
A DECADE OF TAKING ROOT:
The Status of Decentralization
OVERSIGHT AND SUPPORT AGENCIES

Ten Years After the Passage of the
Local Government Code of 1991

By

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ACRONYM

AO	Administrative Order
BLGD	Bureau of Local Government Development
BLGS	Bureau of Local Government Supervision
CSC	Civil Service Commission
COA	Commission on Audit
LB	Land Bank
LCE	Local chief executives
LGC	Local Government Code

	DILG	Department of Interior an Local Government
DBM		Department of Budget and Management
DOF		Department of Finance
DPWH		Department of Public Works and Highways
LGU		Local Government Unit
MC		Memorandum Circulars
MLG		Ministry of Local Government
NEDA		National Economic and Development Authority
NGO		Non-government Organizations
PBAC		Pre-Qualification, Bidding and Awards Committee
PICPA		Philippine Institute of Certified Public Accountants
RFA		Rapid Field Appraisals

EXECUTIVE SUMMARY

This study focuses on the performance and progress made by the oversight agencies in their relations with local government units or LGUs as they implement the Local Government Code of 1991 during the past ten years. It also gives an account of the past and recent activities of these agencies, using as reference points the findings of the past Rapid Field Appraisals (RFAs) within the following dimensions, where applicable: technical assistance, regulations, reform and dominant modes of relationship.

These agencies are the following: Department of the Interior and Local Government (DILG); Department of Budget and Management (DBM); Department of Finance (DOF); Civil Service Commission (CSC); National Economic and Development Authority (NEDA); and Commission on Audit (COA).

The highlights of the findings

Department of the Interior and Local Government

By virtue of the pre- 1991 local government code and other laws, largely in the form of presidential decrees, the DILG enjoyed a pre-LGC mandate that made it the primary agency through which the President exercised general supervision over the LGUs, which was operationally defined to include aspects of control.

The LGC repealed or amended these laws and reduced, in effect, the agency into doing only such functions as receiving copies of LGU reports and plans, providing technical assistance, monitoring, standards setting, training, and investigation of erring local officials. The agency lost the authority to approve local development plans, approve the LGU work programs for the use of the 20% development fund, act as disciplining agency for cases involving erring local officials, and the like.

During the first few years after LGC took effect in 1992, the DILG was designated as the lead agency to ensure the smooth implementation of the new code, particularly its provisions on devolution. The succeeding years saw the agency discharging what remained of its functions, largely in such areas as local capability building, giving of technical assistance, and monitoring.

The many memorandum circulars issued by the agency for LGUs document its performance of the supervisory authority delegated to it by the Office of the President. Some of these are not as strictly supervisory as they involve "reclaiming" certain lost authorities over LGU operations. These include annual investment planning, the use of the 20% development plan, loan applications, and foreign travels of local officials. Most of these issuances have either been recalled or rescinded anyway, apparently in response to protests and criticisms that these have drawn from various quarters.

Recent activities being undertaken by the agency point to some progress in the way it is conducting, notably, its technical assistance, capability building and monitoring functions - and these are worth watching. The current agency leadership is following an orientation that emphasizes more the facilitative role than the regulatory role in its relations with the LGUs.

Department of Budget and Management

Much of the power and authority exercised by the DBM over LGU budgetary process by virtue of certain laws, have likewise been removed by the LGC. At present what has remained from the functions of the DBM in relation to LGUs have largely been those that it discharges by virtue of its authority to review the annual budgets of provinces, highly urbanized and independent component cities, and Metro Manila municipalities, and issue local budgeting guidelines.

The agency's other activities include the administration of the compensation and position classification system established under RA 6758 (Compensation and Position Classification Act of 1989). It also releases the share

of LGUs in the Internal Revenue Allotment (IRA) and in the use of national wealth. Jointly with COA, the agency issued the *Budget Operations Manual for LGUs* in keeping with the requirement of the Code.

Unlike the DILG, the DBM is hounded less by regulatory issues than money issues. These issues mostly involve the Internal Revenue Allotment or IRA, particularly on its allocation, computation, distribution, and release; and the deductions and impositions made upon it by Congress or the Executive. Another money issue arises from the release of the LGU share in the use of national wealth.

Recent initiatives from the executive office proposed the automatic appropriation of the IRA and the release of the "IRA impositions" made in the past.

Department of Finance

The DOF before the LGC served as the principal agency exercising supervisory power over LGUs on local taxation, real property taxation, local fiscal administration, credit finance, and such other matters on local finance. Much of this authority was removed by the LGC from the DOF and its Secretary. Insofar as local finances are concerned, the role of the DOF under the Code has been confined largely to promulgating the rules and regulations for the classification, appraisal, and assessment of real property; and providing technical supervision over local treasury officers. The DOF Secretary also appoints the local treasurer from a list of at least three qualified nominees provided by the local chief executive.

Implementing the LGC has meant for DOF doing some urgent tasks called for by or implied in the Code itself. Through the Bureau of Local Government Finance, the agency has updated the income classification of LGUs in 1995; and updates were also made in 2000. It has also promulgated the rules and regulations for classification, appraisal, and assessment of real property pursuant to the LGC provisions, and provided training to local assessors on the matter. A manual for assessors to "codify" the existing local assessment regulations issued at separate times by DOF in the past is under preparation. The BLGF, jointly with the Commission on Audit, have completed the draft of the long-overdue manual for treasurers, which is meant to replace the age-old Manual of Instructions.

Previous RFAs saw the DOF, through the BLGF, providing technical support for capacity building initiatives for LGUs on financial management and revenue generation, performing its monitoring functions, and managing the funds and operations of foreign donor-assisted national projects that extend financial and technical support to LGUs.

The growing demand for BLGF to monitor bond issuances, BOT and other similar schemes, loan availments, and such other initiatives by LGUs to access non-traditional sources of revenue, plus the revolution in information and communication technology - all these and more have been provoking a revisit of the Bureau's organization and internal capacity. Organization development activities are underway to find the right fit.

Care is exercised by the Bureau in discharging its regulatory functions, confining itself merely to setting the framework for local fiscal initiatives.

Civil Service Commission

Being a Constitutional creation, the Civil Service Commission enjoys a mandate that goes beyond what the Code provides. Aside from the Constitution and the Code, it also draws its authority from civil service and other laws. The LGC has only added little more to its mandate

The year 1992 and beyond saw the Commission providing guidelines on matters affecting the transfer of personnel, on the establishment of organizational structure and staffing pattern for LGUs, on human resource development of LGUs, and issuing resolutions on personnel issues

The lack of field personnel has kept the CSC from providing technical assistance LGUs on personnel and human resource development matters. Its authority to approve or attest to local appointments has been transferred to accredited LGUs, but only few LGUs are accepting it.

National Economic and Development Authority

NEDA's relations with LGUs are guided by certain provisions in the Code entitling it to receive regional development plans that are required, in turn, to integrate the approved development plans of provinces, highly urbanized cities, and independent component cities. The LGC removed from NEDA the authority to review applications for grants, especially foreign grants, from LGUs who wish to obtain them directly.

Providing support to LGUs through the Project Development Assistance Centers (PDACs) have been the main thrust of NEDA since 1997. The focus is on capacity building on project development for largely 5th and 6th class municipalities nationwide, using non-standardized courses tailor-made for their assessed needs.

Commission on Audit

Following the Code mandate, the Commission on Audit has prescribed for LGUs internal control and accounting systems and a property and supply management system that were issued in 1992. Jointly with DBM, it issued the Budget Operations Manual, and is now working with DOF for the preparation of the manual for local treasury operations. Aside from the Code and other laws, it also draws its mandate from the Constitution. Like in the CSC, the Code has done little change in the mandate of COA in its relations with LGU.

After almost four years, COA has finally issued the accounting guidelines on the sub-allotment system for devolved hospitals. The agency has also initiated a move to reengineer the existing LGU accounting system, throwing the whole thing away and putting in place an entirely new one, to keep up with the times.

RECOMMENDATIONS

The study recommends the following actions based particularly on its findings:

- ω *Review and amend Code provisions that limit or impede reform initiatives.* Sections 130(c) and 198 (d) (which prohibit the letting to any private person the collection of local and real property taxes), for example, have little justification now in this age of information technology.
- ω *Undertake Leagues-led initiative to ask DBM, DENR and DOE to agree on the mechanism of computing, documenting, and releasing the share of LGUs in national wealth, in a manner that will remove all procedural snags.* Affected LGUs have to be identified and the Leagues may rally them into initiating a dialogue or meetings with the NGAs concerned for that purpose.
- ω *Close watch of proposal or action to amend the law (RA 6975) creating the DILG.* The long list of control-oriented issuances from the agency should warrant the close watch from among local autonomy advocates.
- ω *Define "development" in "20 % development fund".* This gap in the Code has provided an opportunity for some agencies to tell LGUs how and where to use the fund, and for some LGUs to use it for purposes other than local development, at the expense of their constituents. NGOs and their partners may take the lead in having the Code amended to define it.

I. INTRODUCTION

This study focuses on the performance and progress made by the oversight agencies in their relations with local government units as they implement the Local Government Code of 1991. As oversight and support agencies they ensure that LGUs exercise their power and authorities and perform their functions within the scope prescribed by laws. In specific cases they formulate policies, set standards, prescribe guidelines and may also provide technical, financial and other forms of assistance to LGUs. These agencies are the following:

- ω Department of Interior and Local Government (DILG);
- ω Department of Budget and Management (DBM);
- ω Department of Finance (DOF);
- ω National Economic and Development Authority (NEDA);
- ω Civil Service Commission (CSC); and
- ω Commission of Audit (COA)

The study spells out the changes in the mandates of the agencies as occasioned by the LGC. The changes hopefully would clarify the extent of changes central-local relations as provided by the Code; define the power of general supervision; and identify the imperatives to make this happen.

This study also gives an account of the past and recent activities of the agencies, using as reference points the findings of the past Rapid Field Appraisals. The accounts are based largely on series of interviews with key informants and on issuances and materials related to the matter. These are followed by a broad assessment of findings and recommendations. Doability and feasibility were the basic criteria used in crafting the recommendations.

In relation to LGUs, the DILG, DBM and DOF by the very nature of their function as executive agencies derive their mandate from the general supervisory power of the President and from Congress. The CSC and COA draw their mandate from the Constitution and other existing laws while NEDA is also mandated by the Constitution to function as the government's independent planning agency until Congress provides otherwise.

In the operational sense, the scope of general supervision has been a subject of continuous deliberation; thus, reflecting a need to clarify the boundaries that separate control and supervision.¹ The confusion is

¹ The often-cited jurisprudential definitions are the following: "In administrative law, supervision means overseeing or the power or authority of an officer to see that subordinate officer perform their duties. If the latter fails or neglect

understandable because of the long tradition of centralism in the country's political-administrative system. One of the sources of confusion is the manner by which the 1935 Constitution provided the President of the Philippines with the general supervisory power over the LGUs. It included the phrase "as may be provided by law" which allowed the legislature to define "general supervision" in the manner it sees fit. However, the 1987 Constitution sought to correct this confusion by clearly providing that the "President shall exercise general supervision over the local governments". It is important to note that the phrase "as provided by law" is completely left out. This could be interpreted to ensure local government's autonomy from Congress and to remove control of Congress over local government affairs.² It equally provides that the LGUs "shall enjoy local autonomy" and required Congress to enact a Local Government Code for this purpose.

to fulfill them the power may take such action or step as prescribed by law to make them performs their duties". (Montano vs. Silvosa, vol. 97 Philippine Reports, p. 147). In contrast, control means "the power of an officer to alter or modify or nullify or set aside what a subordinate officer has done in the performance of his duties and to substitute the judgement of the former for that of the latter". (Montano vs. Silvosa, vol. 97 Philippine Reports, p. 148).

**II. A DECADE OF DECENTRALIZATION: SHIFTING FROM CONTROL TO SUPERVISION;
REGULATION TO FACILITATION**

A. Department Of Interior and Local Government

Pre-LGC and LGC Mandates

For two decades until the LGC took effect in 1992, the Department was given the mandate of primarily exercising the power of executive supervision over LGUs. This mandate was made explicit in BP 337 in a provision that states:

“The President of the Philippines shall exercise general supervision over local governments to ensure that local affairs are administered according to law. Such general supervision shall be exercised primarily through the Ministry of Local Government.”

Then as now, “general supervision” is limited, at least conceptually, to the power of ensuring that “local affairs are administered according to law.” The LGC gives the President the same power. It, however, omits the expressed delegation of that power to the DILG. But two months after the LGC took effect, President Corazon C. Aquino delegated to the DILG Secretary the supervisory authority vested in her by the LGC.³

However, as shown by **Table 1**, the DILG was given the mandate not only to supervise but also to regulate LGUs. The enactment of the Local Government Code and consequently the repeal of the various Presidential Decrees and BP 337 left DILG with minimal legal basis for most of the regulatory authority it used to exercise over LGU affairs. With the Code as the only specific law to invoke regarding LGU affairs, initial issuances from the Office of the President reflected limited authority assigned to the agency. Again, Table 1 shows these limitations.

Table 1

DILG: Pre-LGC and LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
<p>Power of general supervision</p>	<ul style="list-style-type: none"> Power for general supervision resides in the President with the Legislature given the mandate to extend the power of general 	<ul style="list-style-type: none"> Repeals BP 337 No similar LGC provision. The LGC explicitly restores to the 	<ul style="list-style-type: none"> A provision in the 1987 Constitution removes from Congress the mandate to extend the power of the

² SC in Rodolfo Guanzon vs. Court of Appeals G.R, 93252, August 5, 1991 contained in Nolleddo, Jose *The Local Government Code of 1991 Annotated* National Book Store, 1992 p. 142

³ Administrative Order 267 on February 18, 1992

Subject	Pre-LGC Mandate	LGC Provision	Change
	<p><i>supervision to include control.</i></p>	<p>President the power of general supervision.</p>	<p>President beyond general supervision.</p> <ul style="list-style-type: none"> • AO 267, delegates to the DILG Secretary the authority to exercise supervision directly over province, highly urbanized cities, and independent component cities
<p>Disciplinary Actions</p> <ul style="list-style-type: none"> ω Investigation of conduct of LGU officials ω Form and filing of complaints ω Preventive suspension 	<ul style="list-style-type: none"> • MLG given the power for general supervision including the power investigate the conduct of LGU officials • <i>Complaints against any elective provincial or city official shall be filed before the MLG</i> • <i>MLG has the power to put a provincial or city official under preventive suspension.</i> 	<ul style="list-style-type: none"> • Said power is given to the President • Disciplining Authority for administrative disciplinary cases filed against local chief executives, vice-LCEs, and <i>Sanggunian</i> members of provinces, cities and Metro Manila LGUs shall be the President, who may act through the Executive Secretary. <ul style="list-style-type: none"> • Complaints against any 	<ul style="list-style-type: none"> • The DILG Secretary reduced to Investigating Authority. • Procedure consistent with • cited amendment.

Subject	Pre-LGC Mandate	LGC Provision	Change
		<p>elected provincial or city officials shall be filed before the Office of the President.</p> <ul style="list-style-type: none"> Preventive suspension may be imposed by the President on elective provincial or highly urbanized or independent component city officials 	
<p>Approval of leaves of absence</p>	<ul style="list-style-type: none"> Minister of Local Government approves leave privileges of the city mayor and provincial governor 	<ul style="list-style-type: none"> President or his/her duly authorized representative approves leaves of absence of the governor and the mayor of a highly urbanized or independent component cities 	<ul style="list-style-type: none"> Approving authority is given to the President, who may delegate the authority. AO 267 delegates said authority to the DILG Secretary
<p>Permission to travel abroad</p>	<ul style="list-style-type: none"> No explicit provision on this matter 	<ul style="list-style-type: none"> Mere notice to the <i>sanggunian</i> is required from local officials traveling abroad. Permission from the Office of the President is required when the period of travel extends to more than three months during periods of emergency or crisis or when the travel involves the used of public funds. 	<ul style="list-style-type: none"> AO 267 delegates to the DILG Secretary the authority to allow foreign travel.
<p>Disbursement of appropriations for local development projects</p>	<ul style="list-style-type: none"> Minister of Local Government or his/her duly authorized representatives exercises the authority to review the corresponding LGU work programs before any appropriation for development projects is disbursed 	<ul style="list-style-type: none"> Repeals PD 477 LGUs are required to maintain special accounts in the general fund for development projects funded from their IRA share. 	<ul style="list-style-type: none"> Removes authority from the DILG Secretary to review said work programs.

Subject	Pre-LGC Mandate	LGC Provision	Change
Use of LGU share in the national taxes	<ul style="list-style-type: none"> DILG prescribes the requirements that governs use of the Barangay Development Fund 	<ul style="list-style-type: none"> Repeals PD 144. DILG merely receives the copies of LGU development plan supported by the 20% local development fund 	<ul style="list-style-type: none"> Removes authority to prescribe the requirements on the use of the Barangay Development Fund the authority
Local Pre-qualification, bid and awards committee (o) NGO and PICPA representatives	<ul style="list-style-type: none"> Jointly with DPWH and DBM, the DILG shall select the local PBAC representatives from the NGOs and the representative from the PICPA. DILG representative at the municipal level sits as member 	<ul style="list-style-type: none"> Two NGO representatives shall be selected by the NGO themselves. The local chapter of PICPA shall designate its own representative 	<ul style="list-style-type: none"> Removal of the authority from executive agencies
Local Peace and Order Council	<ul style="list-style-type: none"> DILG representative sits as members 	<ul style="list-style-type: none"> Adopts provisions 	
Central Board of Assessment Appeals⁴	<ul style="list-style-type: none"> DILG Secretary sits as member 	<ul style="list-style-type: none"> Repeals PD 464 with the President appointing CBAA members. 	<ul style="list-style-type: none"> Removes automatic membership of the DILG Secretary to the CBAA
LGU organizational structure and staffing pattern	<ul style="list-style-type: none"> DILG shall <ol style="list-style-type: none"> prescribe in consultation with LGUs minimum standards and guidelines Prescribe model organization and staffing patterns for LGUs, encourage the use of position classification and salary plans in LGUs, and conduct related training 	<ul style="list-style-type: none"> Repeals PD 1136 with LGUs are mandated to establish, design and implement its own organizational structure and staffing pattern that will meet priority needs and service requirements of the community and taking into account its service requirements and financial capability, subject to minimum standards and guidelines prescribed by the Civil Service Commission 	<ul style="list-style-type: none"> Emphasis on the authority of LGUs which in turn enables them to create the mandatory and optional positions, provided in LGC and transfers to CSC the authority to prescribe minimum standards and guidelines.
Responsibility	<ul style="list-style-type: none"> DILG is mandated to 	<ul style="list-style-type: none"> DILG-LGA remains 	

⁴ An appellate body with jurisdiction over all real property assessment cases decided by local board of assessment appeals.

