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Local Governance and Decentralization Reforms in Southeast Asia

Manila, 25 August 2015  
 Juan Luis Gomez (jlgomez@adb.org)



Most countries in the region have decentralized to some extent basic service delivery



Share of sub-national expenditures over total public expenditure:  
 Philippines (25%), Indonesia (30%), Cambodia (6%)

In Cambodia, decentralization as a strategy for sub-national democratic development



Absence of pre-conditions:  
 a. Relatively homogeneous country  
 b. Weak public administration at all levels as a result of war  
 c. Impaired culture of patronage  
 d. Initial absence of political competition



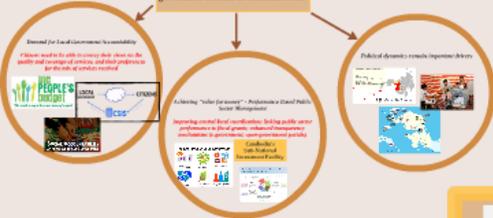
Slow but encouraging progress:

- 1) Steady development of regulatory and institutional framework
- 2) Initial assignment of service delivery responsibilities (solid waste collection, rural water supply)
- 3) Non-tax revenues assigned, plans for expansion of the property tax to districts and municipalities.
- 4) Fiscal transfers developed: District and Municipal Fund, Commune Fund, upcoming SNIF.
- 5) Initial elements of local accountability systems: Social accountability Framework, Participatory budgeting processes, Local public forums

Challenges to decentralization continue to be important:

- 1) Line Ministries' resistance to devolution, coupled with timid approach from high level leadership.
  - 2) Tensions between a MEF concerned with ex-ante financial management controls and decentralization advocates (NCDD-S, Ma).
  - 3) The role of provinces in the decentralized system of government is unclear.
  - 4) Central level perception of sub-national government capacities.
- Current political environment introduces an additional layer of uncertainty.

What are the current drivers of local governance reforms in Southeast Asia?



In the Philippines, recent local governance reforms have focused on improving local accountability systems and incorporating a results-oriented approach to public sector management

- 1) Local accountability systems: Full Disclosure Policy, Citizens' Satisfaction Index, CAG Capacity development programs.
- 2) Value for Money reform: Seal of Good Local Government, Performance Challenge Fund.
- 3) Central-local coordination: Business-Ready Budgeting initiative.

**Beyond Budgeting**  
 From Planning to Performance  
 A new paradigm to improve the way governments spend money and a greater focus on results and outcomes. It is a shift from a focus on inputs to a focus on outputs and outcomes. It is a shift from a focus on the budget to a focus on the results of the budget.

**FDPP**  
 Full Disclosure Policy Portal

**LGPMS**  
 Local Government Performance Monitoring System

The system of intergovernmental fiscal relations has important design flaws that require the amendment of the Local Government Code 1991

1. Proliferation of unfunded mandates and increasingly unclear assignment of service delivery responsibilities.
2. Legislative and underdeveloped revenue raising powers of local governments.
3. Incomplete system of fiscal transfers (deficient design of unconditional grants, no system of conditional grants).
4. Institutions to debt raising powers.
5. LGU proliferation (over 42,000 barangays, municipalities into cities)

Lack of legislative action linked to traditional elements of the political economy of Philippines (adversarial relations Congress-Provinces)  
 Bangsamoro Basic Law may lead to increasing demands for fiscal autonomy in other regions

**REVIEW OF THE 1991 LOCAL GOVERNMENT CODE**  
 Results of the Nationwide Consultations

**The 1991 Local Government Code**

Who participated in the Review of the LG Code?

