

**Comments on Dr. Fernando Aldaba's Paper Entitled
Poverty in the Philippines: Causes, Constraints and Opportunities ¹**

By

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A. Study Aims

- (i) to provide a comprehensive analysis of the causes of poverty in the Philippines and give recommendations on how faster poverty reduction can be achieved through sustained and more inclusive growth; and
- (ii) to provide an overview of the current status of government responses, strategies and achievements and will identify, prioritize future needs and interventions, MDG accomplishments to date will be assessed.

B. Among the Findings of the Study...

The failure of the Philippine economy to transit into a higher and sustained level of growth has been explained as a result of a sustained decline in domestic investments, weaknesses in institutions and social infrastructure, institutional uncertainty, and a history culture that has impacted on current growth.

The Study makes a number of observations and recommendations from the perspective of local governance:

- (i) Poverty levels vary greatly by regions
- (ii) Poverty remains mainly a rural phenomenon though urban poverty is on the rise
- (iii) Governance and institutional constraints remain.
- (iv) There is weak local government capacity in implementing poverty programs.

Effective delivery of basic social services and poverty related programs at the local levels will improve poverty reduction programs

Among the recommendations of Aldaba that have implications to institutions and local governance are the following:

- Reform institutions that coordinate and implement poverty programs to enhance coordination, improve efficiency and reduce corruption
- Tap more NGOs and civil society sectors to monitor the delivery of poverty programs in social services
- Improve poverty targeting and monitoring (and evaluation) especially at the local government level: there should be increased funds for data collection, processing and management.

¹ Comments delivered during the ADB Brown Bag: Analyzing Poverty Issues in the Philippines held at the ADB Auditorium D on 2 July 2009. Manila. Participants included staff from PHI government agencies, development partners, non government organizations, academe, and ADB.

- The national government must assist local governments in increasing their capacities for targeting and monitoring (e.g., CBPMS)
- Strengthen the governance of poverty reduction through sustained economic and institutional reforms
- Enhance local government capacity and resources for poverty reduction and improve national agency-local government coordination in poverty programs
- Establish a national poverty funding mechanism and an incentive system on allocation to better motivate LGUs in the fight against poverty
- Promote inter-LGU cooperation in implementing anti-poverty programs and projects including reforms in health, education and population
- Learn from LGU experience (sic) how select local governments have successfully implemented poverty reduction programs (Galing Pook Awardees Bohol, Naga City, Concepcion, Iloilo)
- Continue advocacy for more democratic and people centered processes at the local level
- Review the 14 core poverty indicators and inventory available local poverty indicators at each LGU level and simplify data collection system at local level
- Make provinces focal points for coordinating poverty related programs and projects for local implementation
- IMPORTANT BATTLEFRONT AGAINST POVERTY IS AT THE LOCAL LEVEL

I WILL MAKE MY COMMENTS FROM THE PERSPECTIVE OF INSTITUTIONS, LOCAL GOVERNANCE AND LOCAL AUTONOMY

- The message is that we have to strengthen decentralization and local governance to address poverty: poverty as local
- The whole question that we have been struggling with over the years, does decentralization really lead to poverty reduction?
- There may be a lot of anecdotal evidence and stories out there. *But the time has come for us to conduct an honest to goodness rigorous and evidence-based study showing the link between decentralization, local autonomy and poverty reduction.*
- This has been raised in various international fora – Indo, Thai, Phil – that have enacted policies on local autonomy

C. Some Key Success Factors

1. An Enabling Policy Framework

- Local Government Code of 1991
- 2008 Supreme Court Decisions affecting Local Governance and Local Autonomy reveal a clear policy trend favoring the Constitutional mandated and State's declared policy of ensuring the autonomy of local governments.
- evident in the arena of
 - enacting local ordinances
 - reclassifying land use
 - setting additional reasonable requirements in the grant of construction permits, and
 - in the interpretation of local fiscal powers

2. Strong Leadership at the Local Level

- Local leadership continues to be a key to many success stories and innovations among local governments but sustained by the local bureaucracy.
(Galing Pook, Gawad Pamana, Clean and Green, Lingkod Bayan, Magsaysay, Konrad Adenauer Medal of Excellence, Local Government Leadership awards)
3. Improved Access to Financial Resources
 - Such access is also a challenge, considering that financial resources at the local level – made available through IRA or through local revenue generating efforts and tax collection – continue to be very limited.
 4. Stronger Inter-local Government Partnerships
 - Inter-local cooperation in addressing common concerns such as solid waste management, marine resources management, and forest resources management.
 5. Wider Participation and Engagement with Civil Society Institutions
 - An aggressive civil society sector in the local government Citizen engagement in various aspects of local development, is essential to improved local service provision and local accountability.
 - Role of Social Watch in monitoring Poverty
 - Gawad Kalinga
 6. A Broader Role for the Leagues of Local Governments
 - The organization of local governments at various levels, including the Leagues of Provinces, Cities, Municipalities and Barangays and the Union of Local Authorities of the Philippines.
 7. The role of these various leagues in promoting and protecting the interests of the local governments cannot be overemphasized.