Subject	Pre-LGC Mandate	LGC Provision	Change
for LGU Personnel Training	undertake training programs for LGUs with the LGA of the DILG shall be responsible for human resource development of LGU officials	responsible for the human resource development of LGU officials.	

Through AO 269, s. 1992, DILG was designated as the lead agency in the implementation of the Code. For the next ten years, it primarily assisted the Oversight Committee created by the Code to supervise the implementation of its key provisions, particularly the devolution of functions to LGUs. Its other activities included the following:

- ω Conduct an information campaign on the Code and its implementing rules;
- ω Implement a program of capability-building for LGUs that addresses their capacities to absorb the new powers and functions devolved to them;
- ω Supervise, monitor and facilitate (under the control of the Oversight Committee) the actual transfer of the functions, personnel, properties, assets, and records from affected national government agencies to LGUs
- ω Recommend measures to the Oversight Committee to ensure the unhampered delivery of devolved basic services and facilities
- ω Monitor with the CSC any personnel action that may infringe on the rights of the devolved personnel; and
- ω Assist the LGUs in the exercise of their new powers and functions.

A Decade After

1. Operationalizing supervision required unlearning the traditional paradigm of controlling behavior of LGUs through stringent guidelines that leave little room for flexibility.

Over the years, the agency has performed its supervisory role by “enjoining”, “requesting”, “urging”, “encouraging”, or “advising” and sometimes “directing” LGUs to follow guidelines and perform certain tasks or functions. However, this does not imply that DILG easily settled into their new supervisory mandate.

Past RFAs, noted that a number of policy issuances of the department showed DILG’s inclination to revert back to their traditional mode of control and regulation rather than facilitating and assisting. Guidelines issued by the department took the form of restrictions and power to DILG covering a range of concerns – from travel approval to loan applications. These limitations and mandates are not defined in the LGC, which is a cause of worry for local

autonomy advocates. The circulars have been dubbed by LGUs as infringements on their rights and power vested in them by Code. The penchant of the department to issue such circulars could be a manifestation of a more serious problem – a faulty understanding and a lack of consensus within the department on the real meaning of local autonomy

Table 2 shows controversial Memorandum Circulars issued by the department. An examination of these MCs yield a compelling concern as to the legal basis of these directives, requirements and limitations set by the department on a variety of LGU matters. (Appendix 1 is an expanded version of this table)..

Table 2

Various MCs Issued by DILG, by Subject⁵

Memorandum Circular	Key Provisions	Issues Raised
Foreign Travel		
94-120 (July 7, 1994)	<ul style="list-style-type: none"> • DILG prescribes policies and guidelines on foreign travel of LGU officials and employees • President or DILG Secretary approves request for travel, whether for official business or personal reason 	<ul style="list-style-type: none"> • LGC provides that “local government officials traveling abroad shall notify their respective sanggunian; provided that when the period of travel extends to no more than three (3) months; during periods of emergency crisis; or when

⁵ Agra, Alberto. Policies of Distrust: Policy Lapses on Local Autonomy. Center for Continuing Legal Education, 1999

Memorandum Circular	Key Provisions	Issues Raised
<p>98-15 (January 21, 1998)</p>	<ul style="list-style-type: none"> Amends 94-120 with the President authorizes to approve request for foreign travel from LCEs of provinces and highly urbanized cities (HUCs) and independent cities; <i>regardless of the nature, purpose or duration of the trip</i>, and from other LGU personnel if the <i>travel exceeds more than one (1) month</i> or involves a delegation of two or more regardless of rank, on official time only or on official business DILG Secretary approval authority limited to requests from other LGU officials and <i>employees, if the travel does not exceed one (1) month</i> among other things. 	<p>the travel involves the use of public funds, permission from the Office of the President shall be secured” (LGC, Sec. 96)</p> <ul style="list-style-type: none"> The following are areas of concern: <ul style="list-style-type: none"> - Do these MCs and AOs conform with LGC provision? - Do they cover on those foreign travels that involve the use of public funds?
<p>99-67 (April 26, 1999)</p>	<ul style="list-style-type: none"> Supplements 94-120 and 98-15. Defines “official time” and “official business” 	
<p>2000-27 (March 28, 2000)</p>	<ul style="list-style-type: none"> Amends 99-67 and makes it more stringent. LGU can approve official travel abroad of LGU officials and employees only if the purpose of the travel is to comply with an international or contractual obligation 	
<p>Local Development Plans & LGU Budget</p>		

Memorandum Circular	Key Provisions	Issues Raised
<p>95-94 (July 10, 1995)</p>	<ul style="list-style-type: none"> • Provides “initial guidelines on human and ecological security (HES) directives” for LGUs that requires inclusion of human and ecological security (HES) issues and concerns in local development planning, budget appropriations and management structures • Specifically directs LGUs to allocate in their annual budget, “starting CY 1995 an amount equivalent to 1/5 of the 20% development fund to finance human ecological security (HES) – related programs and projects”. 	<ul style="list-style-type: none"> • LGC repealed PD 1741 which previously authorized the DILG to approve local development plans • The following are areas of concern: <ul style="list-style-type: none"> - With the LGC and repeal of PD 1741, what is then the legal basis of issuing the human and ecological security (HES) guidelines? - Can DILG require LGUs to review and revise their development plans when its only responsibility is to receive copies of these plans? - Can DILG require LGUs to enact a supplemental budget for whatever purpose?
		<ul style="list-style-type: none"> - LGC explicitly mandated the CSC to prescribe LGU organizational structures, can the DILG on its own reclaim that authority from the CSC? Can DILG require LGUs to review existing organizational structures and modify them?
<p>Use of 20% Development Fund⁶</p>		

⁶ In view of the suspension of MC 99-66, the issues are now moot and academic; however, these are being pointed for purposes of appraising the dilemmas confronting the DILG in performing its mandate in accordance with the LGC.

Memorandum Circular	Key Provisions	Issues Raised
<p>95-94 (July 10, 1995)</p>	<ul style="list-style-type: none"> Requires LGUs to allocate a defined percentage of their development fund to HES-related programs and projects 	<ul style="list-style-type: none"> The LGC already repealed PD 1741 and therefore DILG and DBM are no longer authorized to issue policies and guidelines on the use of the 20% development fund.
<p>95-216 (December 14, 1995)</p>	<ul style="list-style-type: none"> Prescribes very specific policies and guidelines on the use by LGUs of the 20% Development Fund, including treatment of “reverted unexpended balance” 	<ul style="list-style-type: none"> The LGC already repealed PD 477 that authorizes the DILG Secretary to approve work programs of LGUs for the disbursement of their development fund. Therefore, can DILG still direct tell LGUs on the usage of their development fund? - Section 322 of the LGC states how “unexpended balances of appropriations” are to be treated. Therefore, under what authority can DILG continue to direct LGUs on how to use the reverted unexpended balance for the ensuing year?
<p>96-263 (December 9, 1996)</p>	<ul style="list-style-type: none"> Amends 95-216. It provides specific limitations to the use of the 20% development fund 	<ul style="list-style-type: none"> With the LGC provisions for the budgetary requirements and the general limitations on the use of local funds –
<p>97-30 (February 10, 1997)</p>	<ul style="list-style-type: none"> Amends 95-216 and allows the use of the development fund for capability-building activities but limits the expenditure to not more than 10% of the 80% of the Development Fund 	<ul style="list-style-type: none"> - Can DILG authorized to add more to these budgetary requirements? - Does DILG have the

Memorandum Circular	Key Provisions	Issues Raised
<p>99-66 (April 23, 1999)</p>	<ul style="list-style-type: none"> Amends 95-216 superseded 97-30 and reinstates the prohibition of the use of the development fund for capability-building activities, except for “employable skills -oriented training” Requires the approval of the DILG Secretary to procure brand new heavy equipment using the development fund 	<p>authority to set policies and guidelines for local budget preparation, authorization, execution and accountability?</p>
<p>99-99 (January 5, 1999)</p>	<ul style="list-style-type: none"> Allows LGUs again to procure reconditioned heavy equipment using their development fund 	
<p>99-109 (June 29, 1999)</p>	<ul style="list-style-type: none"> Directs LGUs to develop and implement an integrated Area/Community Public Safety Plan to be charged against the development fund 	
<p>99-169 (September 9, 1999)</p>	<ul style="list-style-type: none"> Reinstates the prohibition of using the development fund for capability-building training, and claims that the removal of such provision was an “inadvertent clerical/typographical error” 	<ul style="list-style-type: none"> Again, the persistent question - under what authority can DILG set policies and guidelines for the use of the development fund? The ever-changing position on the use of development fund for capability building within a span of 7 months reflects the lack of thoroughness in analyzing the implications of such posture.
<p>99-181 (September 20, 1999)</p>	<ul style="list-style-type: none"> Suspends 99-66 “in view of issues raised by Senator Drilon on the consistency of said circular with Sections 16 and 17 of the LGC on the use, appropriation and disbursement of the development fund 	
Use of intelligence fund		
<p>96-60 April 18, 1996</p>	<ul style="list-style-type: none"> Provides the guidelines and procedures in the preparation and submission by LCEs of work and financial plan for intelligence/ confidential (IC) Such plans needs approval by the DILG 	<ul style="list-style-type: none"> COA circular 88-293 already listed the expenses that could be charged against the IC fund, could DILG expand this list? What is the intention of DILG in reviewing and evaluating the

Memorandum Circular	Key Provisions	Issues Raised
<p>97-15 January 23, 1997</p>	<ul style="list-style-type: none"> Mandates DILG regional directors to review and evaluate the work and financial plan for the use of the IC funds 	<p>work and financial plan for the use of the IC funds? Is this a requirement for approval?</p>
<p>98-53 March 6, 1998</p>	<ul style="list-style-type: none"> Prescribes the procedural guidelines added to those provided in 98-60 and requires that reviewed work and financial plans shall be submitted to DILG Secretary through BLGS and the Undersecretary for Local Government 	
<p>98-136 July 24, 1998</p>	<ul style="list-style-type: none"> Prescribes budgetary and approval guidelines for the IC fund and gives the President the power to grant exemptions from the guidelines 	<ul style="list-style-type: none"> The LGC as contained in Section 324 and 325 already prescribed the budgetary requirements and the use of the local funds, can DILG add more to these requirements and limitations? Following are some of the concerns: <ul style="list-style-type: none"> Can DILG tell LGUs to appropriate unexpended balances even before a local appropriations ordinance is enacted? Can DILG vest the President with the authority to grant exemptions?
<p>99-65 April 23, 1999</p>	<ul style="list-style-type: none"> Amends 98-136 and provides new guidelines for the appropriation and disbursement of the IC funds. 	<ul style="list-style-type: none"> Again, DILG manifests the propensity to prescribe budgetary limitations and organizational and staffing patterns of LGUs when the LGC clearly removes this authority from them
<p>99-100</p>	<ul style="list-style-type: none"> Amends 99-65 and allows LCEs to 	<ul style="list-style-type: none"> COA circular 88-293

Memorandum Circular	Key Provisions	Issues Raised
June 15, 1999	assume the responsibility as “Special Disbursing Officers” of the fund.	provides that COA Chairman or his duly authorized representative shall have access to the books of accounts of LGUs to review the transactions, including IC funds. With this provision, does the DILG have authority to add to these procedures?
Use of local funds for seminars		
99-167 September 5, 1966	<ul style="list-style-type: none"> Provides the holding of conventions, seminars and similar activities, where LGU personnel are invited to attend using local funds requires the approval of the DILG Secretary and that LGU personnel can attend such activities using local funds if sponsoring training institution is accredited by DILG 	<ul style="list-style-type: none"> Again, why is DILG approval and accreditation needed for such activities?
98-170 (September 11, 1998)	<ul style="list-style-type: none"> Exempts state universities and colleges from accreditation 	
99-64 (April 23, 1999)	<ul style="list-style-type: none"> Supplements 99-167 with additional guidelines. DILG regional directors are delegated with the authority to authorize training events that are regional in coverage 	
Loan applications		
Letter to Land Bank President from DILG (September 7, 1998)	<ul style="list-style-type: none"> Requests that LB to refer to the DILG any loan application from a LGU that assigns the IRA as collateral or source of payment, before the bank considers the application 	<ul style="list-style-type: none"> The LGC removed such authority from the Secretary of Finance, how can the DILG Secretary reclaim it for himself?

Memorandum Circular	Key Provisions	Issues Raised
99-26 (February 3, 1999) ⁷	<ul style="list-style-type: none"> Requires LCEs to secure prior clearance and concurrence from DILG Secretary for any application for loan, credit and other form of indebtedness using IRA as a security 	
99-57 April 15, 1999	<ul style="list-style-type: none"> Advises LCEs that loan applications with government-owned banks “need no longer be coursed through” the DILG “for endorsement prior to the bank’s consideration.” 	

According to Director Rolando Acosta, Director of the BLGS, the regulatory aspect cannot be completely eliminated because of DILG's supervisory function. Translating DILG's role in supervising LGUs definitely does not mean simply being a mere recipient of local reports and plans. Director Acosta strongly feels that some measure of regulation should be exercised to ensure judicious use of resources. This was what the department attempted to do as exemplified by the series of circulars on the use of the development fund. These circulars, according to Director Acosta are well studied and meant to respond to specific needs. The DILG issuance on the use of this fund, for example, took one year to make. It responded mainly to the reported "abuse and misuse" of the development fund. “Would the giving of cash gift or buying of brand new *Pajeros* mean "development", he asked?

A review of the status of a number of controversial issuances showed that MC 95-216 and related MCs have been rescinded in effect for want of a legal basis by virtue of EO 8, s.2001 issued by President Arroyo.

Memorandum Circular 98-136, dated July 24, 1998, limits the use of the local intelligence fund is still in effect using as legal basis a Letter of Instruction No. 1282⁸ issued by then President Marcos, which has not been repealed.

Letter of then Secretary Ronaldo Puno, dated September 7, 1998, to the President of the Land Bank of the Philippines, requesting him to refer to DILG any application for loan from any LGU that uses a part of the IRA as collateral or source of payment. Withdrawn in effect by former Secretary Puno through Memorandum Circular 99-

⁷ BLGS Director Rolando Acosta said that MC 99-26 was never circulated because it was recalled.

⁸ LOI 1282, reiterated by COA Circular No. 88-293, enumerates the expenses that could be charged against intelligence funds.

57, dated April 15, 1999, advising LGUs that loan applications with government financial institutions "need no longer be coursed through the DILG for endorsement prior to the bank's consideration."

- 2. Devolution requires massive capacity building for LGUs. DILG through its various units sought to provide various programs to address capacity need. Increasingly, especially during the last four years, DILG, began to design various modes of technical assistance that is demand-driven and customized to the specific needs of particular LGUS.**

Efforts to strengthen and enhance capabilities of LGUs are done by three units of the department: LGA, BLGS and BLGD.

The Local Government Academy has decided to shift its capacity building thrust from what Assistant Secretary Austere Panadero calls "framework building" to one that emphasizes experience sharing. The idea is to identify cases of good practices in local governance, catalogue them for the LGUs, and implement a training program that will help LGUs replicate a chosen good practice in a "well-planned and purposive" manner. Capacity building, in this way, is not done for its own sake, but for achieving targeted outcome; and training takes the role of a tool, not an end in itself.

Assistant Secretary Panadero finds in LGA a good resource for giving flesh to the idea. LGA has produced a compendium of good practices from various sources, complete with a replication guide.⁹ Around 3,000 copies have been printed, courtesy of the Galing Pook Foundation. A handbook for facilitators has also been developed for DILG implementers, and replication centers are being organized to provide technical resource to the LGUs. As a matter of course, key results will be measured in terms of how many LGUs have been supported to replicate good practices.

Apart from this, the LGA has also come up with its "Course Offerings for 2001", and started holding sessions for them in August 2001, with orientation and refresher courses for newly elected local officials, and a "competency building" course for the re-elected. The offerings include demand-driven or specialized, "highly customized" courses designed to address the specific needs of the LGU or cluster of LGUs.

Assistant Secretary Panadero suggests that although the capacity building support offered to LGUs are DILG-led, they actually stem from an assessment of LGU needs and requirements through the monitoring and feedback systems of the department.¹⁰ The designing of the courses itself follows a process that requires the LGA

⁹ Sources include winners of and selected nominees for the Galing Pook Award (LGU LeaguesAIM/LGA), Hamis Award (DOH), Child Friendly Award (UNICEF), Literary Award (DECS), Nutrition Award (NCP), Pamana ng Lahi (DILG), and others.

¹⁰ The courses offered seem to veer away, in fact, from the standard, generic topics and focus instead on the specialized ones. Sample topics: "Bond Flotation and Other Credit Financing Schemes under Public-Private

team to look into both good and not-so-good practices and get learnings from them, before putting the details into the course design. For example, designing the course "Streamlining Local Government Regulatory Systems," took the LGA team to several LGUs, and reportedly were doing good.¹¹

The Bureau of Local Government Supervision, headed by Director Rolando Acosta also initiates a parallel capacity building support activity hewing closely to the traditional type. A 22-day continuous "In-Country Training Course on Regional Development Supports for Local Planning and Development Officers" has just been concluded, with P2 million funding from JICA, whose support Director Acosta is proud to have solicited. The participants include local planning coordinators, and local health, social welfare, and building officers, who were selected from all over the country with the assistance of DILG regional offices through their respective screening committees.

