



Draft Design and Monitoring Framework

Project Number: 39516-02-3
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Republic of the Philippines: Local Government Financing and Budget Reform II

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <ul style="list-style-type: none"> The efficiency and effectiveness of basic public services delivered by LGUs to their constituent communities has increased 	<ul style="list-style-type: none"> More than half of the aggregate LGU level indicators (below) improve by one-fifth to one-tenth of 2007 results by 2012: (i) ratio of health facilities to population, (ii) access to basic services such as water and electricity, (iii) sanitation condition, (iv) extent of solid waste collection and disposal, (v) presence of sewerage facility 	<ul style="list-style-type: none"> Relevant indicators of LGPMS dataset (comparison 2005 to 2010) 	<p>Assumption</p> <ul style="list-style-type: none"> LGU use enhanced resources for investments other than in basic public services, i.e., government administration buildings, rent-seeking <p>Risk</p> <ul style="list-style-type: none"> Key government agencies at all levels of Government may be preoccupied by measures to mitigate the impact of the global financial crisis on the economy and vulnerable groups. This may leave limited resources to implement the agreed program
<p>Outcome</p> <ul style="list-style-type: none"> LGU avail of enhanced resources and capacities to plan and budget for the general welfare of their constituent communities in a transparent and accountable way 	<ul style="list-style-type: none"> Real local government revenues, including access to public and private sources of credit, increase by at least 4% annually at all levels of government from 2007 in two thirds of all provinces and highly urbanized cities and in the majority of fourth to sixth income class other LGUs Real expenditures for service delivery increase by at least 2% annually from 2008 in two thirds of provinces and highly urbanized cities and in the majority of fourth to sixth income class other LGUs Number of fraudulent cases reported by COA decreases by at least 20% at all levels of government 	<ul style="list-style-type: none"> BLGF SRE data BLGF SRE data COA information 	<p>Assumption</p> <ul style="list-style-type: none"> Mechanisms are in place in LGUs at all levels to provide incentives to make use of enhanced resources and capacities to plan and budget for the general welfare of constituent communities <p>Risk</p> <ul style="list-style-type: none"> Delays may be experienced in engaging oversight agencies and LGUs because of the election scheduled to be held in May 2010
<p>Outputs</p> <p>1. Efficiency and accountability in financial management, planning, and expenditure management at the local level is enhanced</p>	<ul style="list-style-type: none"> Capacity building activities for LGUs in planning, revenue mobilization, expenditure management and budgeting harmonized by 2010 Committee for implementation of the Competency Certification System for local treasurers officially named and convened by BLGF by January 2011 Measures taken to improve personal expenditure patterns in LGUs and executive by January 2011 	<ul style="list-style-type: none"> Copy of joint memorandum circular providing the schedule of joint capacity building initiatives DOF Departmental Order Recommendations provided in study; DOF issuance of action plan. 	<p>Assumptions</p> <ul style="list-style-type: none"> Incentives for coordination of capacity building activities between oversight agencies will continue <p>Risks</p> <ul style="list-style-type: none"> Willingness for coordination among oversight agencies may weaken over time

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	<ul style="list-style-type: none"> Improved training skills available for the Comprehensive Development Plan by January 2011 	<ul style="list-style-type: none"> BLGF certificate 	
<p>2. Effectiveness and transparency in the delivery of critical public services at the local level is enhanced</p>	<ul style="list-style-type: none"> Implementation of the Performance Based Incentive Policy included in the design of at least one multi-sectoral program with national government and ODA funding by January 2011 Improved use of the Special Education Fund by January 2011 Improved efficiency in transparency of performance data for at least 90% of Provinces, Cities and Municipalities by January 2011 	<ul style="list-style-type: none"> Certification from MDFO Updated policy provided by DBM DILG website 	<p>Assumptions</p> <ul style="list-style-type: none"> Sector agencies and donors remain committed to implement the Performance Based Incentive Policy <p>Risks</p> <ul style="list-style-type: none"> Financial crisis results in a decrease in transfers
<p>3. LGU access to public and private sources of capital for financing of policy reforms and development projects is improved</p> <p>4. Additional sources of revenues developed at the local level, thereby reducing dependency on the IRA</p>	<ul style="list-style-type: none"> Guidance available to ensure that ODA funds are used in a way that does not crowd out private sector financing by January 2011 Improved operational efficiency of MDFO by January 2011 Improved PROLEND policy by January 2011 MDFO-PGB increases the amount for MDG fund and other related projects anchored with the MDGs as the volume of interested LGUs increase. BLGF creditworthiness rating system available on the internet by January 2011 Improved transparency of local business taxpayer database by January 2011 Qualification standards for local assessors are enforced by January 2011 Improved regulation for the establishment of Local Economic Enterprises 	<ul style="list-style-type: none"> Copy of guidelines submitted by DOF MDFO Policy Governing Board resolution on rationalization plan of MDFO provided by MDFO setting up MDFO as an attached agency of DOF MDFO Policy Governing Board resolution provided by MDFO MDG fund allocation provided by DBM BLGF website Copy of guidelines to LGU Treasurers provided by BLGF Copy of legislation provided by BLGF Copy of guidelines provided by BLGF 	<p>Assumptions</p> <ul style="list-style-type: none"> Priority funding will not be effected Willingness of LGUs to provide quality performance data increases over time <p>Risk</p> <ul style="list-style-type: none"> Private sector financing does not augment with increased availability of financial information on LGUs <p>Assumptions</p> <ul style="list-style-type: none"> Business tax revenue base of LGUs is sufficient to justify collection cost LGUs are increasingly willing to make use of property evaluation methods <p>Risk</p> <ul style="list-style-type: none"> The Government may run out of resources for capacity development activities planned for this Program

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<p>Activities with Milestones</p> <p>1.1. Streamline the oversight and capacity development functions of national government agencies for financial management, planning, and public expenditure management.</p> <p>1.2. Improve fiscal management capacity of LGUs.</p> <p>2.1. Enhance financing options to improve service delivery in key sectors.</p> <p>2.2. Improve implementation of devolved functions.</p> <p>2.3. Enhance effectiveness of existing LGU performance monitoring systems.</p> <p>3.1. Increase LGU access to private sources of financing.</p> <p>3.2. Increase availability of development financing for LGUs.</p> <p>3.3. Improve availability of financial information on LGUs.</p> <p>4.1. Enhance LGU's ability to generate revenues from local business taxes.</p> <p>4.2. Improve collection of real property taxes.</p> <p>4.3. Improve revenues from non-tax resources</p>		<p>Inputs</p> <ul style="list-style-type: none"> • \$225 million equivalent program loan for subprogram 2 • \$0.7 million capacity development TA to support implementation of the subprogram 2 reform measures 	

BLGF = Bureau of Local Government Financing (DOF), COA= Commission on Audit, DBM = Department of Budget and Management, DILG = Department of the Interior and Local Government, DOF = Department of Finance, IRA= internal revenue allotment, LGPMS = local government performance measurement system, LGU = local government unit, MDFO = Municipal Development Fund Office, MDG=Millennium Development Goals, ODA = Official Development Assistance; PGB = Policy Governing Board; PROLEND= Program Lending Facility, SRE = statement of receipts and expenditures, TA = technical assistance.