D. Emerging Challenges and Issues

1. Inadequate Local Finance
 - Local finance continues to be a challenge. Apart from increasing the IRA allocations to local governments from 40% to 50%, there is a need to consider other local revenues, such as customs and other sources of income generated externally, in the computation of the IRA. Additionally, there is a need to consider including other criteria in the IRA distribution (e.g., poverty measures and performance indicators).
2. Weak Local – and National – Capacity
 - there is an obvious need to continue developing capacities not only among local officials but among national officials as well.
 - neglected targeting national government agency officials in the broad capacity building strategy under a regime of local autonomy.
 - the need to refine and define not only local and national relations (under a regime of autonomy) but also local-local relations within the context of

inter-governmental cooperation that may even lead to mergers and amalgamations.

3. Unclear and Inadequate Corporate and Taxing Powers of Local Governments

- Many local governments continue to be heavily and overly dependent upon their IRA allotment.
- There is a need therefore to develop various models that allow local governments enhanced capabilities in exercising corporate and taxation powers of LGUs.
- These could be incorporated into the capacity building efforts for local governments. In this regard, specific courses on local finance targeted at local governments should be developed.

E. Lessons Learned from In-Depth Study

The past seventeen years have seen examples of many good and best practices at the local levels where many local governments have taken advantage of the powers devolved to them and have used these in a creative and innovative manner.

Lessons Learned

- Financial decentralization goes hand in hand with decentralization or devolution of services or functions. Otherwise, decentralization becomes meaningless or a fruitless exercise.
- There is a need to revise the IRA formula
- Lack of information/knowledge of local stakeholders, lack of resources, and poor political will to implement the policies relating to decentralization are some of the challenges in operationalizing the policies on the ground.

Capacity building for both the devolving agencies and the local governments should be placed high priority in the governance agenda.

- Local governments (through the various leagues of local authorities) have become more assertive and effective in articulating local concerns over the past 17 years.
(Galing Pook, LGLA)

Governance is not the exclusive domain of government entities – local governments have come to appreciate the involvement of civil society organizations in governance

- Despite decentralization, it was observed that poverty and economic inequity continue to exist among regions.
- Rapid urbanization and its associated disparities in the geographical dispersal of economic activity and population present new local governance and development management challenges.
- Sustainable development issues are location specific in management and should be addressed at the appropriate level of governance.

- Further, ethno-ultra diversity and associated political conflicts were observed.
- Even with decentralization, weak and ineffective citizen capacity to demand the provision of good local governance undermines political accountability and the meaning of local democracy.
- The consultation helps LGUS sharpen their consciousness about the need to revise the Code

Private sector capacity impacts on what should be delivered by LGUs— what can be delivered more efficiently by the private sector and what level of governance can best ensure efficiency and effectiveness should be identified

To conclude...

- The study of Aldaba emphasizes various aspects of governance to address poverty.
- A number of his findings and recommendations are consistent with many earlier studies that we have done, including those of the recently concluded ADB TA 4778. These include
- The imperative to improve local governance and strengthen local autonomy and decentralization
- Encouraging inter-local cooperation, amalgamation, harnessing private sector participation and NGOs
- Importance of learning from, and documenting good and best practices was also emphasized.
- It may be time to take all these recommendations and studies to the next logical step: going beyond generalities and anecdotal evidence, *a study looking into the impact of decentralization upon poverty should be conducted.*
- This could even be conducted from a regional and comparative perspective, taking into consideration the experiences of Thailand and Indonesia, countries that have embarked on massive decentralization programs.

In sum, the ADB / the Aldaba study could also address the following aspects to strengthen decentralization and local governance (taking off from TA 4778) and thus reduce poverty:

- Strengthen Local Finance
- Enhance corporate and taxing powers of LGUs
- Rethinking Expenditure Assignments to Local Governments
- Consolidating Local Governments
- Examine and revisit NG Powers over LGUs
- Prioritize Amendments to Code
- Improve local and national capacity
- Consolidate Local Governments – interlocal cooperation, amalgamation
- Commission further studies: linking local autonomy and decentralization to poverty reduction