The course design follows a series of lecture-discussions on various development and development management topics, capped by evaluation and feedback or "examination" sessions. The topics ranged from *Regional Development Framework for Planning: Policies, Strategies, and Goals* to *GPS (Global Positioning Satellite) Application to Land Use Planning* to *Protocol and Social Graces*.

The BLGS has also completed preparations for a "country-focused" training for ten LGU participants, requiring a 35-day stay in Nagoya, Japan, and then Tokyo, courtesy again of JICA.

Soon after the Code took effect, the BLGD initiated a number of projects to assist in the capacity-building of LGUs, particularly in the area of project development and investment planning and promotions. Some of these projects are the following: the LGU Cluster Development Project, initiated in 1992; Market Management Improvement Project, initiated in 1997 and the MIS Project, initiated in 1999.

The LGU Cluster for Development Project, taking particular advantage of the codal provision that encourages LGUs to group themselves, consolidated and coordinated efforts, services and resources for purposes beneficial to them. Six clusters have been organized since 1992 covering 34 pilot municipalities in the provinces of Iloilo, Ilocos Sur, Isabela and Romblon with support from JICA and the Afro-Asian Development Organization.

The BLGD has given support to the projects in three phases. Phase 1 covers the conduct of seminar-workshops on cluster development approach with the participants identifying the economic and social/physical situation in

Partnership;" "NGO-Civil Society Participation in Local Governance;" or "Streamlining Local Government Financial Systems and Procedures."

¹¹ A necessary by-product of the process is the knowledge that the team gets from the experience, which allows them an inside look at the extent of challenges LGUs face on the topic. Ms Sacendoncillo was particularly surprised to learn from the LGUs they visited that the customer waiting time for getting business permits ranges from 30 minutes in good practicing LGUs to 15 days in other LGUs

the cluster area, including its land resources and institutional capabilities. The phase ends with the preparation of specific cluster projects. Phase 2 activities lead to the formal organization of the cluster, establishing a management board and its technical and administrative staff composed of local officials and staff from the participating LGUs. Phase 3 covers project development and advocacy work. This includes training technical staff on writing and packaging proposals and fund-sourcing. The proposals are then presented in an investment forum for potential funders.

Proposals follow the one village, one product concept developed in Japan. The idea is to encourage each cluster member to concentrate on one product with the other cluster LGUs serving as the immediate market.

The first cluster was organized in Isabela in August 1994 with five municipalities. Nine other municipalities followed suit in October 1996, and six others in October 2000. BLGD has launched training activities for the regional offices to replicate the experience in their areas. Limited resources hampered the ability of BLGD to respond to LGUs requesting for assistance.

In 1997, the BLGD launched the Market Management Improvement Project for LGUs to help them manage their public markets more profitably. This is a capability-building initiative using a learning-by-doing approach where BLGD provides consulting services and technical assistance to an LGU team organized for the project, in the form of research and studies on market management and operations. The first set of activities include data gathering and needs assessment in the areas of personnel capability, financial performance, existing policies and procedures and physical plant and resources regarding the market. Data is analyzed and recommendations are made through a research report submitted to the local chief executive and the *sanggunian* for acceptance. Then, the team sits in a workshop to thresh out the details of implementation through an action plan. The LGU team does most of the ground- and deskwork, with the BLGD regional project team providing technical assistance in data analysis, formulation of recommendations and action planning. BLGD monitors the implementation through the municipal operations officer. The project was pilot-tested in 16 low-income municipalities nationwide. According to the BLGD, the project was successful with market collections in project sites increasing by 30% to 60 percent.

However, replication is another major challenge. An "Implementation Guidebook" for both the LGUs and the regional offices was produced to help enhance capacities in assessing public market operations.

In 1998 BLGD sought to assist poorer municipalities in building their IT capabilities. The MIS Project Team of BLGD modified and upgraded application programs for LGU systems such as executive information, business permit and license, real property tax billing, legislative tracking and civil registry. According to Director Mistal, around 500 LGUs (largely municipalities with some cities) have availed of the free software. The BLGD has yet to get feedback on the applications.

3. The need for an effective monitoring system to track and assess performance of LGUs is underway. A monitoring system is vital to the identification of capacity needs for improved designing of technical assistance and capacity-building interventions.

Prior to the Code, DILG attempted to put in place a monitoring system aimed to serve as a tool for general supervision focused on measuring and evaluating the productivity and performance of LGUs in basic service delivery. It was called Local Government Productivity and Performance Measurement or LPPM and was pioneered by the BLGS.

Hatched in 1980, the concept introduced the “use of service standards in relation to population” as a means to measure and analyze LGU performance”¹² These standards were those set by other national government agencies mainly using ratios such as teacher-to-population, hospital bed-to-population, police-to-population. Implementation started in 1983 until it was decentralized to DILG regional offices in 1987.

During this period, the LPPM was said to have yielded “implementation reports” indicating quarterly and yearly performance, capacities and limitations of provinces, cities and municipalities in terms of service delivery. But the reports stopped coming after the regions took over. The reasons offered by Assistant Director Manuel Gotis alluded to the political situation at that time, particularly after designated OICs replaced incumbent local chief executives.¹³

Noting dissatisfaction on the “lack of a monitoring system to effectively perform supervisory functions”, BLGS decided to explore the possibilities of the LPPM. According to Director Acosta, this was also in response to the increasing clamor from the regions.¹⁴ Three versions were considered two of them from central office and one from Region XI. The best from each of the versions were selected and integrated into an enhanced version that has since constituted what is now called Local Government Productivity and Performance Management System (LPPMS).

The LPPMS is a self-assessment tool for LGUs; help them evaluate the "efficiency, effectiveness, adequacy, and equity" of the services they provide. The operative phrase is "self-assessment"; to emphasize the point that the system seeks more to provide LGUs with the instrument to gather data and information, establish benchmarks, and monitor and evaluate their performance.

¹² Sosmeña, Gaudioso C. *Decentralization and Empowerment*, LOGODEF, Inc. 1991, p. 43

¹³ The connection may not be apparent; it could be that the OICs were wont for a time to look with suspicion at carryovers from the deposed administration; and the suspicion could be particularly compelling over something that inquires about how they can be doing in their new roles.

¹⁴ The 7th RFA took note of this problem.

The performance report to DILG is a by-product of the process; it mainly seeks to show to LGUs in what service areas they are strong and weak, and the knowledge should guide them in adjusting performance where needed. In a fundamental sense, the whole exercise should bring home the message that citizen is supreme – but more in terms of quality service than vote delivery.

The System's three components support that objective, as follows:

Performance Measurement seeks to measure the internal capability of the LGU based on identified standards and indicators in such local areas as financial administration, legislation, organization and management, and development planning;

Productivity Measurement aims to evaluate actual physical services delivered by measuring the degree of productivity against service standards prescribed by the NGAs concerned (which assumes that there is one); and

Service Delivery Outcome Assessment looks at the effect of the services delivered to the quality of life of the citizens, particularly the marginalized ones.¹⁵

According to Director Acosta, the LPPMS is complemented by another monitoring tool currently used by the DILG, the Customer Satisfaction Index System (CSIS), which measures the effect of the services from the point of view of the customer, in terms of availability, accessibility, and quality. The CSIS is apparently taking its cue from the total quality management concept that quality is what the customer says it is. The results intend to cross-check the LPPMS report.

BLGS has just completed pilot-testing the CSIS in Agoo, La Union; Bamban, Tarlac; Calamba, Laguna and Lucena City. It has been incorporating the learnings from these tests and enhancing the instruments for its full implementation starting January 2002.

Director Acosta envisions that both the LPPMS and CSIS could be developed into a monitoring and evaluation tool equivalent to an ISO for LGUs, and support an award system that goes beyond simply recognizing local programs and projects but covers the whole gamut of local governance.

A series of Memorandum Circulars have been issued enjoining the LGUs and directing regional offices to implement the LPPMS "on an annual basis", requiring the latter particularly to make available a "A State of Local Governance Report" for each province, city and municipality. So far, training is the only support that the department can give to its regional offices because of funding limitations.

¹⁵ From the BLGS "Manual on Local Productivity and Performance Measurement System (Enhanced Version)," published with support from the UNDP-funded "Strengthening Decentralized Capability-Building Efforts Towards Sustained Local Development," as implemented by the Development Academy of the Philippines.

The DILG, through BLGS, seems to have quickly gained its momentum in doing its monitoring function. Also underway are activities that aim put in place a system that monitors the state of development of LGUs, under a project called Local Development Watch, which enjoys funding and technical support from the AusAID-funded Philippines-Australia Governance Facility (PAGF). The activities are expected to yield a scoring system that will serve to generate a population-development-environment indices that will be linked to a GIS application, with which to measure the state of local development and allow comparative analysis among LGUs.¹⁶

The Local DevWatch, said Director Acosta, will "radically change monitoring." The vision, according to him, is to present an alternative set of criteria for IRA allocation formula. The DevWatch could provide more objective measures for classifying LGUs based on agreed development variables. The process is also expected to yield information for determining priorities for national, local and donor-assisted programs and projects. The DevWatch project development is "more than 50% complete" and the project itself is expected to roll into action by April 2002.

For all these monitoring activities, the DILG needs a substantial amount of funding. Despite budgetary problems, DILG officials are optimistic that the agency can find a way to address this operational issue.

4. Reforms are currently being undertaken by the department which provide windows of opportunity to improve the institutional framework within DILG in deepening decentralization.

Recognizing the need to push for paradigm shifts, the current leadership of DILG is initiating a review of the vision and mission of the Department to better define its role to promote and realize excellence in local governance. An antecedent to this review is the current "anti-red tape program for local governments," that enjoins LGUs to simplify their internal regulatory systems and put in place other customer-focused reforms.

Key result areas are also currently being re-defined to cover such local government concerns as institution building, poverty reduction, local economic development and transparency. These are now being cascaded to regional offices to get feedback.

The law creating the DILG is under review to find out precisely how the Department's supervisory functions can be "enhanced" by amending it, apparently for the same purpose.

B. Department Of Budget and Management

Pre-LGC and LGC Mandates

¹⁶ Local development as social well-being; economic well-being and ecosystem well-being; with 46 core indicators: 10 for socio-economic well-being and 36 for ecosystem well-being.

Although much of the power and authority exercised by the DBM over the LGU budgetary process by virtue of certain laws has been removed by the LGC, DBM remains as one of the most important oversight agencies for the LGUs. If Congress holds the power of the purse, the agency holds the power to disburse. It is responsible for releasing the share of the LGUs in the IRA and in the use of national wealth.

Table 3 below shows its mandate before and under the LGC and the corresponding changes.

Table 3
DBM: Pre-LGC and LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
Use of LGU share in the National Taxes	<ul style="list-style-type: none"> • Issue policies and guidelines on which basis the recipient LGU will determine the nature and cost of programs, projects and activities supported by the 20% development • Authorized to allow LGUs to appropriate no less than 20% of their annual allotment for development projects 	<ul style="list-style-type: none"> • LGC repeals PDs 144 and 1741 	<ul style="list-style-type: none"> • Removal of the authority from the DBM to issue policies and guidelines on the use of the 20% development fund • Removal of the authority form the Budget Secretary to approve said exemptions
Local PBAC ω NGO and PICPA representatives ω Project Monitoring Committee	<ul style="list-style-type: none"> • Select the local PBAC representatives from the NGOs jointly with DILG and DPWH while the representatives from the PICPA • DBM receives monitoring reports from the Committee which shall contain the data and information required by the DBM Secretary 	<ul style="list-style-type: none"> • Two NGO representatives shall be chosen by the NGOs themselves and the local chapter of PICPA shall designate its own representative <p>Abolished the Project Monitoring Committee</p>	<ul style="list-style-type: none"> • Removal of the authority to select said PBAC members. •

Subject	Pre-LGC Mandate	LGC Provision	Change
	(Presidential Memorandum Circular 175)		
Budgetary Limitations on Personal Services	<ul style="list-style-type: none"> The DBM Secretary is allowed authorize appropriations for personal services in excess of the prescribed budgetary limit 	<ul style="list-style-type: none"> LGC repeals PD 477 	<ul style="list-style-type: none"> Removed authority of DBM Secretary to allow appropriations for personal services in excess of the prescribed limit
Budget review	<ul style="list-style-type: none"> DBM mandated to perform the following analyze, review, examine budgetary processes and transaction of LGUs to determine compliance with statutory and other mandatory requirements DBM is also tasked to provide technical assistance to LGUs in the preparation, authorization, execution, and accountability phases of the budget process 	<ul style="list-style-type: none"> LGC vests the DBM with the authority to review appropriations ordinances of the provinces, highly urbanized and component cities, and MMA municipalities in the same manner as prescribed in the review of appropriations ordinances of the LGUs Tasked to provide technical assistance to LGUs and jointly with COA the DBM Secretary required to promulgate a Budget Operations Manual to improve and systematize methods, techniques and procedures employed in the budget preparation, authorization, execution and accountability. 	<ul style="list-style-type: none"> Review and other authority is limited to those specified in the LGC, and other laws that may be enacted thereafter. Budget Operations Manual for LGUs issued on June 8, 1993 through DBM-CPA Joint Circular 93-2.
Restrictions on fund disbursements	<ul style="list-style-type: none"> DBM Secretary may authorize the provincial or city treasurer to disburse funds in excess of the prescribed limitation in cases of emergency, such as typhoon, earthquake, 	<ul style="list-style-type: none"> The same power is transferred to the <i>sanggunian</i> 	<ul style="list-style-type: none"> Removed power of the DBM Secretary to authorize such disbursement

Subject	Pre-LGC Mandate	LGC Provision	Change
	or any public calamity		
Prohibition against advanced payments	<ul style="list-style-type: none"> • Recommendatory function shared with COA of the DBM Secretary for the President to allow LGU payments for contracts for which not services have yet been rendered. 	<ul style="list-style-type: none"> • Silent as to the approval requirement from the President 	<ul style="list-style-type: none"> • Removed from the President said approving authority, rendering DBM's and COA's authority to recommend moot academic
Appropriations for personal services of local budget officers	<ul style="list-style-type: none"> • The DBM appropriates funds for the personal services of local budget officers 	<ul style="list-style-type: none"> • Said appropriations shall be transferred to LGU account and provided for in full in the LGU budget 	<ul style="list-style-type: none"> • LGUs will now provide for the salaries and remuneration of local budget officers

What has remained from the functions of the DBM in relation to LGUs have largely been those that stems from its authority to review the annual budgets of provinces, highly urbanized and independent component cities, and Metro Manila municipalities, and issue budgeting guidelines. The DBM before the Code has actually devolved its reviewing authority to governors and city mayors through the Local Budget Circular 33, s. 1988; however, the Code rescinded the Circular and restored the authority to the department.

Unlike the DILG, DBM is hounded less by regulatory issues but more of money issues – its efficiency and responsiveness in disbursing the LGU shares in the national budget, including IRA and share in the use of national wealth. Most observers, therefore, look at its performance based on how it addresses these issues.

A Decade After

- 1. Internal revenue allotment (IRA) issues still occupy center stage in the list of concerns between DBM and LGUs. Although the 1981 Constitution provides that he IRA is a basic right of LGUs in lieu of local autonomy goals, it is apparent through budgetary decisions of central government that IRA is perceived as a grant from national government.**

Past RFA findings on the IRA called attention to several issues and recommended key actions to address them. The sixth and seventh RFA recommended

the deduction and allocation of the costs of devolved functions before disbursing the IRA by formula. The eight RFA took note of the withholding of 10% from the IRA in the 1998 budget (five percent of which was later returned, but five percent was again withheld for 1999), which it said had put into question the Codal requirement for the automatic release of the IRA. The RFA reports also yielded recommendations for the reduction of the "unfunded mandates" and a consultation process for them. On top of all these, it was also noted that deductions from the IRA were made starting in 1999, most of which allegedly by virtue of new laws that took effect well after 1992.

Table 4 summarizes what the League of Provinces calls "IRA impositions for the period 1998-2001.

Table 4
IRA "Impositions" and Releases

Year	Particulars	Released (in billion P)	For Release (in billion P)	Unreleased (in billion P)	Total (in billion P)
1998	5% IRA withheld	4.045	-	-	4.045
	5% IRA withheld	3.034	1.011		4.045
1999	LGSEF	5.000			5.000
2000	Unprogrammed Fund	2.500			10.000
	LGSEF	4.875	0.125		5.000
	Regular IRA balance		2.250	6.750	9.000
2001	Unprogrammed Fund			10.000	10.000
	LGSEF		5.000		5.000
	IRA Discrepancy ¹⁷			10.000	10.000
	Total	19.464	8.336	34.250	52.090
	Percent of Grand Total	32%	13%	55%	100%

Source: League of Provinces of the Philippines

However, the directive on the automatic appropriation of IRA apparently goes beyond what the past RFAs have hoped for. What the directive implies is clearly pointed out in the letter itself.

¹⁷ Difference between 2000 and 2001 IRA share due to re-enactment of 2000 National Budget

Congress has consistently agreed so far with the Executive in what amounts to be a correction of the IRA formula, through its annual exercise of approving the national budget. All the General Appropriations Acts enacted since have set apart the cost of devolved functions from total IRA before applying the codal formula. This amounts to amending the Code and would prove inappropriate. This oversight in the IRA allocation allowed the cities to gain a windfall expense of provinces.

Attempts to address the remaining IRA issues face the same *sed lex* argument, "it is the law". deductions from the IRA, according

DBM, are covered by appropriate laws that DBM is bound to implement. The LGU Leagues, however, are quick to point out that the deductions are actually DBM's, and can restore them if it wants to.¹⁸

Most of the "unfunded mandates" are from enacted laws, for which Congress is clearly the culprit. IRA watchers often cite the following examples which are all still in effect.