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# Local Governance and Decentralization Reforms in Southeast Asia

Manila, 25 August 2015

Juan Luis Gomez ([jlomez@adb.org](mailto:jlomez@adb.org))



*Most countries in the region  
have decentralized to some  
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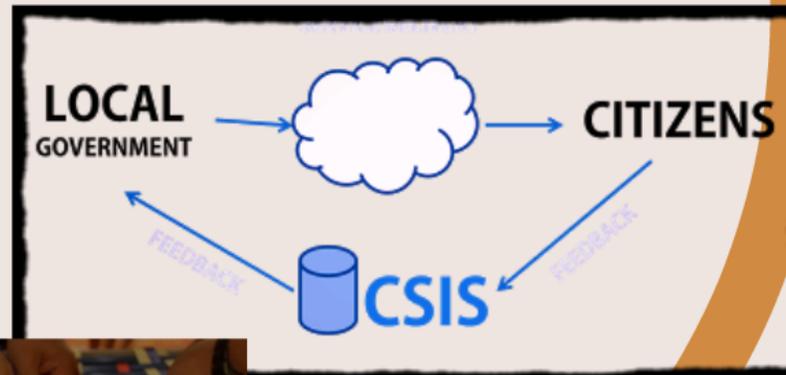
Share of sub-national expenditures over total  
public expenditure:  
Philippines (25%), Indonesia (36%),  
Cambodia (6%)



**What are the current drivers of local governance reforms in Southeast Asia?**

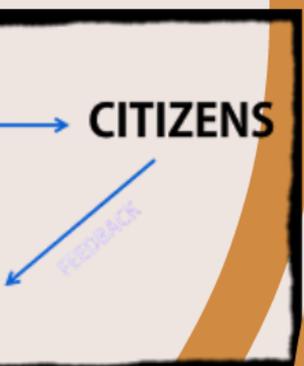
## *Demand for Local Government Accountability*

*Citizens need to be able to convey their views on the quality and coverage of services, and their preferences for the mix of services received*



*Achieving*

*Improving performance mechanisms*



## Achieving "value for money" - Performance Based Public Sector Management

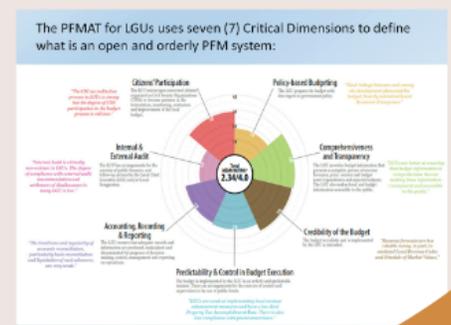
*Improving central-local coordination; linking public sector performance to fiscal grants; enhanced transparency mechanisms (e.government, open-government portals)*

### The Seal of Good Local Governance

**SGH**

- Good financial housekeeping
- Disaster preparedness
- Social protection
- Law and order
- Environmental management
- Business-friendliness and competitiveness

## Cambodia's Sub-National Investment Facility





*In the Philippines, recent local governance reforms have focused on improving local accountability systems and incorporating a results-oriented approach to public sector management*



- 1) Local accountability systems: Full Disclosure Policy, Citizens' Satisfaction Index, CSO Capacity development programs.
- 2) Value for Money reforms: Seal of Good Local Governance, Performance Challenge fund.
- 3) Central-local coordination: Bottom-up-Budgeting initiative

## Bottom-Up Budgeting (Grassroots Participatory Budgeting)



### From Patronage to Empowerment:

- Giving communities a greater “voice and vote” over the Budget
- Enable CSOs & NGOs to perform mediating role with LGUs
- Incentivize LGU investment in PFM and engaging communities and CSOs
- Make NG more responsive by reflecting people’s needs in the National budget



*The system of intergovernmental fiscal relations has important design flaws that require the amendment of the Local Government Code 1991*

- 1. Proliferation of unfunded mandates and increasingly unclear assignment of service delivery responsibilities.**
- 2. Unproductive and underdeveloped revenue raising powers of local governments.**
- 3. Incomplete system of fiscal transfers (deficient design of unconditional grants, no system of conditional grants).**
- 4. Limitations to debt raising powers.**
- 5. LGU proliferation (over 42,000 barangays, municipalities into cities)**

*Lack of legislative action linked to traditional elements of the political economy of Philippines (adversarial relations Congress-Provinces)*

*Bangsamoro Basic Law may lead to increasing demands for fiscal autonomy in other regions*

*In Cambodia, decentralization as a strategy for sub-national democratic development*



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## **Challenges to decentralization continue to be important:**

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