



UNIVERSITY OF THE PHILIPPINES  
**SCHOOL OF ECONOMICS**

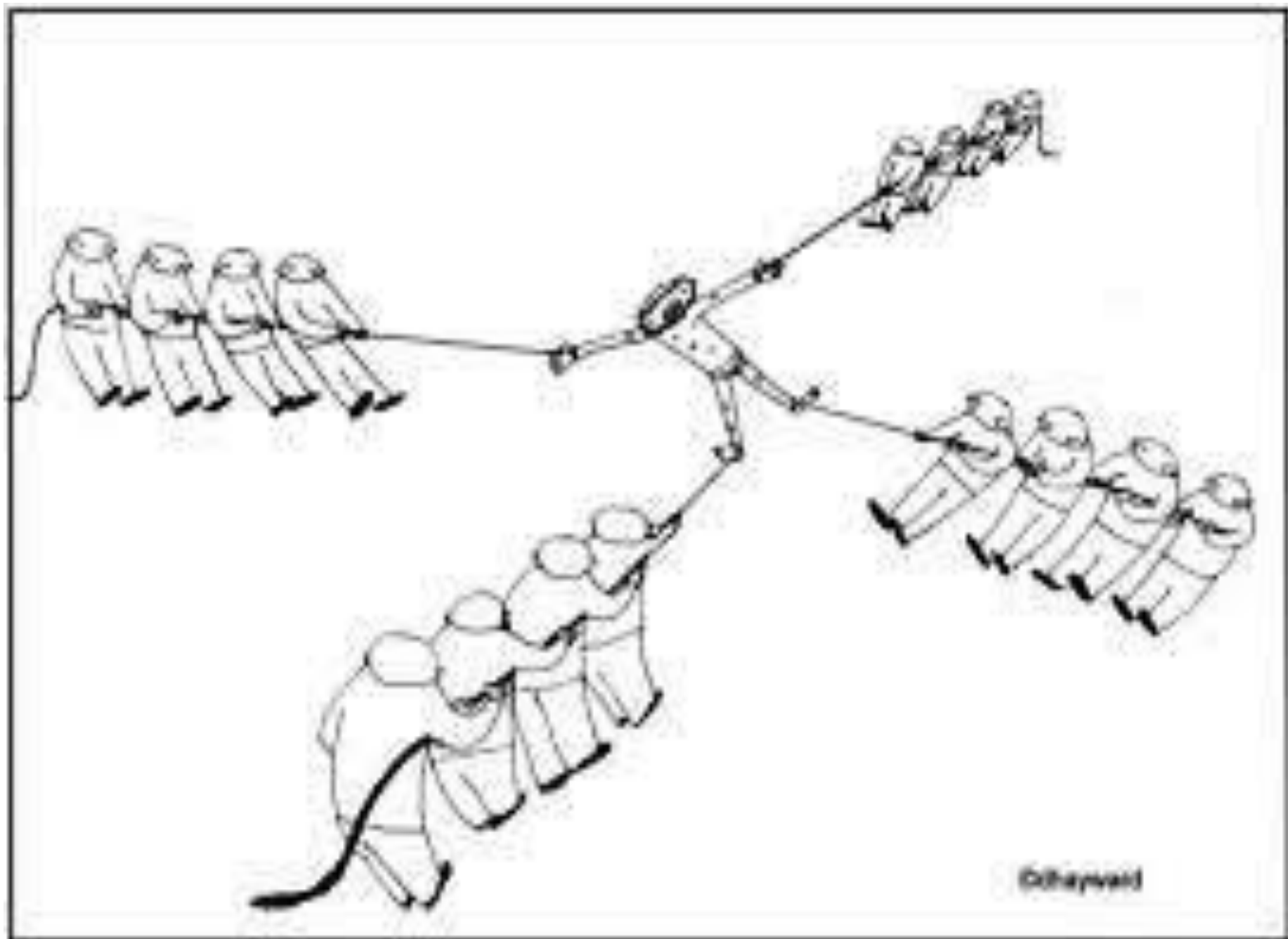


Ayala Foundation – UPSE Forum

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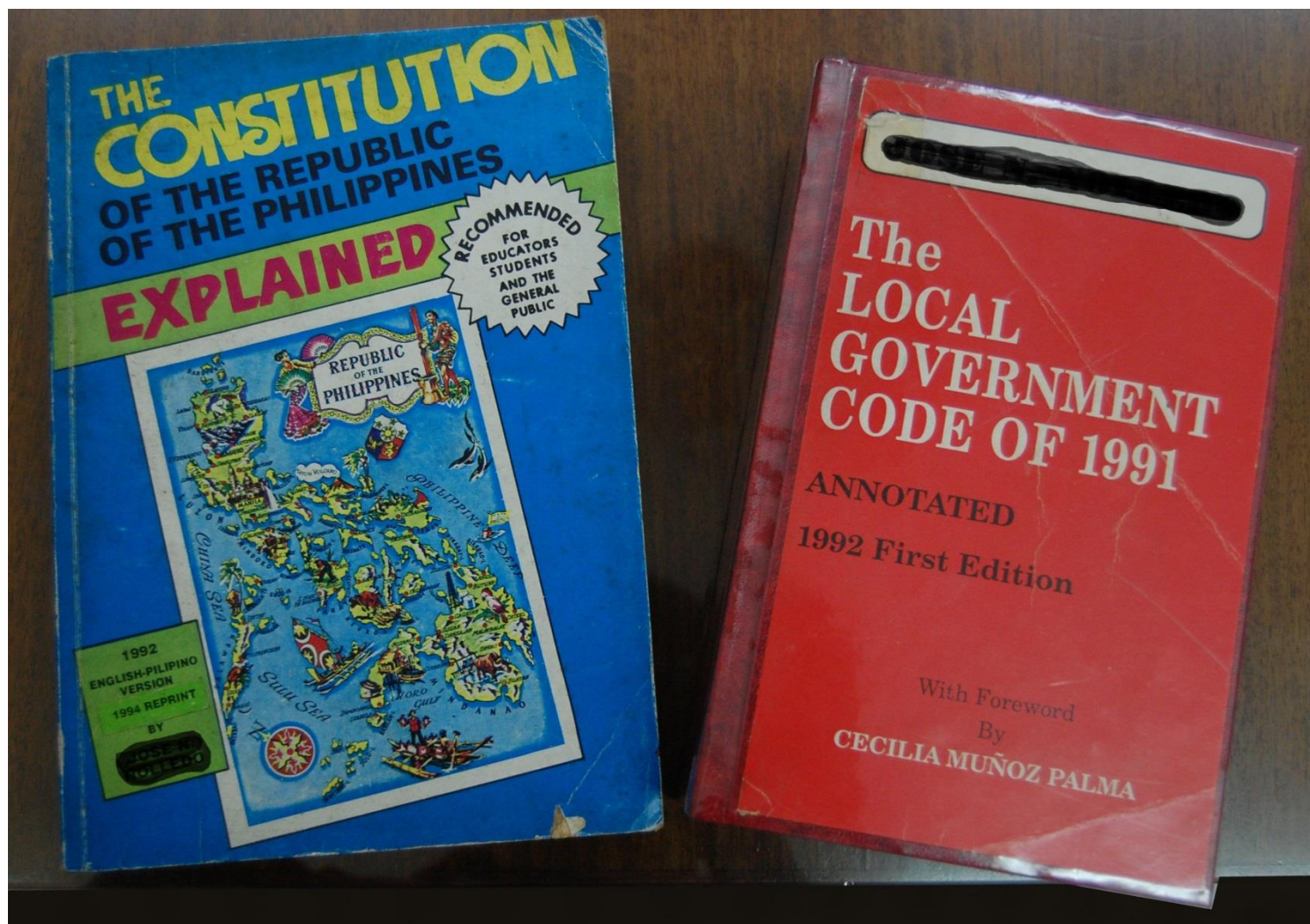
# **Tugs of war: Local governments, National government**

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Ötörvöl

# 25<sup>th</sup> anniversary of the Local Government Code of 1991



***.. Pass a local government code which shall provide for a more responsive and accountable local government structure...***