<p>DBM Circular Letter No. 2001-16, dated August 27, 2001, from Secretary Emilia Boncodin, provides vital information on IRA releases:</p> <p>1.1 Automatic Appropriation of Internal Revenue Allotment (IRA)</p> <p>In the FY 2002 budget submitted to Congress, IRA is proposed to be treated as automatic appropriation. As such, the IRA shall be released to LGUS without any lien or holdback, except in cases duly authorized by law.</p> <p>"1.2 Release of IRA</p> <p>In the FY 2002 budget proposal, IRA is proposed to be allocated in accordance with formula prescribed in the Local Government Code of 1991. Following the treatment of IRA as an automatic appropriation, there will be no earmarking for the Local Government Service Equalization Fund (LGSEF).</p> <p>1.3 Additional Releases to LGUs in FY 2001</p> <p>1.3.1 5% Remaining Reserve on the FY 1998 IRA in the Amount of P4.050 Billion</p> <p>DBM will release this amount in four (4) equal installments starting July 2001 up to October 2001 at P1.0125 per month. The distribution by LGU will be based on the final IRA allocation for FY 1998. The July and August installments have already been released.</p>	<p>1997</p> <p>itself</p> <p>formula</p> <p>at the</p> <p>kind of</p> <p>The</p> <p>to</p>
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Some Unfunded Mandates

Table 5

Law/Issuance	Description
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¹⁸ Union of Local Authorities of the Philippines, "President's Update Report," August 16, 1999.

RA 7305	Magna Carta of Public Health Workers, entitles public health workers, including the devolved staff to salaries based on standardized rates, allowances and additional pays
RA 7883	Barangay Health Workers Benefits and Incentives Act of 1995, requires the setting up of a system of barangay health workers, with a package of benefits to be funded from local funds
RA 7796	An Act creating the Technical Education and Skills development Authority (TESDA), provides for the devolution of TESDA field operators without appropriating funds for such
DILG MC 99-109, June 29, 1999	Directs governors and mayors to “develop, establish and oversee the implementation of the Integrated Area/Community Public Safety Plan and provides that funds for purpose shall be charged against the 20% Development Fund
EO 219, March 20, 2000	Provides for a 10% salary adjustment to LGU personnel effective January 1, 2000. The amount for the purpose, as the EO provides shall come exclusively from the funds of the concerned LGU. The increase is exempt from the Code provision on the budgetary limitations of personal services.

The monthly release of the IRA, instead of quarterly as the Code provides, has been a DBM "innovation". It used to be that the release was done before the month ends. Then Secretary Benjamin Diokno, however, decided to change this to "within 5 days *after* the end of each month," apparently taking his cue from a codal provision. Since then, DBM has been receiving complaints from LGUs whose irate employees expect their salaries delivered every end of the month.

A faster way of releasing the IRA has also been in place for some time now. In lieu of releasing the monthly amount to its regional offices, the Central office has chosen to release it directly to banks from which LGUs can claim their respective shares through direct credit.

- 2.** Issues regarding the computation releases to LGUs of their “share in the use of national wealth remains unresolved; requiring not only attention by DBM but by other departments as well, such as DENR , GOCCS and revenue collection agencies.

Past RFAs have also consistently reported on LGU complaints about their claims that come from the proceeds in the use and development of national wealth. The IRR of the LGC provides that before March 15 of the ensuing year, revenue-collecting agencies shall submit to DBM the computation of the 40% share of the LGU in national wealth from the preceding year.

Processing the claims remains a problem because the means for DBM to process the requests for the release of LGU share submitted to it by the national government agency concerned are simply lacking. All computations and LGU requests for release are submitted to the regional office for approval. Requests for the release of share in the proceeds of collection from Energy Resources Production submitted by the DOE are submitted directly to the central office for evaluation and planning.

DBM does not compute for the share, but it gets the blame for any delay because it is the one deciding on the release. For DBM to decide, a process has been set and needs to be followed that requires them to "authenticate/verify and evaluate" the request, the computation and the supporting documents, which normally take time.

The LGU share, however, from the proceeds derived from any national government agency or government-owned and-controlled corporations from the use and development of national wealth are remitted directly by such agencies to the LGU, not through the DBM.

3. There are increasing efforts of the Department to provide technical assistance to LGUs, mainly training interventions, to improve local budgeting capabilities. A number of innovations, such as participatory budgeting process were noted by the study.

Training on local budgeting remains as the main form of technical assistance that DBM gives to LGUs, largely through its regional offices. Region III implements its training program jointly with the Association of Local Budget Officers, for provinces, cities and municipalities in its jurisdiction. The training events are self-sustaining ones, with ALBO charging training fees from the participants, whose composition has been broadened to include members of the local finance committees and the local sanggunian involved in budgeting and other fiscal matters. The ALBO has also served as a fast and convenient channel for disseminating information and issuances to and getting feedback from LGUs.

Region III is perhaps the only DBM region that has taken the lead in implementing a barangay participatory planning-budgeting program, using a modified workshop design first tried among LGU sites under the USAID-supported Governance and Local Democracy (GOLD) Project, which design Director Orlando Garcia himself has helped develop. The planning-budgeting approach is a novel one, involving members of the barangay development council and other key person from the community as workshop participants and using a tool called Technology of Participation. The three-day workshop yields a barangay investment plan and a proposed executive budget that seeks to operationalize the plan. Practically all barangays in the region have been covered, with the exception of those in Bulacan and Pampanga.

The Central Office, meanwhile, has come out with its own "Primer on Barangay Budgeting."

4. Attempts towards increased transparency and less interventions in LGU affairs are noted under the current leadership.

On March 14, 2000, DBM issued Local Budget Circular No. 70 providing guidelines in the implementation of EO 189, dated December 21, 1999, which directs all LGUs to submit to DBM their Annual Investment Plans covering local projects funded out of the 20% development fund. Some quarters saw this as another attempt to control the use of the IRA by LGUs and an infringement of their autonomy. The new administration has seemed

to agree. President Gloria Macapagal-Arroyo issued EO 9, dated March 29, 2001, explicitly repealing EO 189, for "being contrary to the principles of local and fiscal autonomy vested by law on local government units." (EO 9 also repealed another controversial issuance, EO 190, s. 1999, which directs the DBM to remit directly LGU remittances to national government agencies (NGAs), government funded institutions (GFIs), government owned and controlled corporations (GOCCs) concerned.

C. Department Of Finance

Pre-LGC and LGC Mandates

The DOF before the Code served as the principal agency exercising supervisory power over LGUs on local taxation, real property taxation, local fiscal administration, credit finance and other local finance matters. Its sole hold over LGUs on local budgeting ended when PD 1375 created the Department of Budget and Management tasked with the corresponding authority. The same PD, however, maintained the mandate of the Secretary of Finance to exercise the functions pertaining to LGU budget, income, borrowings and other receipts, and local treasury operations mandated by PD 477.

Much of this authority was removed by the Code. Insofar as local finances are concerned, the role of the DOF under the Code has been confined to -

- ω *Promulgating the rules and regulations for the classification, appraisal, and assessment of real property;*
- ω *Providing technical supervision over local treasury officers; and*
- ω *Prescribing the minimum personnel, equipment, and funding requirements for the office of the city or municipal assessor.*
- ω Appointing the local treasurer by the DOF Secretary from a list of at least three nominees provided by the local chief executive.

Table 5 indicates that the authority retained by the department with the passage of the LGC, is limited to issuing guidelines for the classification, valuation and assessment of real property tax to strengthen LGU capability in the exercise of their taxing powers and the provision of technical assistance to improve LGU capacity to generate resources for the development of their respective communities. Much of the functions of the Secretary of Finance have been transferred to the local *sanggunians*. (Appendix shows an expanded version of this table)

Table 5
DOF: LGC and Pre-LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
Local taxation ω Review of	• Authority to review		• Removal of the

Subject	Pre-LGC Mandate	LGC Provision	Change
<p>component city and municipal tax ordinance</p>	<p>and suspend effectivity of any local tax ordinance through the Secretary of Finance</p> <ul style="list-style-type: none"> Promulgate the rules and regulations to govern the review and suspension of tax ordinances 		<p>local tax reviewing authority for the Secretary of Finance and the provincial and city treasurers, and the transfer of the same to the <i>sangguniang panlalawigan</i></p> <ul style="list-style-type: none"> Finance Secretary no longer authorized to promulgate rules and regulations that will govern the review and suspension of tax ordinances
<p>ω Barangay Ordinances</p>	<ul style="list-style-type: none"> Authority to review or suspend the effectivity of any local tax ordinance 	<ul style="list-style-type: none"> Removes this provision 	<ul style="list-style-type: none"> The <i>sangguniang panlalawigan</i> has the authority to review any local tax ordinance
<p>ω Formal protest against a local tax ordinance</p>	<ul style="list-style-type: none"> Authority to decide on formal protests against a tax ordinance 	<ul style="list-style-type: none"> Removes this provisions 	<ul style="list-style-type: none"> Authority to suspend the effectivity of barangay tax ordinances lodged with the <i>sanggunian</i>
<p>ω Administrative authority</p>	<ul style="list-style-type: none"> Authority to determine the need for revising the maximum rates of the taxes, fees and charges fixed in the Local Tax Code, and makes appropriate recommendations to the proper authority to ensure conformity of rates with the economic 	<ul style="list-style-type: none"> Removes this provision 	<ul style="list-style-type: none"> Removal of said administrative authority from the Secretary of Finance

Subject	Pre-LGC Mandate	LGC Provision	Change
	<p>condition prevailing in the country</p> <ul style="list-style-type: none"> Tasked to promulgate from time to time vital rules and regulations in implementing the Local Tax Code 		
<ul style="list-style-type: none"> Local Tax Ordinance Advisory Board and Staff 	<ul style="list-style-type: none"> Secretary of Finance appoints the members of the Board and its staff 	<ul style="list-style-type: none"> Deletes this specific provision 	<ul style="list-style-type: none"> Board abolished
<p>Real Property Taxation</p> <ul style="list-style-type: none"> Real Property identification system and listing 	<ul style="list-style-type: none"> Prescribes pertinent rules and regulations to ensure a uniform identification system for all declarations of real property tax and preparation of the assessment roll 	<ul style="list-style-type: none"> Repeals PD 464 	<ul style="list-style-type: none"> Removal of authority from the Secretary of Finance
<ul style="list-style-type: none"> Schedule of fair market values 	<ul style="list-style-type: none"> Authorized to review the schedule of fair market values and amendments in its valuation 	<ul style="list-style-type: none"> Deletes provision and vest the same authority to the sanggunian. 	<ul style="list-style-type: none"> Transfers authority to the sanggunian
<ul style="list-style-type: none"> General revision of assessment 	<ul style="list-style-type: none"> Approves the conduct of the general revision of assessment in between the schedules fixed by law 	<ul style="list-style-type: none"> Deletes this provision 	<ul style="list-style-type: none"> Transfers authority to the sanggunian
<ul style="list-style-type: none"> Classification 	<ul style="list-style-type: none"> Issue guidelines for the classification, valuation and assessment of real property 	<ul style="list-style-type: none"> Deletes this same provision and limits the mandate of the Secretary of Finance to promulgate rules in pursuant to the 	<ul style="list-style-type: none"> Retention of the authority of the Secretary but limited to the LGC provisions on the same

Subject	Pre-LGC Mandate	LGC Provision	Change
		LGC	
ω Central Board of Assessment Appeals	<ul style="list-style-type: none"> Secretary of Finance automatically sits as chair of the CBAA 	<ul style="list-style-type: none"> Authorizes the President to appoint the CBAA chair 	<ul style="list-style-type: none"> Removal of the mandate of Finance Secretary to automatically assume post of CBAA chair
ω Payment of RPT in installments	<ul style="list-style-type: none"> Issues orders governing payments in installments of special levies 	<ul style="list-style-type: none"> Deletes this specific provision and leaves the issuance of orders to the sanggunian through an ordinance 	<ul style="list-style-type: none"> Transfers said authority to sanggunian
ω Granting of RPT discounts	<ul style="list-style-type: none"> Recommends to the President the granting of discounts of RP taxes due 	<ul style="list-style-type: none"> Deletes this provision and allows the sanggunian alone to grant the discount 	<ul style="list-style-type: none"> Transfers mandate to the sanggunian
ω Supervision over local assessment offices	<ul style="list-style-type: none"> Exercises executive supervision over local assessment affairs and the assessment offices of provincial, city and municipal offices 	<ul style="list-style-type: none"> Deletes this specific provision; however, the Department of Finances is mandated to prescribe the minimum human and logistical requirements for the city and municipal assessor's office to function 	<ul style="list-style-type: none"> Removal of said authority from the Secretary of Finance; with the LGUs responsible for the administration of real property tax
IRA disbursement scheme	<ul style="list-style-type: none"> No provision 	<ul style="list-style-type: none"> Finance Secretary in consultation with DBM Secretary shall promulgate the rules and regulations to ensure simple and speedy disbursements of the IRA 	<ul style="list-style-type: none"> DBM assumed the role of releasing the IRA to the LGUs
Local budget review	<ul style="list-style-type: none"> Exercise functions 	<ul style="list-style-type: none"> Repeals PD 477 	<ul style="list-style-type: none"> Removal of said

Subject	Pre-LGC Mandate	LGC Provision	Change
	related to LGU budget, income, borrowings, other receipts, and local treasury operations		authority from the Secretary of Finance with budgeting power transferred to the sanggunian
Credit Financing Schemes (a) LGU loans, credits and other borrowings	<ul style="list-style-type: none"> Recommends the availment by LGUs of credit facilities and loans to finance local capital investment projects. 	<ul style="list-style-type: none"> Repeals PD 752. LGC instead provides that the loans and other borrowings shall be availed in accordance with the approved local development and public investment program 	<ul style="list-style-type: none"> Removal of recommending authority of Finance Secretary
(a) Deferred payment plan	<ul style="list-style-type: none"> Promulgates with the concurrence of COA the rules and regulations governing deferred payment schemes that LGUs may source to acquire property, heavy equipment and the like 	<ul style="list-style-type: none"> Deletes the specific provision 	<ul style="list-style-type: none"> Removal of authority of Finance Secretary
(a) Issuance of bonds	<ul style="list-style-type: none"> Recommends to the President after consultation with the Monetary Board and NEDA the approval of the sanggunian resolution declaring and stating the terms and conditions of the bond. Fixes the annual interest payable on the bonds and the mode of payment and interest accruals payable on the bond 	<ul style="list-style-type: none"> LGC requires only the sanggunian to declare and state the terms and conditions of the bonds and the purpose for the indebtedness 	<ul style="list-style-type: none"> Transfer of power from the President to the sanggunian.

Subject	Pre-LGC Mandate	LGC Provision	Change
<ul style="list-style-type: none"> ω Build-Operate-Transfer and similar schemes 	<ul style="list-style-type: none"> • Recommends to NEDA the approval of LGU proposal to enter into BOT and such other arrangements 	<ul style="list-style-type: none"> • Deletes the specific provision 	<ul style="list-style-type: none"> • RA 7718 amends RA 6957 which provides that the list of local projects to be implemented by LGUs under BOT and such other arrangements costing more than P200 million, shall be submitted for confirmation to the Investment Coordination Council of NEDA
<p>Appointment of local treasurers and assessors</p> <ul style="list-style-type: none"> ω Provincial and city treasurer and assessor 	<ul style="list-style-type: none"> • Recommends to the President the appointment of provincial and city treasurers and assessor 	<ul style="list-style-type: none"> • LGC outlines the following process. Secretary of Finance appoints the provincial and city treasurers from a list of three ranking and eligible nominees of the local chief executive 	<ul style="list-style-type: none"> • Removal of the authority from the President to appoint provincial and city treasurer, and transfer of the same to the Secretary of Finance and local chief executive
<ul style="list-style-type: none"> ω Assistant provincial or city treasurer and assessor 	<ul style="list-style-type: none"> • Appoints the assistant provincial or city treasurer and assessor upon recommendation of the governor or mayor 	<ul style="list-style-type: none"> • LGC outlines the following process. Secretary of Finance appoints the assistant provincial and city treasurers from a list of three ranking and eligible nominees of the local chief executive. The LGC deletes the provision on the appointment of the assistant assessor. 	<ul style="list-style-type: none"> • Appointing authority remains with Finance Secretary only in regard to assistant treasurers • Authority to appoint the assistant assessor is transferred to the local chief executive(the position, however, has been made optional for all LGUs)

Subject	Pre-LGC Mandate	LGC Provision	Change
ω Municipal treasurer and assessor	<ul style="list-style-type: none"> Appoints the municipal treasurer and assessor upon recommendation of the mayor 	<ul style="list-style-type: none"> Secretary of Finance appoints the municipal treasurer from a list of three nominees of the local chief executive while municipal assessor is appointed by the mayor 	<ul style="list-style-type: none"> Removal of the authority from Finance Secretary to appoint the municipal assessor and transfer the same to the mayor.

With the changes in the mandate of DOF, one of the most affected offices is the BLGF. The implementation of the Code required the bureau to implement a number of urgent and vital tasks.

First, the need to update the income classification of LGUs in the light of the new income criteria prescribed in the Code for LGU creation. The DOF updated the LGU classification twice since the enactment of the Code, in 1995 and again in 2000.

Second, the “promulgation of the necessary rules and regulations for classification, appraisal and assessment of real property pursuant to the provisions of the Code”. DOH issued the Local Assessment Regulations 1-92, which yielded draft copies that have to be finalized, The Bureau is also preparing a manual for assessors to “codify” the existing local assessment regulations issued in the past by the department. It was assumed that Codal changes on local taxation require a similar set of rules and regulations. However, BLGF believes otherwise. Due to the heterogeneity of the local taxpayers, it would be simpler to compile the various local finance circulars it has issued over the years addressing specific issues. But this too has yet to be done.

Third, a transitory provision in the LGC (Sec. 531) requires DOF and DBM to formulate a debt relief program for LGUs heavily indebted to the national government, GFIs, GOCCs and private utility companies. The LGC provides that these debts have to be either written off or restructure, subject to lenient recovery schemes. Attempts were made to implement the provision, but these hit a snag when no appropriations were

made (or could not be made due to lack of funds) to finance the program. As of December 31, 1988 the amount of P1.023 billion was needed to assume all debts incurred by LGUs to GFIs, GOCCs and private utility companies (including Meralco, electric cooperatives, and local water districts). However, the issue may not simply be the lack of money, but the idea itself of relieving LGUs of the debt burden may not be good, in the long-run to the promotion of accountability and responsibility.¹⁹

Fourth, BLGF, jointly with the COA, have completed the draft of the long-overdue manual for treasurers, which is meant to replace the age-old Manual of Instructions (circa 1954). It has been reported that this will soon be ready for distribution.

