridges such as barangay or inter-barangay roads, and water and sanitation for the bigger cities and municipalities.

Finally, another subset of these concurrently provided/ partially devolved functions may be better off retained with the national government or re-nationalized due to national or regional spillovers. For health, provision of technical assistance to the national government is consistent with national standards setting, while disease surveillance has national spillovers. For agriculture, functions related to the issuance of advisories, bulletins, alerts, and early warning and forecasting systems likewise have national spillovers and are more efficient with a national scale and scope. Again, with delegation, funding and authority for such FSFs are assigned to the national agencies.

Box 2 below presents policy options for FSFs that are currently *de facto* concurrent functions of both national and local governments.

## Box 2. Options for *de facto* concurrent functions

### For re-devolution at the province level

#### *Health*

1. Construction, repair, rehabilitation, and renovation of provincial, district, municipal hospitals
2. Hiring of nurses and midwives
3. Procurement for drugs that are readily available at local market

#### *Infrastructure*

4. Maintenance, improvement, and rehabilitation of prioritized LGU road segments and bridges that have inter-jurisdictional spillovers

<sup>9</sup> Capuno, Manuel and Salvador (2002), Soriano, et al. (2005), Manasan (2007), Llanto (2012), Capuno (2017), Manasan (2020), World Bank (2021), UNDP Philippines (2022)

<sup>10</sup> Capuno (2017), Mendoza and Ocampo (2017), Diokno-Sicat, et al. (2020), Nuevo, et al. (2022)

<sup>11</sup> Navarro (2014), Monsod (2016), Domingo and Reyes (2017), Capuno (2017), World Bank (2021), UNDP Philippines (2022)

<ol style="list-style-type: none"> <li>Maintenance, improvement, and rehabilitation of flood control</li> <li>Maintenance, improvement, and rehabilitation of water supply and sanitation for smaller municipalities</li> </ol> <p><i>Agriculture</i></p> <ol style="list-style-type: none"> <li>Procurement / production / distribution of agricultural inputs and supplies<sup>12</sup></li> <li>Construction / establishment / acquisition of areas for feedlots/ pasture land/ forage areas and feed storage (production centers) for breeder (nucleus animals); artificial insemination (AI) Centers and Semen Processing Centers for nucleus farms; national / regional training facilities</li> <li>Identification and acquisition of area/ design (DED) and program of works (POW)/ construction and operations and maintenance of market-related infrastructure (including facilities, equipment and hauling vehicles)</li> <li>Enforcement of fisheries laws—procurement of equipment and supplies for enforcement of fisheries laws; establishment and maintenance of fish sanctuary; coastal clean-up</li> <li>Construction and maintenance of quarantine operations</li> </ol>
<p><u>For devolution at the city/municipal level</u></p> <p><i>Health</i></p> <ol style="list-style-type: none"> <li>Financing and provision of health services assigned to cities and municipalities</li> </ol> <p><i>Infrastructure</i></p> <ol style="list-style-type: none"> <li>Maintenance, improvement, and rehabilitation of road segments and bridges that are purely local such as within barangay or inter-barangay farm to market roads</li> <li>Maintenance, improvement, and rehabilitation of water supply and sanitation for bigger cities and municipalities</li> </ol>
<p><u>For re-nationalization /delegated functions</u></p> <p><i>Health</i></p> <ol style="list-style-type: none"> <li>Technical assistance for monitoring and evaluation of projects</li> <li>Disease surveillance</li> </ol> <p><i>Agriculture</i></p> <ol style="list-style-type: none"> <li>Issuance of pest advisories, bulletins, alerts, early warning and forecasting system for dissemination in the local level</li> </ol>

### ***De facto* devolved functions**

A number of the FSFs identified in Section 17 of the LGC are already fully devolved functions (Box 3). One subset of these FSFs can be characterized as truly local. Another subset would require interjurisdictional coordination and cooperation, specifically for the preparation of inter-LGU infrastructure development plans and local agricultural extension services roadmaps. This entails technical capacity building for planning especially for complex and inter-LGU capital investments. The role of the national agency is to enhance capacity building and strategic planning in the LGUs, and to ensure the rollout of national plans, while creating an incentive system that can address political economy constraints.

Box 3 presents policy options for FSFs that are currently *de facto* fully devolved functions.

<sup>12</sup> Inorganic pesticides, pheromones lures, and chemical reagents for the production of mother stock bio-control agents; animal biologics & supplies

### Box 3. Options for *de facto* devolved functions

#### Status quo: fully local functions

##### *Infrastructure*

1. Preparation of feasibility study, detailed engineering design, and procurement for LGU buildings and facilities
2. Construction, rehabilitation, and maintenance of LGU facilities
3. Local road network development plan/ feasibility study, engineering design, procurement for purely local roads
4. Preparation of feasibility study, detailed engineering design, and procurement for water supply and sanitation for bigger cities and municipalities

##### *Agriculture*

5. Operation and maintenance of the LGU training facility for animal farms and financing thereof
6. Construction, operations and maintenance of facilities and procurement of equipment for dairy farms and financing thereof
7. Establishment and maintenance of LGU-owned technology demonstration sites and model farms
8. Establishment of local quarantine checkpoints

#### Requires interjurisdictional coordination and cooperation/ better assigned to the provincial LGU

##### *Infrastructure*

1. Provincial road network development plan/ feasibility study, engineering design, procurement
2. Preparation of feasibility study, detailed engineering design, and procurement for flood control
3. Preparation of feasibility study, detailed engineering design, and procurement for water supply and sanitation for smaller municipalities
4. Augmentation of financing of lower level LGU

##### *Agriculture*

1. Local agricultural extension services roadmaps
2. Conduct of training for extension services delivery
3. Production and distribution of plant biological control agents & supplies
4. Construction and maintenance of quarantine operations
5. Construction and establishment of village type bio-control laboratories

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## 11. Appendices

### Appendix A. KII with DOF BLGF

<b>KII meeting with Bureau of Local Government Finance</b> Agenda: Clarifications on contents, process, and interpretation of SOE data Date and time: June 3, 2024, Monday, 930AM (Via Zoom)	
Participants:	Position
Director Ma. Pamela P. Quizon	Acting Deputy Executive Director
Mr. Ricardo L. Bobis, Jr.	Director II (Local Fiscal Policy Service)
Ms. Cynthia G. Faurillo	Acting Chief (Local Treasury Operations Division)
Ms. Mary Ann U. Rada	Acting Chief (Local Financial Data Analysis Division)
Marianne N. Juco	PIDS- Project Consultant
Ricxie B. Maddawin	PIDS- Senior Research Specialist
Jake D. Calubayan	PIDS- Project Technical Assistant