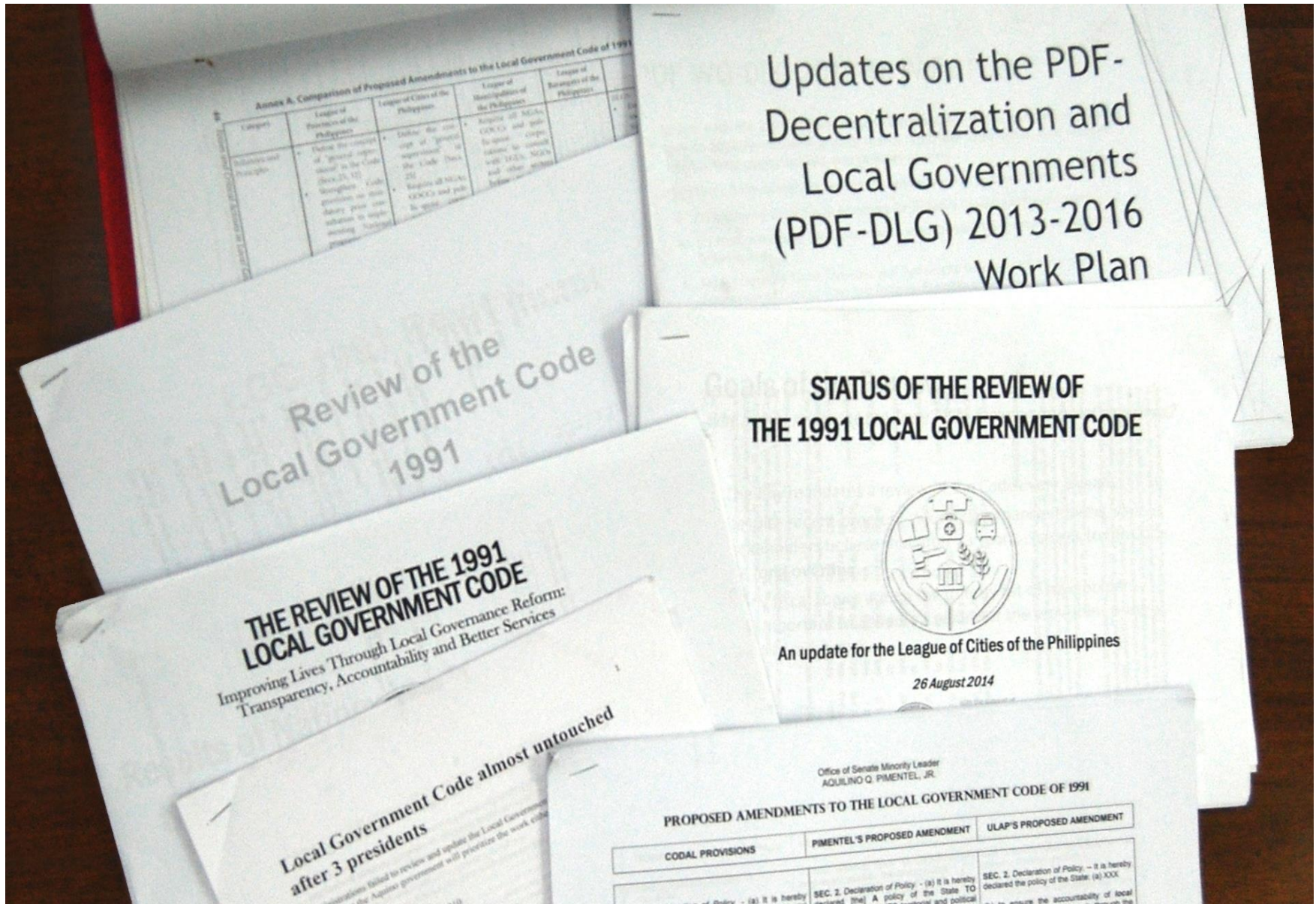


# DEVOLUTION IS A SUCCESS!...somewhat, somehow





# Section 521. Mandatory review



## Principles for decentralizing functions and finances

- ***First**, assign the responsibility over a public service to the lowest level of local government that has jurisdiction over all those who benefit from it.*
- ***And then**, ensure that it has the finances or at least the capacity to generate the resources to provide the service.*

# Key fiscal provisions of the Code

- Financial provisions
  - Shares in national revenues: Internal revenue allotment (IRA), shares in national wealth
  - Taxing and other revenue-raising powers
- Basic services and facilities
  - health, agricultural extension services, social welfare, etc.

## Implementing rules and regulation of LGC

- ARTICLE 29. Funding. — Basic services and facilities shall be funded from the share of LGU in the proceeds of national taxes, other local revenues, and funding support from the National Government and its instrumentalities including GOCCs, tasked by law to establish and maintain such services or facilities. Any available fund or resource of LGUs shall first be allocated for the provision of basic services and facilities before using such fund or resource for other purposes, unless otherwise provided under these Rules.



# Incremental IRA and cost of devolved functions (1992), in million pesos

	<b>Incremental IRA</b>	<b>Cost of devolved functions</b>	<b>Cost of devolved health functions</b>
Total	10,900	6,263	4,071
Provinces	1,955	2,978	2,442.6
Cities	2,576	270.2	122.1
Municipalities	2,809	3,014.5	1506.3
Barangays	3,560	0.0	0.0

# Amending the IRA formula through the GAA

Year	Revisions (amount to be deducted from the total IRA)
1994	50% of the actual cost of devolved functions and the cost of city-funded hospitals as of December 31, 1992.
1995	100% of the actual cost of devolved functions and the cost of city-funded hospitals as of December 31, 1992.
1996	50% of the actual cost of devolved functions and the cost of city-funded hospitals as of December 31, 1992.
1997	100% of the actual cost of devolved functions and the cost of city-funded hospitals as of December 31, 1992.

## De facto criteria in devolving the services

- ***In situ*** assignment – any facility that is already in place is assigned to the local government with the jurisdiction over the area.
- ***Uniform*** assignment – all local governments of the same level will be assigned the same responsibilities



# Functional conflicts in a fragmented local health system



# Fixing the health fragmentation



- Comprehensive health care agreement
- Inter-local health zones
- Province-wide investment plans for health

## Other initiatives to address functional conflicts

- Inter-LGU alliances
  - Marine and coastal management of resources:  
BBRMCI, NIACDEV, etc.
  - Metropolitan arrangements: Iloilo, Tacloban, Naga
- Amalgamation
  - Island Garden City of Samal



## These functional conflicts lead to financial conflicts

- Since the functions are not properly assigned, local provision will also be inadequate or inefficient.
- This creates pressure on the NG to provide financial assistance.
  - Some are deserved. Some due to moral hazard.

## Towards a better local government structure

- Focus on the assignment of the assignment of functions and then their financing
- Need to reconsider the existing local government structure, not just the Code
  - Increased urbanization (17 highly urbanized areas; most with fragmented jurisdictions)
  - Developments in ICT
  - Climate change