A Decade After

1. The department's relations with LGUs showed increased openness for experimentation of exploration for new modes and approaches, particularly in the provision of technical assistance.

Local autonomy advocates within the department are attempting to craft “new ways of doing things” that will broaden their TA functions addressing the new needs of LGUs, particularly as they generate and access other sources of revenue. Could they, for example, assist LGUs in setting the price for locally managed utility services; or give TA to those who need help in turning their economic enterprises into viable ones? Experiences abroad abound with such examples and the first simple step to take is to document them and make them accessible locally. There is an increasing trend where LGUs seek assistance in such technical matters, such as packaging their loan applications, or reviewing proposals from financial advisors. BLGF, with its limited capacity, will not be able to respond to current and forthcoming requests.²⁰

¹⁹ Interview with a key informant from DBM

²⁰ Interview with Mr. Maloy Malvar, chief of BLGF's Special Projects Management Services division.

As demand for new types of technical assistance increases, there is also the need to sustain efforts in building capability of the local finance staff – local treasurers and assessors. The National Training Program that in the recent past has helped train thousands of local treasurers and assessors (see the seventh RFA) has run out of funds. The Local Government Academy absorbed the NTP's key activities under its Municipal Training Program.

One of the initiatives of central government to assist LGUs in their resource generation mandate is the Local Government Finance and Development Project. LOGOFIND, funded by World Bank, is a new project, which aims to extend support to resource-poor (3rd to 6th class) LGUs by way of loans and grants, and loan-tied technical assistance for training and capacity building and resource mobilization. The emphasis on resource poor LGUs is guided by the "new credit policy framework" (as first reported for the seventh RFA) that aims to offer liberal loan and grant packages to poor LGUs, but encourages the rich and credit-worthy ones to tap the market-based facilities instead. The DOF, through the Municipal Development Fund Office, serves as the executing agency and fund administrator of LOGOFIND. Complaints are brewing over the slow implementation of the project since funds available cannot be mobilized efficiently to address increasing needs of local communities especially during current times of crisis.

The growing inclination among LGUs to access the bond market as source of funds has added a new item to the list of local financial activities that BLGF has to keep track of. The BLGF has just entered into a partnership agreement with the LGU Guaranty Corporation (LGUGC) for an exchange of information, that will allow the Bureau to monitor LGU bond issuances, especially the aggregate issues, largely for record keeping and information assistance to potential investors.

The list of LGUs that have succeeded in floating bonds, with LGUGC providing guaranty, is short so far, but indications show that the list is bound to increase dramatically. Aside from the six LGUs enumerated in Table 6, twelve more LGUs have expressed their interest to issue bonds for 2002, involving a total amount of approximately P1.5 billion.²¹ The LGUGC has started to evaluate the credit worthiness of these LGUs for possible bond flotation. Currently, there are 122 target LGUs for credit screening and credit rating. The average term for the bond flotation is 5-7 years with an interest rate of 2-3% over the 182-day Treasury bill rate.

There is a move to update and expand the Bureau's existing 3-year old database in a manner that will give them the means to evaluate the LGU's financial status and capacity. A user-friendly reporting format has been issued for LGUs to accomplish.

Table 6.

²¹ From a telephone interview with Ms Lydia Oriol, Senior Vice-President, LGUGC.

LGUS Undertaking Bond Flotation

LGU	No. of Bond Issues (Date Issued)	Amount Involved (million PhP)	Terms (Years)	Project Funded	Project Completion Rate
1. Urdaneta City <i>Municipal bonds</i>	1 (May 28 1999)	25	5	Abattoir upgrade	100%
2. Boracay-Aklan <i>Provincial bonds</i>	1 (July 1 1999)	40		Jetty port and terminal building construction	100%
3. Puerto Prinsesa City <i>Green Bonds</i>	1 (Feb. 24 2000)	320	7	Socialized housing	80%
4. Kalooacan City <i>Katipunan Bonds</i>	3 (Dec 5 2000)	620	7	General Hospital Public Market City Hall	36% Started Sept. 2001, ECC issued
5. Tagaytay City Bonds	1 (March 12 2001)	220	7	Convention Center	31%
6. Iloilo City Bonds	1 (April 20 2001)	130	3	Government employees housing	Ongoing (completion target October 2002)

Source: LGC Guarantee Corporation

The Bureau is coordinating with the DILG on the LPPMS initiative, particularly on the system's financial component. Coordination between the two agencies is working smoothly.

BLGF is closely watching the experiment being tried in Makati, where the city is accepting payments through credit cards. (In a separate interview, COA's Local Government Audit Office said it is likewise watching, also closely.)

2. DOF increasingly has to relax its authority over local treasurers and assessors and instead focus their attention on how to assist LGUs in creating an environment that would raise revenues, access fund sources and prudent resource management.

According to the BLGF Special Projects chief, Mr. Norberto G. Malvar their unit has been putting more emphasis on monitoring and framework-setting to help create such an "environment" for LGUs. In exploring

these new ways, the biggest hurdle is ironically the Code itself. There are provisions that may hinder innovations. For example, the law prohibits any private person from collecting taxes. Obviously, the principle is apparently only for LGUs, since the BIR allows private banks to accept tax payments for its account. The Makati experiment is now being reviewed as a possible tax payment modality that can be replicated?

The growing demand for BLGF to monitor bond issuances, BOT and other similar schemes, loan availments, and such other initiatives by LGUs to access non-traditional sources of revenue, plus the revolution in information and communication technology – among others have provoked a revisit of the Bureau's organization.

The existing organizational structure of the BLGF seems to be fitted more to serve traditional modes of generating LGU revenues. Needless to say, the capacity may also be traditional. To help them diagnose their organizational needs, the Bureau is in the process of hiring change management specialists to help them analyze the organization, bring the issues to light, and manage the change that needs to be done. Work on this is expected to start by January 2002.

D. Civil Service Commission

Being a Constitutional body, the Civil Service Commission enjoys a mandate that goes beyond what the Code provides. Aside from the Constitution and the Code, it also draws its authority from civil service law and other relevant laws.

Pre-LGC and LGC Mandates

Table 7 shows that the mandate of CSC has not substantially changed. The challenge, however, is how to perform these mandates to facilitate professionalism and competence within the ranks of the local government bureaucracy.

Table 7
CSC Pre-LGC and LGC Mandates, by Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
General Mandate			

	<ul style="list-style-type: none"> The Constitution mandates the CSC as the central personnel agency of the government responsible for the following: <ol style="list-style-type: none"> (1) Efficient, competent, responsiveness and ethical career service; (2) Strong merit and rewards systems; (3) Integrated and institutionalized human resource development programs for all levels and ranks (4) Institutionalized public accountability in the management systems of the bureaucracy 	<ul style="list-style-type: none"> Invokes civil service law, rules and regulations on pertinent matters 	<ul style="list-style-type: none"> No substantive change
<p>ω LGU organizational structure and staffing pattern</p>	<ul style="list-style-type: none"> Mandate originally assigned to DILG 	<ul style="list-style-type: none"> Prescribe the minimum standards and guidelines for the design and implementation with LGUs provided flexibility in defining their organizational structure and staffing pattern 	<ul style="list-style-type: none"> Transfer of such mandate from DILG to CSC
<p>ω Responsibility for human resource development and personnel actions</p>	<ul style="list-style-type: none"> Establish the policies, guidelines and standards for human resource development in the LGU 	<ul style="list-style-type: none"> Substantially the same, with the emphasis on compliance with existing civil service laws, rules and regulations regarding appointment and/or removal of local officials and 	

		employees	
<ul style="list-style-type: none"> ω Personnel Selection Board 	<ul style="list-style-type: none"> • No law provides for its creation 	<ul style="list-style-type: none"> • LGC provides for creation of the Board in every LGU, except barangays, with the CSC representative mandated to serve as ex-officio member 	<ul style="list-style-type: none"> • As indicated
<ul style="list-style-type: none"> ω Disciplinary jurisdiction 	<ul style="list-style-type: none"> • CSC decides on appeal for penalties imposed by the local chief executive on any subordinate official or employee, where the penalty is heavier than suspension 	<ul style="list-style-type: none"> • Substantially the same 	

The last ten years saw the Commission providing guidelines on matters affecting the transfer of personnel, on the establishment of organizational structure and staffing pattern for LGUs, on human resource development of LGUs, and issuing resolutions on personnel issues.

A DECADE AFTER

1. Inadequate personnel with the right mix of competence apparently reinforced by lower salary levels, remains an important concern of CSC.

The personnel situation that Assistant Commissioner Mary Ann Fernandez observed four years ago among LGUs (as reported for the seventh RFA) remains the same, according to her. LGUs still lack skilled personnel, have low appreciation for human resource development, and lack HR systems. She understands why: the pay is low enough to discourage the right people.

She is happy, however, about the attention LGUs are now giving to capacity building, and the "noticeable respect" for CSC rules among local chief executives.

With an average of two people at field level, CSC can only do so much. She thinks that "excess capacity" exists at the national level and this can be channeled into giving assistance to LGUs. With the right incentives, NGA executives could be encouraged to go to the field for, say, three to six months, while on sabbatical leave, to share their expertise.

With support from United Nations Development Programme (UNDP), the Commission has developed the "Training Module on Public Ethics and Accountability," which the DILG has chosen to adopt and use for training LGUs on public service ethics and accountability. The training requires three days to complete, and 9 trainers so far from the LGA have been trained on the module.

The Commission has also been gearing up to expand the reach of its technical assistance by training more than 70 facilitators on various themes under the Service Delivery Excellence Program or SDEP, which is supported by the Philippines-Australia Governance Facility. The program aims to introduce customer-oriented approaches to public service delivery.

2. Efforts are being undertaken to allow LGUs increased autonomy in defining their own organizational structure and plantilla.

By virtue of the Constitution, civil service law, and the Code, the Civil Service Commission exercises the authority of approving or attesting to appointments of government, including LGU, personnel. Two years after the Code took effect, the CSC delegated that authority to departments and agencies, including LGUs, that qualify for accreditation by the CSC. After starting only with six pilot cities in 1996 (as reported for the seventh RFA), the CSC has already accredited 330 LGUs by end of December 2000.²² Despite the big jump over a four-year period, the figure is only around 5% of the total LGUs. Aside from this, the overwhelming majority are municipalities, twenty of these LGUs are cities while thirteen are provinces.²³

The explanation may imply that municipal mayors are more aggressive and daring than city mayors and governors. Or, it could be that CSC attestation offers a better option to most LGUs than getting its accreditation, which means doing all the paper work and assuming all the risks.

²² From **CSC Accreditation Program (CSCAP)**, "List of Accredited Local Government Units", as of December 31, 2000.

²³ Asst. Commissioner Mary Ann Fernandez offers an explanation: First, to qualify for accreditation, the LGU should meet certain strict requirements (like, they should have personnel system, personnel selection system, merit and promotion plan, grievance machinery, and performance evaluation system in place); second, the appointing authority assumes personal liability for the payment of salaries of employees whose appointments have been invalidated by the CSC, for one reason or another; and third, getting accredited means LGUs "will have to do everything." These may explain why LGUs who refuse to even apply are not uncommon, she said.

Hiring people without going through the CSC process has never been a problem to LGUs. The figures from the 1999 Inventory of Government Personnel show that out of the more than 118,000 non-career LGU personnel nationwide, almost 95,000 or 80% are casuals or contractuels. The Code allows LGUs to hire emergency or casual employees and laborers, including those hired through job orders, without CSC approval or attestation.

In a recent Resolution (No. 01-1352), the CSC said it might recognize barangay secretaries and treasurers as government employees, provided they meet the conditions that it has prescribed for the purpose.

E. National Economic Development Authority

Pre-LGC and LGC Mandates

NEDA's relations with LGUs are guided by certain provisions in the Code that entitle it to receive regional development plans that are required to integrate the approved development plans of provinces, highly urbanized cities, and independent component cities. It may recommend to the President to authorize a city or municipality to reclassify lands in excess of the limits prescribed in the Code. The Code, however, removed from NEDA the authority to review applications for grants, especially foreign grants, from LGUs who wish to obtain them directly; but does not preclude it from obtaining grants for LGUs. These changes are summarized in Table 8 below.

Table 8
NEDA Pre-LGC and LGC Mandate, by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
ω Local development plan	<ul style="list-style-type: none"> EO 308, s. 1987 provides that local policies, programs and projects approved by provinces and cities shall be integrated into regional development plans prior to submission to the NEDA Board 	<ul style="list-style-type: none"> Adopts the specific provision with no substantive change 	
ω Local planning and budgeting	<ul style="list-style-type: none"> EO 319, s 1988 provides that the Development Budget 	<ul style="list-style-type: none"> Deletes this provision 	<ul style="list-style-type: none"> Removal of said mandate from DBCC

	Coordination Committee of the NEDA Board in coordination with the DILG is mandated to modify the process of local budget preparation and issue guidelines that would provide greater autonomy to local development councils on program formulation		
ω Build-Operate-Transfer and similar schemes	<ul style="list-style-type: none"> RA 6657 provides that NEDA approves upon recommendation of the Secretary of Finance, a LGU proposal to enter into BOT and such other arrangements 	<ul style="list-style-type: none"> Deletes the specific provision 	<ul style="list-style-type: none"> Removal of the approving authority from NEDA. RA 7718 (amending RA 6657) provides, however, that the list of local projects to be implemented by LGUs under BOT and such other arrangements costing more than P200 million, shall be submitted for confirmation to the Investment Coordination Committee of NEDA. The ICCV also evaluates and recommends approval for all LGU proposals for Built-Operate-Own project.

A Decade After

1. Assistance to LGUs for project development and increased access to resources with focus on 4th and 5th class municipalities begin to show results.

Providing support to LGUs through the Project Development Assistance Centers (PDACs) is the main thrust of NEDA since 1997, with some initial funding support from the Spanish Government and later from JICA. The focus was on capacity building for largely 5th and 6th class municipalities nationwide, using non-standardized courses tailor-made for their assessed needs. Deputy Director-General Augusto Santos noted that through this

initiative, NEDA was able to broaden the awareness and knowledge of municipalities on the value, concepts and method of project development. PDACs are in the 14 regional offices of NEDA, and continue to provide technical assistance to the planning and project development needs of LGUs.

2. Efforts to increase civil society participation in the planning process, particular for Metro Manila are carefully being pursued.

NEDA has been studying the proposal to form a regional development council for Metro Manila, to allow civil society representatives to participate in the planning process for the area. However, Metro Manila Development Authority, as it is presently constituted, does not allow for this.

3. Funds for LGUs are consistently being accessed. However, proposals by LGUs for direct grants from donors is not getting much headway.

The list of priority projects from LGUs amounting to more than P200 million, that are intended to be financed through BOT and similar schemes, are submitted to ICC-NEDA for approval, per RA 6957 (BOT law), as amended. So far, 5 cases or more have been approved and implementation is ongoing.

On the other hand, cases of LGUs getting direct grant from official development assistance (ODA) donors remain “very few”, if any. Donors still prefer to deal with just one agency, in this case NEDA, to manage the grant, especially if this involves a number of LGU beneficiaries.

F. Commission On Audit

Following the Code mandate, the Commission on Audit has prescribed for LGUs internal control and accounting systems and property and supply management system that were issued in 1992. Jointly with DBM, it issued the Budget Operations Manual, and is now working with DOF for the preparation of the manual for local treasury operations. Aside from the Code and other laws, it draws its mandate from the Constitution.

Similar to CSC, the LGC had minimal impact in changing the mandate of COA in its relations with LGUs, as may be seen in the matrix below.

**Table 9
COA, Pre-LGC AND LGC MANDATE, by Selected Subjects**

Subject	Pre-LGC Mandate	LGC Provision	Change
General Mandate	<ul style="list-style-type: none"> • Reviews and audits 	<ul style="list-style-type: none"> • Prescribe rules and 	<ul style="list-style-type: none"> • No substantive

	all accounts of each LGU in accordance with the provisions of law relating to government accounts and accounting.	regulations governing LGU accounting, supply and property management consistent	change
Budget Operations Manual		<ul style="list-style-type: none"> Jointly with DBM, COA is required to promulgate a Budget Operations Manual for LGUs to improve and systematize methods, techniques and procedures employed in budget preparation, authorization, execution and accountability. 	<ul style="list-style-type: none"> Budget Operations Manual was issued on June 8, 1993 through BDM-COA Joint Circular 93-2.
Supply and Property Management	<ul style="list-style-type: none"> Concurrence with the rules and regulations promulgated jointly by the Secretary of Finance and Secretary of General Services 	<ul style="list-style-type: none"> Promulgates rules and regulations for implementing the LGC provisions on supply and property management in LGUs 	<ul style="list-style-type: none"> On October 20, 1992 COA issued Circular 92-386 prescribing the Rules and Regulations on Supply and Property Management of LGUs
Prohibition against advanced payments	<ul style="list-style-type: none"> Jointly with DBM, COA may recommend to the President the approval of LGU payments for contracts for which services have not been rendered. 	<ul style="list-style-type: none"> Deletes this provision 	<ul style="list-style-type: none"> Removal from the President the approving authority and therefore the recommending authority of COA and DBM for such payments
Deferred payment plan	<ul style="list-style-type: none"> Concurrence with the rules and regulations by the Secretary of Finance for deferred payment schemes that LGUs 	<ul style="list-style-type: none"> Deletes the specific provision 	<ul style="list-style-type: none"> Removal of said authority from the Secretary of Finance and the concurring authority of COA

A DECADE AFTER

1. COA is beginning to show signs of addressing issues raised by LGUs. The sub-allotment for hospitals, is an example.

The Local Government Code, in another major oversight, failed to provide for the mechanism with which devolved hospitals can meet their supply requirements without going through the normally cumbersome disbursement and procurement process of the local financial management system. Before they were devolved, sub-allotment (through a lump sum) was given to hospitals by the Department of Health, which they can use at their own discretion following COA rules and regulations. The centralized system and procedures prescribed by the Code for LGUs in governing their financial operations, including procurement, necessarily included the devolved hospitals. Therefore, the sub-allotment system had to go.

Past RFAs conducted during the early years of Code implementation documented how provinces and devolved hospitals flexibly adjusted to this reality for the sake of their clients and constituents. Reading the accounts, one would get the impression that most of these adjustments were made with the hope that COA was not looking, or looking the other way since these were not allowed.

President Ramos issued EO No. 215 to correct the oversight, which required DBM, DOH, DOF, and DILG to jointly provide the implementing guidelines for the EO. Joint Circular 96-1 was subsequently issued setting out the guidelines, but whose implementation was made contingent on the accounting procedures that COA will issue for the purpose. That set the stage for the long wait.

The seventh RFA reported that the "legal department of COA opined that the proposed sub-allotment system needed legislative action since it was Congress through legislation, which gave the authority to the provincial government." After almost four years, COA finally issued Circular No. 2000-003, dated May 23, 2000, entitled, "Accounting Guidelines and Procedures on the Expansion of the Coverage of the Fund Allotment System in the Local Government Units to Include Devolved Hospitals." COA has not assessed the implementation of the circular but expects to receive information from the field in time for the preparation of the COA annual report.

2. Major reforms are being initiated under the current leadership for a more efficient, appropriate, and user-friendly accounting system.

COA is in the mood for a revolution, led by no less than the new Chairman himself, Hon. Guillermo Carague. The object of change is the existing government accounting system, and the Chairman neither intends to

merely tinker with it for changes nor even overhaul it, but to overthrow it and replace it "with an entirely new one." Reengineering in the true meaning of the term.²⁴ The move is surprising, coming officially from an institution whose nature of the job, most say, allows it to greet change with the luxury of denial. The new system is a modified accrual accounting system. Chairman Carague describes the new accounting system as aligned with the modern technology and benchmarked against international standards. The most important features are: (1) adoption of responsibility accounting, which is a management accounting concept; (2) adoption of activity based and project accounting which are non-existent in the old system and (3) simple and user-friendly.

In summary, the new local accounting system promises to be user-friendly, and will require less accounting work. The change is being undertaken to ensure that government accounting becomes an effective tool for management and effective governance by providing government manager and supervisors with adequate and timely information. The system once fine-tuned will be pilot-tested next year in five national government agencies and four local government units

II. Assessment of Progress: Tracking Gains and Losses

Technical Assistance

In varying degrees, the oversight agencies have adopted a mode of technical assistance that starts at knowing first the needs and the specific purpose for which it is demanded. Providing assistance in this manner does not carry with it the assurance of full success, but there is an implicit appreciation of the fact that this is the right approach to take. Or, that there is a far better chance of being effective in this manner than taking the opposite course.

²⁴ What could easily pass as the new government accounting Manifesto was delivered by the Chairman on July 15, 2001, barely two weeks after he assumed the post, before a national gathering of certified public accountants. (Accessible through www.coa.gov.ph)

The preoccupation with quality is evidently growing, not as a fashion, but as an integral component of the culture as well. Across the agencies, there is a consistent attempt to encourage LGUs to run their affairs in an entrepreneurial way and thus provide services to their constituents in a manner that treats them as valued customers. DILG's anti-red tape program and the LPPMS are worth noting and watching; together with CSC's service delivery excellence program.

Given this growing trend, other technical and support activities would necessarily bear its mark. As the reports have noted, capacity building is the most conspicuous one and LGA's fresh approach to training is of course a welcome one.

Another is monitoring. Attempts to put in place a system that captures or appreciates the changes happening at the local level, not for its own sake, but to help agency management sharpen the focus of assistance framework and find the fit for internal reforms are well underway. One can see it through the efforts of DILG as well as BLGF. The LPPMS shows promise as a self-assessment tool for LGUs. It requires, however, that LGUs are motivated to appreciate and use it as a management tool.

The Technical Assistance approach, to capacity-building and other factors, seem to stimulate a re-strengthening of the ties among the agencies themselves. Each of the specialized agencies know that it cannot do things all by itself. Since the primordial concern is to help, it will be practical to sublimate the territorial imperative. NEDA wants to help in LGA programs, even if it takes more out of its resources. CSC and DILG, DILG and DOF, DOF and COA, and so on - all have at least one common undertaking for LGUs that provides them with an opportunity to work together and learn from each other.

Regulations

Is the old habit of control getting stronger or weaker? In view of the above, it is apparent that it is getting weaker, although it still exists. The controversial MCs or EOs criticized in the past for infringing on LGU freedom are getting recalled, rescinded or repealed; and considering the mood of the times, it is unlikely that similar ones are forthcoming. Insofar as the DBM is concerned, the IRA issues are now for the Legislature to address.

BLGF's attitude towards the Makati experiment on a new way of tax payment shows the extent to which the regulatory tendencies of the agency are changing. However, certain impediments in LGC have to be removed to allow greater flexibility in similar innovations.

Most of the key informants interviewed for this report are unified in saying that their dominant relationships with LGUs is *both* regulatory and facilitative. It might not be possible to keep this in perfect balance. The implicit positive point about this is that, although they would not claim to be exceedingly facilitative in the conduct of their affairs, they would be more wary of being excessively regulatory either. In some cases, the issue boils down simply to the instinct of self-preservation. If DBM gives up its authority to review the annual budgets of provinces and certain cities what would the regional have left to do?

Reforms.

Big things are taking shape at the COA, as reported above and LGUs and their constituents have a stake on these. Ironically, would the Code allow it? Authoritative sources say that the financial management system and procedures prescribed by the Code for LGUs are so detailed that they leave too little space for changes to happen - unless amendments are made on the code itself.

Table 8 below summarizes the progress made and the constraints of the Oversight and Support Agencies (OSAs) in providing a conducive policy environment and sustained institutional framework in deepening local autonomy in the country.

Table 10
Summary of Progress and Constraints of Oversight and Support Agencies

DIMENSION	PROGRESS	CONSTRAINTS
1. Technical Assistance	Appreciation of the needs/demand approach; and the need for internal reform to increase bureaucratic effectiveness	Low agency capacity to implement new framework and approaches
<ul style="list-style-type: none"> • Capacity-building 	<ul style="list-style-type: none"> • Use of non-generic, specialized courses for training • Use of outcome-oriented framework for capacity-building • Focus on transparency • Focus on quality management • Partnership with local officers' leagues and organizations • Optimization of donor assistance 	<ul style="list-style-type: none"> • Traditional approaches competing for limited resources • Poor post-program evaluation in terms of outcomes

DIMENSION	PROGRESS	CONSTRAINTS
<ul style="list-style-type: none"> Monitoring 	<ul style="list-style-type: none"> New monitoring tools Focus on service delivery performance and quality Expanding scope to cover new initiatives at the local level Inter-agency cooperation Optimization of donor assistance 	<ul style="list-style-type: none"> Monitoring initiatives competing with other agency priorities for funds Need to re-tool internal technical capability to meet the demands of new initiatives
<ul style="list-style-type: none"> 2. Regulatory Role 	<ul style="list-style-type: none"> Control-oriented issuances recalled, rescinded, or repealed Non-regulatory orientation of agencies' leadership Emerging framework of less regulation and increasing incentives Executive action for automatic appropriation of IRA Sub-allotment system for devolved hospitals Delegated authority on personnel appointment 20% development fund free again from central government intrusions 	<ul style="list-style-type: none"> Law-based deductions from IRA Old and new unfunded mandates Hampered release of LGU share in national wealth Weak LGU response to assume delegated authority over personnel appointment Undefined "development" in local development fund
<p>3. Reforms</p>	<ul style="list-style-type: none"> Agency advocacy for transparency and quality service Adjustments of agency vision, organization and capacity to fit new local requirements Reform initiatives for new government accounting systems Agency websites for improved information dissemination and transparency 	<ul style="list-style-type: none"> LGC provision that details local systems and procedures may impede reform or re-engineering initiatives Low agency fund priority for IT reforms

III. Recommendations

Table 11

Moving Decentralization Forward: Issues and Recommendations

The following actions may be taken based on the findings of this report:

Issues	Recommendations
<p>1. Detailed procedures stipulated in the LGC hinders options for innovation, such as the procedure presented in the LGC on tax payments.</p>	<p>Review and amend Code provisions that limit or impede reform initiatives</p> <p>Sections 130 (c) and 198 (d) which prohibit any private person to collect local and property taxes, for example, have little justification in this age of information technology. Many provisions in the Code prescribed local fiscal management and procedures to a level of detail that hampers flexibility and innovation of OSAs. Since Congress is reportedly averse to taking up omnibus bills these proposed amendments may be proposed in separate draft bills by the Leagues to accommodate legislators.</p>
<p>2. DBM has been receiving complaints on unresolved issues regarding the computation of LGU share in national wealth. Releases of LGU shares has been constantly hampered by procedural snags.</p>	<p>Undertake Leagues-led initiatives to ask DBM, DENR and DOE to agree on the mechanism of computing, documenting and releasing the share of LGUs in national wealth, in a manner that will remove all procedural snags.</p> <p>Affected LGUs have to be identified and the Leagues may rally them into initiating a dialogue or meeting with the NGAs concerned for that purpose</p>

Issues	Recommendations
<p>3. Attainment of local autonomy objectives has been consistently hampered by tendencies of national government agencies to be controlling rather than facilitating. The right of LGUs to self-governance is an imperative to local autonomy.</p>	<p>Review and revoke all remaining circulars which do not have legal basis and clearly infringe on the rights of LGUs to local autonomy</p> <p>The remaining contentious circulars should be the subject of dialogue among NGAs, LGUs, and civil society groups.</p> <p>An agreement should be forged between LGUs through the Leagues and the NGAs that no circulars should be enforced without prior consultation with the LGUs concerned.</p> <p>Local autonomy advocates should monitor and be engaged in any process amending the RA 6975, which created DILG.</p> <p>The long list of control-oriented issuances from the agency should warrant a close watch over planned review of the mandate of the DILG. The amendment process is a good opportunity for control advocates in the agency to introduce provisions that would reclaim the DILG's lost authority over LGUs</p>
<p>4. The use of the 20% development funds has constantly been a contentious issue. Attempts by DILG to ensure prudent use of the fund, however, raised concerns about the authority of the department to do so.</p>	<p>Define “development “ in the 20% development fund</p> <p>This gap in the Code has provided an opportunity for some agencies to tell LGUs how and where to use the fund, and for some LGUs to use it for purposes other than local development, at the expense of their constituents. NGOs and their partners may take the lead in defining it.</p>

DILG: Pre-LGC and LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
<p>Power of general supervision</p>	<ul style="list-style-type: none"> <i>The general supervisory power of the President is expressly delegated by law to the then Ministry of Local Government, now DILG, through which such power shall be primarily exercised. This delegation by law finds basis in the 1935 Constitution and was maintained in the 1973 Constitution. Specifically, it states that the “President shall exercise general supervision over all local governments as may be provided by law . . .” The same provision gives the Legislature the mandate to extent the power of general supervision to include control.</i> 	<ul style="list-style-type: none"> Repeals BP 337 No similar LGC provision. The LGC explicitly restores to the President the power of general supervision. 	<ul style="list-style-type: none"> A provision in the 1987 Constitution has kept Congress from extending the power of the President beyond general supervision, by deleting the phrase “as may be provided by law”. AO 267, dated February 18, 1992 delegates to the DILG Secretary the authority to exercise supervision directly over province, highly urbanized cities, and independent component cities, among other things.
<p>Disciplinary Actions ω Investigation of conduct of LGU officials</p>	<ul style="list-style-type: none"> General supervision is explicitly qualified to include the power to order an investigation of the <p>Conduct of LGU officials whenever necessary, which shall be primarily exercised through the MLG (BP 337)</p>	<ul style="list-style-type: none"> No such qualification 	<ul style="list-style-type: none"> Said power is given to the President AO 23 dated December 17, 1972 provides that the Disciplining Authority for administrative disciplinary cases filed against local chief executives, vice-LCEs, and <i>Sanggunian</i> members of provinces, cities and Metro Manila LGUs shall be the

Subject	Pre-LGC Mandate	LGC Provision	Change
<ul style="list-style-type: none"> ω Form and filing of complaints ω Preventive suspension 	<ul style="list-style-type: none"> • <i>Complaints against any elective provincial or city official shall be filed before the MLG</i> • <i>Preventive suspension may be imposed by the MLG if the respondent is a provincial or city official.</i> 	<ul style="list-style-type: none"> • Complaints against any elected provincial or city officials shall be filed before the Office of the President. • Preventive suspension may be imposed by the President if the respondent is an elective provincial or highly urbanized or independent component city official. 	<p>President, who may act through the Executive Secretary. The DILG Secretary is reduced to serving as the Investigating Authority.</p> <ul style="list-style-type: none"> • Procedure consistent with cited amendment. • Procedure consistent with cited amendment
<p>Approval of leaves of absence</p>	<ul style="list-style-type: none"> • Minister of Local Government approves leave privileges of the city mayor and provincial governor 	<ul style="list-style-type: none"> • President or his/her duly authorized representative approves leaves of absence of the governor and the mayor of a highly urbanized or independent component cities 	<ul style="list-style-type: none"> • Approving authority is given to the President, who may delegate the authority. AO 267 delegates said authority to the DILG Secretary
<p>Permission to travel abroad</p>	<ul style="list-style-type: none"> • BP 337 has no explicit provision on this matter 	<ul style="list-style-type: none"> • Mere notice to the <i>sanggunian</i> is required from local officials traveling abroad. • Permission from the Office of the President is required when the period of travel extends to more than three months during periods of emergency or crisis or when the travel involves the used of public funds. 	<ul style="list-style-type: none"> • AO 267 delegates to the DILG Secretary the authority to allow foreign travel. Later issuances restricted the basis for authorizing foreign travels

Subject	Pre-LGC Mandate	LGC Provision	Change
<p>Disbursement of appropriations for local development projects</p>	<ul style="list-style-type: none"> Minister of Local Government or his/her duly authorized representatives exercises the authority to review the corresponding LGU work programs before any appropriation for development projects is disbursed (PD 477) 	<ul style="list-style-type: none"> Repeals PD 477 LGUs are required instead as an accounting control procedure to maintain special accounts in the general fund for development projects funded from their IRA share. 	<ul style="list-style-type: none"> Removal of the authority from the DILG Secretary to review said work programs.
<p>Use of LGU share in the national taxes</p>	<ul style="list-style-type: none"> DILG prescribes the requirements that will govern the use by barangays of the Barangay Development Fund (PD 144 as amended by PD 559) 	<ul style="list-style-type: none"> Repeals PD 144. DILG merely receives the copies of the LGU development plan supported by the 20% local development fund 	<ul style="list-style-type: none"> In effect, removes the authority to prescribe the requirements on the use of the Barangay Development Fund (which was abolished) and the authority to issue policies and guidelines on the use of the 20% development fund.
<p>Local Pre-qualification, bid and awards committee</p> <p>ω NGO and PICPA representatives</p> <p>ω Project</p>	<ul style="list-style-type: none"> Jointly with DPWH and DBM, the DILG shall select the local PBAC representatives from the NGOs and the representative from the PICPA. (Memorandum Circular 175, as amended s 1998) DILG representative at the municipal level sits as member (MC 175) 	<ul style="list-style-type: none"> Two NGO representatives shall be selected by the NGO themselves. The local chapter of PICPA shall designate its own representative. Deletes this provision 	<ul style="list-style-type: none"> Removal of the authority from executive agencies to select PBAC members. Abolition of the Project Monitoring Committee

Subject	Pre-LGC Mandate	LGC Provision	Change
Monitoring Committee			
Local Peace and Order Council	<ul style="list-style-type: none"> DILG representative sits as members (EO 309 as amended s. 1988) 	<ul style="list-style-type: none"> Adopts EO 309 provisions 	
Central Board of Assessment Appeals²⁵	<ul style="list-style-type: none"> DILG Secretary sits as member (PD 464) 	<ul style="list-style-type: none"> Repeals PD 464. The President shall appoint CBAA members. 	<ul style="list-style-type: none"> Removal of automatic membership of the DILG Secretary to the CBAA
LGU organizational structure and staffing pattern	<ul style="list-style-type: none"> DILG shall (4) Prescribe in consultation with LGUs minimum standards and guidelines on LGU organizational structure and staffing pattern (BP 337) (5) Prescribe model organization and staffing patterns for LGUs, encourage the use of position classification and salary plans in LGUs, and conduct related training (PD 1136) 	<ul style="list-style-type: none"> Repeals PD 1136 LGUs are mandated to: <ol style="list-style-type: none"> Establish an organizational structure and staffing pattern that will meet the priority needs and service requirements of the community; Design and implement its own organizational structure and staffing pattern, taking into account its service requirements and financial capability, subject to minimum standards and guidelines prescribed by the Civil Service Commission 	<ul style="list-style-type: none"> Emphasis on the authority of LGUs to establish, design and implement their own organizational structure and staffing pattern, which in turn enables them to create the mandatory and optional positions, provided in LGC. Transfer to CSC the authority to prescribe minimum standards and guidelines.
Responsibility for LGU Personnel Training	<ul style="list-style-type: none"> DILG is mandated to undertake training programs for LGUs (PD 807). The LGA of the DILG shall be responsible for human resource development of LGU officials (EO 267, s. 1987) 	<ul style="list-style-type: none"> No explicit provision. 	<ul style="list-style-type: none"> Continued application of pertinent laws and national policies. DILG-LGA remains responsible for the human resource development of LGU officials.

²⁵ An appellate body with jurisdiction over all real property assessment cases decided by local board of assessment appeals.

Appendix B

DBM: Pre-LGC and LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
Use of LGU share in the National Taxes	<ul style="list-style-type: none">• The Ministry of Budget jointly with the MLG shall issue policies and guidelines on which basis the recipient LGU will determine the nature and cost of programs, projects and activities supported by the 20% development fund (PD 741, amending PD 144)• The Minister of the Budget is authorized to	<ul style="list-style-type: none">• LGC repeals PDs 144 and 1741	<ul style="list-style-type: none">• Removal of the authority from the DBM to issue policies and guidelines on the use of the 20% development fund• Removal of the authority form the Budget Secretary to approve said exemptions

Subject	Pre-LGC Mandate	LGC Provision	Change
	<p>allow LGUs to appropriate no less than 20% of their annual allotment for development projects (PD 1741)</p>		
<p>Local PBAC</p> <p>ω NGO and PICPA representatives</p> <p>ω Project Monitoring Committee</p>	<ul style="list-style-type: none"> • Jointly with the DPWH and the DILG, DBM shall select the local PBAC representatives from the NGOs and the representatives from the PICPA (Presidential Memorandum Circular 175, as amended, s 1988) • DBM receives monitoring reports from the Committee which shall contain the data and information required by the DBM Secretary (Presidential Memorandum Circular 175) 	<ul style="list-style-type: none"> • The two NGO representatives shall be chosen by the NGOs themselves and the local chapter of PICPA shall designate its own representative • Deletes this provision 	<ul style="list-style-type: none"> • Removal of the authority to select said PBAC members. • Abolition of the Project Monitoring Committee
<p>Budgetary Limitations on Personal Services</p>	<ul style="list-style-type: none"> • The DBM Secretary may authorize appropriations for personal services in excess of the prescribed budgetary limit. (PD 477 as amended by PD 1375) 	<ul style="list-style-type: none"> • LGC repeals PD 477 	<ul style="list-style-type: none"> • Removal of the authority to allow appropriations for personal services in excess of the prescribed limit.
<p>Budget review</p>	<ul style="list-style-type: none"> • PD 1375, in amending PD 477 mandates the DBM to perform the following functions: <ul style="list-style-type: none"> (1) Analyze and review annual principal and supplemental budgets for provinces and cities to determine compliance with statutory and other mandatory requirements (2) Examine and process applications of LGUs for cash advances and 	<ul style="list-style-type: none"> • The LGC vests the DBM with the authority to review appropriations ordinances of the provinces, highly urbanized and component cities, and MMA municipalities in the same manner as prescribed in the review of appropriations ordinances of the LGUs (Section 327) 	<ul style="list-style-type: none"> • Review and other authority are limited to those specific in the LGC and other laws that may be enacted thereafter.

Subject	Pre-LGC Mandate	LGC Provision	Change
	<p>budgetary aids with respect to their budgetary implications</p> <p>(3) Examine and analyze provincial city trial balances, books of accounts and other financial reports, as may be necessary in the fulfillment of the budget function</p> <p>(4) Compute and tabulate statistical data, prepare and analyze consolidated financial statements of LGUs and review projections and forecasts of LGU income and expenditures</p> <p>(5) Provide technical assistance to LGUs in the preparation, authorization, execution, and accountability phases of the budget process</p> <p>(6) Formulate and promulgate rules and regulations for the effective performance of all the foregoing functions</p> <ul style="list-style-type: none"> • Local Budget Circular 33, s. 1988 “empowered governors and city mayors to declare operative or inoperative in whole or in part without prior review by the DBM, the annual budget of their provinces and cities. 	<ul style="list-style-type: none"> • Provide technical assistance to LGUs • Jointly with COA the DBM Secretary if required to promulgate a Budget Operations Manual to improve and systematize methods, techniques and procedures employed in the budget preparation, authorization, execution and accountability. 	<ul style="list-style-type: none"> • Budget Operations Manual for LGUs issued on June 8, 1993 through DBM-CPA Joint Circular 93-2. • By vesting the DBM with the authority top review appropriations ordinances of provinces, highly urbanized and component cities, and MMA municipalities, the LGC has in effect

Subject	Pre-LGC Mandate	LGC Provision	Change
			rescinded DBM Circular 33.
Restrictions on fund disbursements	<ul style="list-style-type: none"> The DBM Secretary may authorize the provincial or city treasurer to disburse funds in excess of the prescribed limitation but only in cases of emergency caused by typhoon, earthquake, or any public calamity (PD 477 as amended) 	<ul style="list-style-type: none"> The same power is transferred to the <i>sanggunian</i> 	<ul style="list-style-type: none"> Removal of the power from the DBM Secretary to authorize such disbursement
Prohibition against advanced payments	<ul style="list-style-type: none"> Jointly with COA, the DBM Secretary may recommend to the President the approval of LGU payments for contracts for which not services have yet been rendered. (PD 477, as amended) 	<ul style="list-style-type: none"> Silent as to the approval requirement from the President 	<ul style="list-style-type: none"> Removal from the President of said approving authority and therefore from the DBM and COA the authority to recommend approval of such payments
Appropriations for personal services of local budget officers	<ul style="list-style-type: none"> The DBM provides appropriations for the personal services of local budget officers 	<ul style="list-style-type: none"> Said appropriations shall be transferred to LGU account and provided for in full in the LGU budget 	<ul style="list-style-type: none"> LGUs, in lieu of DBM will provide for the salaries and remuneration of local budget officers

Appendix C
DOF: LGC and Pre-LGC Mandate by Selected Subject

Subject	Pre-LGC Mandate	LGC Provision	Change
Local taxation ω Review of component city and municipal tax ordinance	<ul style="list-style-type: none"> • The Secretary of Finance (or the provincial or city treasurer) has the authority to review or suspend the effectivity of any local tax ordinance • He/she shall promulgate the rules and regulations to govern the review and suspension of tax ordinances (PD 231) 	<ul style="list-style-type: none"> • The sangguniang panlalawigan has the authority to review any local tax ordinance • Repeals PD 231 	<ul style="list-style-type: none"> • Removal of the local tax reviewing authority for the Secretary of Finance and the provincial and city treasurers, and the transfer of the same to the sangguniang panlalawigan • Secretary is no longer is authorized to promulgate rules and regulations to govern the review and suspension of tax ordinances
ω Barangay Ordinances	<ul style="list-style-type: none"> • The Secretary of Finance has the authority to review or suspend the effectivity of any local tax ordinance (PD 231) 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Removal from the Secretary of Finance of the authority to suspend the effectivity of barangay tax ordinances and the transfer of the same to the sanggunian concerned.
ω Formal protest against a local tax	<ul style="list-style-type: none"> • The Secretary of Finance has the 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Removal from the Secretary of

Subject	Pre-LGC Mandate	LGC Provision	Change
ordinance	authority to decide on formal protests against a tax ordinance (PD 231)		Finance the authority decide on formal protests against a tax ordinance
(o) Administrative authority	<ul style="list-style-type: none"> • The Secretary of Finance determines the need for revising the maximum rates of the taxes, fees and charges fixed in the Local Tax Code, and makes appropriate recommendations to the proper authority so that these rates may be maintained in conformity with the economic condition prevailing in the country • Secretary of Finance is also tasked to promulgate from time to time such rules and regulations as may be necessary in implementing the Local Tax Code (PD 231) 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Removal of said administrative authority from the Secretary of Finance
(o) Local Tax Ordinance Advisory Board and Staff	<ul style="list-style-type: none"> • The Secretary of Finance appoints the members of the Board and its staff 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Abolition of the Board
Real Property Taxation (o) Real Property identification system and listing	<ul style="list-style-type: none"> • Under PD 464, the Secretary of Finance is vested with the authority to: prescribe the pertinent rules and regulations governing a uniform identification system for all declarations of real property tax and preparation of the assessment roll 	<ul style="list-style-type: none"> • Repeals PD 464 	<ul style="list-style-type: none"> • Removal of the authority from the Secretary of Finance

Subject	Pre-LGC Mandate	LGC Provision	Change
<ul style="list-style-type: none"> ω Schedule of fair market values 	<ul style="list-style-type: none"> • PD 464 also gives the Secretary of Finance the authority to review the schedule of fair market values and amendments in its valuation 	<ul style="list-style-type: none"> • Deletes this provision and vests the same authority to the sanggunian. 	<ul style="list-style-type: none"> • Transfer of authority to the sanggunian
<ul style="list-style-type: none"> ω General revision of assessment 	<ul style="list-style-type: none"> • Secretary approves the conduct of the general revision of assessment in between the schedules fixed by law 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Removal of the authority from the Secretary of Finance
<ul style="list-style-type: none"> ω Classification 	<ul style="list-style-type: none"> • Secretary is tasked to issue guidelines for the classification, valuation and assessment of real property 	<ul style="list-style-type: none"> • Deletes this same provision and limits the mandate of the Secretary of Finance to promulgate rules in pursuant to the LGC 	<ul style="list-style-type: none"> • Retention of the authority of the Secretary but limited to the LGC provisions on the same
<ul style="list-style-type: none"> ω Central Board of Assessment Appeals 	<ul style="list-style-type: none"> • Secretary of Finance automatically sits as chair of the CBAA 	<ul style="list-style-type: none"> • Authorizes the President to appoint the CBAA chair 	<ul style="list-style-type: none"> • Removal of the mandate to automatically assume post of CBAA chair
<ul style="list-style-type: none"> ω Payment of RPT in installments 	<ul style="list-style-type: none"> • Secretary may issue orders governing payments in installments of special levies 	<ul style="list-style-type: none"> • Deletes this specific provision and leaves the issuance of orders to the sanggunian through an ordinance 	<ul style="list-style-type: none"> • Transfers said authority to sanggunian
<ul style="list-style-type: none"> ω Granting of RPT discounts 	<ul style="list-style-type: none"> • Secretary recommends to the President the granting of discounts of RP taxes due 	<ul style="list-style-type: none"> • Deletes this provision and allows the sanggunian alone to grant the discount 	<ul style="list-style-type: none"> • Removal of said authority from the President, including the recommending authority of the Secretary of Finance and transfers it to the sanggunians
<ul style="list-style-type: none"> ω Supervision over local assessment offices 	<ul style="list-style-type: none"> • Secretary exercises executive supervision over local assessment affairs and the assessment offices of provincial, city and municipal offices 	<ul style="list-style-type: none"> • Deletes this specific provision; however, the Department of Finances is mandated to prescribe the minimum personnel, equipment and 	<ul style="list-style-type: none"> • Removal of said authority from the Secretary of Finance; with the LGUs primarily responsible for the administration of real property tax

Subject	Pre-LGC Mandate	LGC Provision	Change
		funding requirements for the city and municipal assessor's office	
<ul style="list-style-type: none"> ω Special authority 	<ul style="list-style-type: none"> • Secretary recommends to the president adjustments in the real property tax system as regards classification, frequency of general revision, assessment levels or assessment values and extent of exemption from RPT, subject to prescribed conditions 	<ul style="list-style-type: none"> • Deletes this provision 	<ul style="list-style-type: none"> • Removal of said power from the President, including the recommending authority of the Finance secretary
IRA disbursement scheme	<ul style="list-style-type: none"> • No provision 	<ul style="list-style-type: none"> • Finance Secretary in consultation with DBM Secretary shall promulgate the rules and regulations for a simplified disbursement scheme designed for the speedy and effective enforcement of the LGC provisions on the IRA 	<ul style="list-style-type: none"> • DBM assumed the role of releasing the IRA to the LGUs
Local budget review	<ul style="list-style-type: none"> • PD 1375 mandates the Secretary of Finance to continue exercising the functions pertaining to LGU budget, income, borrowings, other receipts, and local treasury operations assigned to him/her under PD 477 	<ul style="list-style-type: none"> • Repeals PD 477 	<ul style="list-style-type: none"> • Removal of said authority from the Secretary of Finance
Credit Financing Schemes <ul style="list-style-type: none"> ω LGU loans, credits and other borrowings 	<ul style="list-style-type: none"> • PD 752 provides that the Secretary of Finance may recommend the availment by LGUs of credit facilities and loans to finance 	<ul style="list-style-type: none"> • Repeals PD 752. LGC instead provides that the loans and other borrowings shall be availed in accordance with the 	<ul style="list-style-type: none"> • Removal of recommending authority of Finance Secretary

Subject	Pre-LGC Mandate	LGC Provision	Change
	local capital investment projects.	approved local development and public investment program.	
<ul style="list-style-type: none"> ω Deferred payment plan 	<ul style="list-style-type: none"> • Secretary of Finance promulgates with the concurrence of COA the rules and regulations governing deferred payment schemes that LGUs may resort to acquire property, heavy equipment and the like 	<ul style="list-style-type: none"> • Deletes the specific provision 	<ul style="list-style-type: none"> • Removal of authority of Finance Secretary
<ul style="list-style-type: none"> ω Issuance of bonds 	<ul style="list-style-type: none"> • Secretary of Finance may recommend to the President after consultation with the Monetary Board and NEDA the approval of the sanggunian resolution declaring and stating the terms and conditions of the bond. • The Secretary also fixes the annual interest payable on the bonds and the mode of payment and interest accruals payable on the bond 	<ul style="list-style-type: none"> • LGC requires only the sanggunian to declare and state the terms and conditions of the bonds and the purpose for the indebtedness 	<ul style="list-style-type: none"> • Transfer of power from the President to the sanggunian.
<ul style="list-style-type: none"> ω Build-Operate-Transfer and similar schemes 	<ul style="list-style-type: none"> • RA 695 provides that Secretary of Finance may recommend to NEDA the approval of a LGU proposal to enter into BOT and such other arrangements 	<ul style="list-style-type: none"> • Deletes the specific provision 	<ul style="list-style-type: none"> • RA 7718 amends RA 6957 which provides that the list of local projects to be implemented by LGUs under BOT and such other arrangements costing more than P200 million, shall be submitted for confirmation to the Investment Coordination

Subject	Pre-LGC Mandate	LGC Provision	Change
<p>Appointment of local treasurers and assessors</p> <p>ω Provincial and city treasurer and assessor</p>	<ul style="list-style-type: none"> BP 337 provides that the Minister of Finance recommends to the President the appointment of provincial and city treasurers and assessor 	<ul style="list-style-type: none"> Repeals BP 337. LGC outlines the following process. Secretary of Finance appoints the provincial and city treasurers from a list of three ranking and eligible nominees of the local chief executive 	<p>Council of NEDA</p> <ul style="list-style-type: none"> Removal of the authority from the President to appoint provincial and city treasurer, and transfer of the same to the Secretary of Finance and local chief executive.
<p>ω Assistant provincial or city treasurer and assessor</p>	<ul style="list-style-type: none"> Minister of Finance appoints the assistant provincial or city treasurer and assessor upon recommendation of the governor or mayor 	<ul style="list-style-type: none"> Repeals BP 337. LGC outlines the following process. Secretary of Finance appoints the assistant provincial and city treasurers from a list of three ranking and eligible nominees of the local chief executive. The LGC deletes the provision on the appointment of the assistant assessor. 	<ul style="list-style-type: none"> The appointing authority remains with Finance Secretary only in regard to assistant treasurers. The authority to appoint the assistant assessor is transferred to the local chief executive. The position, however, has been made optional for all LGUs
<p>ω Municipal treasurer and assessor</p>	<ul style="list-style-type: none"> Minister of Finance appoints the municipal treasurer and assessor upon recommendation of the mayor 	<ul style="list-style-type: none"> Secretary of Finance appoints the municipal treasurer from a list of three ranking and eligible nominees of the local chief executive. The municipal assessor is appointed by the mayor 	<ul style="list-style-type: none"> Removal of the authority from Finance Secretary to appoint the municipal assessor and transfer the same to the mayor.

Subject	Pre-LGC Mandate	LGC Provision	Change
<ul style="list-style-type: none"> ω Local development plan 	<ul style="list-style-type: none"> • EO 308, s. 1987 provides that local policies, programs and projects approved by provinces and cities shall be integrated into regional development plans prior to submission to the NEDA Board 	<ul style="list-style-type: none"> • Adopts the specific provision with no substantive change 	
<ul style="list-style-type: none"> ω Local planning and budgeting 	<ul style="list-style-type: none"> • EO 319, s 1988 provides that the Development Budget Coordination Committee of the NEDA Board in coordination with the DILG is mandated to modify the process of local budget preparation and issue guidelines that would provide greater autonomy to local development councils on program formulation 	<ul style="list-style-type: none"> • Deletes the specific provision 	<ul style="list-style-type: none"> • Removal of said mandate from DBCC
<ul style="list-style-type: none"> ω Build-Operate-Transfer and similar schemes 	<ul style="list-style-type: none"> • RA 6657 provides that NEDA approves upon recommendation of the Secretary of Finance, a LGU proposal to enter into BOT and such other arrangements 	<ul style="list-style-type: none"> • Deletes the specific provision 	<ul style="list-style-type: none"> • Removal of the approving authority from NEDA. RA 7718 (amending RA 6657) provides, however, that the list of local projects to be implemented by LGUs under BOT and such other arrangements costing more than P200 million shall be submitted for confirmation to the Investment Coordination Committee of NEDA. The ICCV also evaluates and recommends approval for all LGU proposals for

			Built-Operate-Own project.
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Appendix D

Key Provisions of Selected DILG Memorandum Circulars, 1992 - 2000

In Chronological Order*

MC No./ Date Issued	Key Provision	Issued by	Note
1992			
92-01 Jan 16	Invites LGUs to strictly follow the procedures and guidelines it prescribes on the enactment of local tax ordinances and revenue measures and issuance of barangay clearance.	Sec. Cesar Sarino	Issued pending the approval of the LGC implementing rules and regulations. One wonders why DILG was issuing it, not DOF.
92-15 Mar 27	Calls on all local chief executives (LCEs) and DILG field offices to establish the Institute for Local Government Administration or ILGA, defines its aims and the roles of local academic institutions, LGA and DILG regional offices.	Sarino	Program funds for ILGAs are suballotted by the central office to regional offices.
92-16 Mar 30	Directs LGUs to refrain from creating, upgrading and reclassifying local positions pending the transfer of devolved personnel and assets of NGAs.	Sarino	One wonders why DILG is issuing the directive, not the CSC.
92-23 May 26	Prescribes guidelines for the preparation by LGUs of Transition Management Plans that will aim to ensure the continuity of activities left by outgoing local officials.	Sarino	
92-30 June 8	Prescribes policy guidelines on the creation, modification, etc. of LGU seals. The National Commission for Culture and the Arts approves the seal.	Sarino	
92-31 June 8	Revokes 92-16 in view of the issuance by the CSC of MC 19, s. 1992, prescribing the guidelines and standards on LGU organizational structure and staffing pattern.	Sarino	
92-41 July 6	Prescribes guidelines for the preparation of local development plans and annual investment plans as basis for the 1993 budget preparation	Sec. Rafael Alunan III	The set minimum requirements for local development plans are noticeably groping for a definition of "local development," like this: "The local development plans refer to the provincial/city development plans, municipal

			development plans and the barangay development plans."
92-42 July 9	LCEs are "directed" to absorb and readily accept devolved personnel, to the extent that it is "administratively viable", under pain of disciplinary action.	Alunan	Administratively viable is not defined.
92-43 July 9	Provides clarificatory guidelines on devolved positions declared as optional positions by the LGC, such as the local environment officer, city and municipal agriculturist, and municipal social welfare officer.	Alunan	The MC decides in favor of devolved personnel, and opined that the optional positions have to be created for the devolved personnel.
92-46 July 28 Amended by 92-94 Nov 16	Directs LCEs to assume lead roles in assisting NGOs/POs in their bid for accreditation for membership in local special bodies; and prescribes the guidelines for accreditation.	Alunan	
92-47 Aug 3	Enjoin all LCEs to cause the accomplishment of the LGC implementation monitoring forms it prescribes for the purpose.	Alunan	
92-50 Aug 6	Addendum to 92-41, providing the milestones for local planning.	Alunan	
92-53 Aug 10	Recommends the replication of the Economic Enterprise System for Provincial/City Motorpools practiced in Davao del Norte and Bohol	Alunan	
92-57 Aug 11	Releases the Devolution Master Plan of Action adopted by NGAs concerned, DILG, DBM, and LGU Leagues.	Alunan	The Master Plan sets the schedule of activities required by the devolution process.
92-58 Aug 18 Amended by 92-84 Oct 27	Provides guidelines to ensure the efficient and effective transfer of NGA devolved powers and functions to LGUs. Requires LGUs to organize task forces, implement organizational structure and staffing pattern, reorganize the local special bodies, etc.	Alunan	
92-85 Sep 7	Announces the implementation of the 1992 2nd Semester Capability Building Program, with 3 modules: Executive Management Program; Effective Local Legislation; and Planning and Budgeting System.	Alunan	The MC requires the "compulsory" attendance of LCEs in the Executive Management training.
1993			
93-03 Jan 6	Enjoins LGUs to identify lands and sites for socialized housing, as required by RA 7279 (Urban Development and Housing Act).	Alunan	
93-06 Jan 19	Encourages LGUs to use the DILG "Guidebook on Privatization of Local Government Services and Facilities."	Alunan	

93-6 Feb 26	Enjoins all mayors to set up monitoring units for the Katarungang Pambarangay Program, with any of the following as in charge: city/municipal legal officer or administrator, or sanggunian member.	Alunan	
93-34 Apr 5	Provides supplementary guidelines on NGO/PO accreditation for representation in local special bodies, which fill "policy gaps".	Alunan	The MC adds more accreditation criteria to those prescribed in the LGC-IRR.
93-43 Apr 20	Provides clarificatory guidelines on the determination of 2nd and 3rd sectoral representatives to the sanggunian. Notes that "many" LGUs seek exemption for lack of funds to pay the salaries of the sectoral representatives.	Alunan	
93-49 Apr 23	Provides implementing policies and guidelines for the Barangay Action Network for Development (BAND) program implementation. The program seeks to organize and strengthen sangguniang barangay, barangay assemblies and barangay development councils through training and technical assistance, and other means.	Alunan	The LGUs are required to "primarily" provide the funds for the program.
93-63 May 17	Prescribes the general guidelines on the implementation of cost recovery schemes for local enterprises and utilities.	Alunan	Cost recovery schemes allow LGUs to recover the cost of implementing projects or delivering services or facilities by imposing user fees or charges, and gain reasonable profit or revenue surplus over operating costs.
93-78 June 30	Directs all mayors to comply with the requirements of RA 7279, as contained in 93-03, and submit reports on their compliance.	Alunan	
93-60 July 2	Provides operational guidelines on the privatization of local public enterprises.	Alunan	
93-85 July 13	Directs all LCEs to comply with the Presidential directive to dismantle all private armies in their jurisdiction.	Alunan	
93-125 Sep 24	Requires cities and municipalities to enact an ordinance adopting a code of public safety to govern the conduct of local celebrations.	Alunan	
93-127 Sep 24	Urges LGUs to provide financial support for Rehabilitation Centers for Youth Offenders put up by DSWD, per PD 603.	Alunan	

93-157 Nov 11	Enjoins LGUs to conduct regular dialogues with NGOs/POs.	Alunan	
93-178 Dec 14	Provides guidelines on the involvement of NGOs in the implementation of small-scale (costing P3 million or less) infrastructure projects of LGUs.	Alunan	
1994			
94-94 June 8	Provides clarificatory guidelines for the implementation of EO 137, s. 1993 (that prescribes the rules and regulations governing the devolution of the regulatory functions of the National Meat Inspection Commission).	Alunan	The guidelines clarify, in effect, that the NMIC shall continue discharging regulatory functions over the slaughter of livestock in Class AAA slaughterhouses intended for export or distribution outside of the province or highly urbanized and independent component cities (HUCs/ICCs).
94-101 June 14	Enjoins governors and HUC/ICC mayors to expedite the submission of annual investment plans to DILG.	Alunan	
94-117 July 1	Urges DILG offices to "reinvent the DILG" by redesigning the agency's "machinery and mechanisms".	Alunan	
94-185 Oct 20	Provides a "model" guidelines and rules and regulations to govern LGU-funded infrastructure projects.	Alunan	The MC acknowledges that under the LGC, the LGUs adopt their own guidelines and rules and regulations on the bidding, processing, awarding and implementation of LGU-funded infra projects.
1995			
95-23 Feb 1	Directs local sanggunian to comply with the determination of the sectoral representation for purposes of their election.	Alunan	
95-47 Mar 27	Enjoins LGUs to perform their responsibilities pursuant to RA 7349 (Consumer Act), particularly the regulations of unprocessed food and the testing of instruments of weights.	Alunan	
95-49 Mar 28	Requires LGUs to submit their current organizational structure and staffing pattern for "monitoring and evaluation" and "policy formulation".	Alunan	Does the DILG has the mandate to evaluate LGU organizational structure and staffing pattern and formulate policies thereon?
95-84 Jun 5	Advises provincial governments to follow the systems and procedures prescribed by the Housing and Land Use Regulatory Board (HLRB) on the review and approval of comprehensive land use plans of provinces.	Alunan	
95-104 Aug	Enjoin all LCEs to give priority	Alunan	The MC notes that LGUs are

1	funding for devolved projects, services and facilities.		not giving budget priority to devolved services and facilities.
95-155 Sep 22	Enjoins LGUs to submit to COA their financial reports on the use of the 20% development fund and copies of their annual investment plans.	Alunan	The MC cites the 1994 COA report showing that "some LGUs" use the 20% fund for purposes appropriately chargeable against MOOE accounts. Some don't use the 20% fully.
95-159 Sep 22	Prescribes guidelines on the implementation of the Lakbay Aral Program	Alunan	The Lakbay Aral Program is a "capability building scheme" implemented through cross visits among interested LGUs.
95-161 Sep 29	Encourages sanggunians to pass ordinances regulating the use of "superlight" for fishing.	Acting Sec. Alexander Aguirre	
95-164 Oct 5	Reminds LCEs of their responsibilities as withholding agents, to implement withholding tax laws and regulations.	Alunan	
95-209 Dec 4	Revisits DILG's "Reinvention Program", provides a "roadmap to strengthen" the program, and gives coordinating instructions.	Alunan	
1996			
96-65 Apr 24	Enjoins LCEs to accelerate the assumption of regulatory functions devolved by HLRB.	Sec. Robert Barbers	
96-171 Sep 5	Provides guidelines in coordinating LGU capability building activities. Requires LGUs to prepare their annual Master Capability Building Plans.	Barbers	
1997			
97-106 May 6	Clarifies that the authority to approve applications for condominium projects remains with the HLRB.	Barbers	
97-215 no date	Circularizes AO 337, s. 1997, amending the LGC-IRR on the compensation of ex-officio members in the sanggunian.	Usec. Manuel Sanchez	
97-220 Sep 16	Encourages LCEs to give preferential action on requests for locational clearance for proposed ecozones, consistent with the approved land use plans and zoning ordinance of the city or municipality.	Barbers	
Barbers	Provides guidelines on the submission by LGUs of copies of their comprehensive development/land use plans and investment programs		
1998			

98-54 Mar 10	Enjoins LCEs to set aside in their annual budgets the funds for ensuring the welfare of LGU employees by making available and maintaining occupational, health and safety, sanitation and environmental conditions.	Sec. Epimaco Velasco	
98-89 May 5	Invites the attention of LCEs to 1998 GAA provision requiring the use of the IRA for the payment of the benefits of public health workers and compliance with the salary standardization law.	Velasco	
98-93 May 13	Provides clarificatory guidelines on the issuance of locational clearances and development permits by LGUs in relation to authorities retained by the HLRB.	Velasco	
98-116 June 18	Reiterates the procedures for the accreditation/selection of NGOs/POs for representation in local special bodies.	Usec. Nelson Collantes	
98-134 July 24	Reiterates 97-221. Notes that only 6 provinces, 12 cities, and 84 municipalities have submitted their plan documents.	Usec. Ronaldo Puno	
98-148 Aug 7	Enjoins LGUs to incorporate gender and development concerns in their local development plans, for which purpose they "may" set aside at least 5% of their total appropriation.	Puno	The setting aside of 5% for GAD purposes is optional.
98-164 Sep 3	Directs LCEs to convene regularly the local development councils.	Puno	
98-174 Sep 21	Instructs all mayors to organize People's Law Enforcement Board in their LGUs and provide funds for them.	Puno	RA 6975 (PNP Law) requires the creation of PLEBs in every city and municipality and the appropriations of funds therefor. RA 8551 (amending RA 6975) requires the DBM to withhold the release of the IRA of LGUs without PLEBs.
98-214 Nov 13	Advises LCEs to "refrain" from imposing additional regulations or procedural requirements before releasing the IRA shares of component LGUs.	Puno	
98-223 Sep 24	Enjoins LCEs to comply with the DOF memorandum requiring all LGUs to deposit and maintain their cash advances with either the Land Bank or Development Bank of the Philippines.	Puno	The DOF memo is pursuant to BSP Circular 110, s. 1996, providing guidelines on the acceptance by banks of government deposits.
98-227 Dec 2 1998	Enjoins LCEs to create local anti-drug abuse councils.	Puno	

1999			
99-11 Jan 15	Informs LCEs that computer-based, application systems developed by DILG are available to interested LGUs.	Asst. Sec. Jesus Ingeniero	
99-70 May 5	Informs provincial governors that the President has authorized the DPWH to allow "capable" provinces to "handle the construction of farm-to-market roads, school buildings and flood control projects, and the maintenance of national roads and highways."	Puno (now signing as Secretary)	
99-89 May 28	Encourages LGUs to pool their resources and initiate inter-local cooperation among themselves.	Puno	
99-101 June 16	Enjoins LCEs to facilitate the release of business and building permits to PAGCOR and its contractors "without delay."	Puno	The MC notes that some LGUs have been "delaying" the release of these permits.
99-111 July 6	Enjoins LCEs to implement and enforce applicable provisions of RA 8424 requiring them to collect and remit withholding taxes due to employees, VAT and percentage tax.	Puno	
99-122 July 21	Encourages LGUs to apply the "notion" of Local Productivity and Performance Measurement System as a self-assessment tool.	Puno	
99-151 Aug 24	Reiterates 99-111.	Puno	
99-176 Sep 13	Enjoins LCEs to comply with the LGC provision requiring the posting of their summary of expenditures.	Puno	
99-188 Oct 11	Enjoins municipal mayors to implement investment friendly business-related policies and procedures.	Puno	
99-216 Oct 29	Brings to the attention of LCEs certain provisions of RA 8150 on the participation of LGUs in the implementation of local infrastructure projects.	Puno	RA 8150 allows the DPWH, "upon the request of the member(s) concerned," to authorize LGUs to implement local road and other public works projects. For such projects costing P100 million or less, the DILG grants to LGUs the "authority to negotiate and approve contracts." For those costing more than P100 million, the President grants the authority, "upon the recommendation of the DILG Secretary."
99-226 Nov	Enjoins LCEs to cause the immediate	Puno	The MC notes that only 20

19	formulation of their comprehensive land use plans (CLUPs) on or before March 31, 2000, after LGUs shall not be allowed to grant development permits unless these are in accordance with approved CLUPs.		provinces have approved Physical Framework Plans; 1,201 cities and municipalities have formulated their plans, and 94 component cities and municipalities have land use plans already approved by the sangguniang panlalawigan.
99-234 Dec 14 2000	Provides interim policies and guidelines on the updating of CLUPs.	Puno	
2000-11 Feb 18	Extends the deadline fixed by 99-226 to June 30, 2000 following Presidential memorandum.	Sec. Alfredo Lim	
2000-59 May 15	Enjoins provinces to fast track the review and approval of CLUPs and zoning ordinances of component cities and municipalities.	Lim	
2000-130 Sep 19	Reiterates 2000-59.	Lim	
2000-131 Sep 19	Provides policy guidelines on the Certificate Program in Barangay Administration and Development.	Lim	
2000-139 Sep 28	Enjoins LCEs to expedite the issuance of business, building or occupancy permits for information technology projects.	Lim	
2000-145 Oct 20	Provides procedural guidelines on the review and approval of CLUPs submitted by component cities and municipalities, but not acted upon by the sangguniang panlalawigan	Lim	

List of Persons Interviewed

A. Department of the Interior and Local Government

1. Austere Panadero

Assistant Secretary for Administration and HRD

OIC, Local Government Academy

2. Rolando Acosta

Director, Bureau of Local Government Supervision

3. Teresita Mistal

Director, Bureau of Local Government Development

4. Maribel Sacendoncillo

Asst. Director, Local Government Academy

9. Manuel Gotis

Asst. Director, Bureau of Local Government Supervision

B. Department of Budget and Management

1. Hon. Cynthia Castel

Undersecretary

2. Orlando Garcia

Director, Region III

C. Department of Finance

1. Norberto G. Malvar

Chief, Special Projects Management Services

D. Civil Service Commission

1. Hon. Mary Ann Fernandez

Assistant Commissioner

2. Millet Santuyo

Director III

3. Jessica Villanueva

Conciliator

E. National Economic Development Authority

1. Hon. Augusto Santos

Deputy Director-General

2. Thelma Manuel

Acting Chief, Regional Development Coordination Staff

F. Commission on Audit

1. Juanito Espino, Jr.

Director, Local Government Audit Office

2. Fe Valera

Chief of Division, LGAO

3. Carmine Antasuda

Chief of Division, LGAO

3. Eloisa Rosacay

Information Technology Officer

* The often-cited jurisprudential definitions are these: "In administrative law, supervision means overseeing or the power or authority of an officer to see that subordinate officers perform their duties. If the latter fail or neglect to fulfill them, the former may take such action or step as prescribed by law to make them perform their duties." (Mondano v. Silvosa, vol. 97 Philippine Reports, p. 147) In contrast, "control" means "The power of an officer to alter or modify or nullify or set aside what a subordinate officer has done in the performance of his duties and to substitute the judgment of the former for that of the latter." (Just cited, p. 148)

The Supreme Court qualified correction in this wise: "It is our opinion, that the omission (of "as may be provided by law") signifies nothing more than to underscore local governments' autonomy from Congress and to break Congress' "control" over local government affairs. The Constitution did not, however, intend for the sake of local autonomy, to deprive the legislature of all authority over municipal corporations, in particular, concerning discipline." (SC in Rodolfo Ganzon vs. Court of Appeals G.R. 93252, August 5, 1991, as cited in Nollojo, Jose, *The Local Government Code of 1991 Annotated*, National Book Store, 1992, p. 142

A longer list that includes issuances and policies from other offices is provided in Atty. Alberto C. Agra, "Policies of Distrust: Policy Lapses on Local Autonomy," a study made for the Center for Continuing Legal Education, College of Law, Ateneo de Manila University, February 28, 1999.

Sources include winners of and selected nominees for the Galing Pook Award (LGU Leagues/AIM/LGA), Hamis Award (DOH), Child Friendly Award (UNICEF), Literary Award (DECS), Nutrition Award (NCP), Pamana ng Lahi (DILG), and others.

The courses offered seem to veer away, in fact, from the standard, generic topics and focus instead on the specialized ones. Sample topics: "Bond Flotation and Other Credit Financing Schemes under Public-Private Partnership;" "NGO-Civil Society Participation in Local Governance;" or "Streamlining Local Government Financial Systems and Procedures."

A necessary by-product of the process is the knowledge that the team gets from the experience, which allows them an inside look at the extent of challenges LGUs face on the topic. Ms Sacendoncillo was particularly surprised to learn from the LGUs they visited that the customer waiting time for getting business permits ranges from 30 minutes in good practicing LGUs to 15 days in poor practicing ones.

Sosmeña, Gaudioso C., *Decentralization and Empowerment*, LOGODEF, Inc., 1991, p. 43.

The connection may not be apparent; it could be that the OICs, behaving like true children of a revolution that just won, were wont for a time to look with suspicion at

carryovers from the deposed administration; and the suspicion could be particularly compelling over something that asks questions about how they are doing in their new roles.

From the BLGS "Manual on Local Productivity and Performance Measurement System (Enhanced Version)," published with support from the UNDP-funded "Strengthening Decentralized Capability-Building Efforts Towards Sustained Local Development," as implemented by the Development Academy of the Philippines.

In the manner perhaps of the US's Malcolm Baldrige National Quality Award or Japan's Deming Prize for top quality performing private businesses.

Union of Local Authorities of the Philippines, "President's Update Report," August 16, 1999.

Just cited.

Tabunda, Manuel and Galang, Mario, *A Guide to the Local Government Code of 1991*, Mary Jo Publishing, Manila, 1992, p. I-148.

From the CSC Accreditation Program's (CSCAP), "List of Accredited Local Government Units", as of December 31, 2000.

* The controversial control-oriented MCs are found in the body of the Report.