



# Technical Assistance Report

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Project Number: 40345  
April 2008

## Republic of the Philippines: Strengthening Provincial and Local Planning and Expenditure Management Phase 2

## CURRENCY EQUIVALENTS

(as of 4 February 2008)

Currency Unit	–	peso (₱)
₱1.00	=	\$0.025
\$1.00	=	₱40.56

## ABBREVIATIONS

ADB	–	Asian Development Bank
JMC	–	joint memorandum circular
LGU	–	local government unit
NEDA	–	National Economic and Development Authority
NRO	–	regional office of the National Economic and Development Authority
PDIP	–	provincial development investment program
PDPFP	–	provincial development and physical framework plan
PLPEM	–	provincial and local planning and expenditure management
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	Targeted intervention
<b>Sector</b>	–	Law, economic management, and public policy
<b>Subsector</b>	–	Public finance and expenditure management, and subnational government administration
<b>Themes</b>	–	Sustainable economic growth, governance, and capacity development
<b>Subthemes</b>	–	Promoting economic efficiency and enabling markets, and financial and economic governance

## NOTES

- (i) The fiscal year (FY) of the Government of the Philippines is from 1 January to 31 December.
- (ii) In this report, "\$" refers to US dollars.

Vice President	C. Lawrence Greenwood, Jr., Operations 2
Director General	A. Thapan, Southeast Asia Department
Team leader	J. Balbosa, Country Specialist, Philippines Country Office, Southeast Asia Department
Team member	M. Navoa, Programs Officer, Philippines Country Office, Southeast Asia Department

## I. INTRODUCTION

1. During the March 2007 Asian Development Bank (ADB) country strategy and program confirmation discussions with the Government of the Philippines, the National Economic and Development Authority (NEDA) requested follow-on technical assistance (TA) for the 2004 TA for Strengthening Provincial and Local Planning and Expenditure Management. The TA was to be completed in June 2007, with closure by the end of November 2007.<sup>1</sup> The Government reiterated this request at the October 2007 programming update with ADB. Strengthening Provincial and Local Planning and Expenditure Management, Phase 2 is included in the Philippines country operations business plan for 2007–2008. Preparatory work and consultation was undertaken and a fact-finding mission fielded from 15 to 19 November 2007. The mission reached an understanding with the Government on the TA objectives, scope, cost estimates, financing, and implementation arrangements. The TA builds on the ADB-World Bank joint report on decentralization<sup>2</sup> and the ongoing dialogue on the Local Government Finance and Budget Reform Program.<sup>3</sup> The TA framework is in Appendix 1.<sup>4</sup>

## II. ISSUES

2. The ADB-World Bank joint study on decentralization (2005) and the latest compilation of local governance studies by Arsenio Balisacan and Hal Hill (2007) share similar findings, that “while the decentralization program has more or less ‘worked’, there is an urgent need for a clear, predictable and stable regulatory environment governing the administrative and financial relations between the centre and the regions.”<sup>5</sup> Moreover, institutional and technical links between the plans and programs of local government units (LGUs) and national programs and priorities need to be strengthened in the medium-term Philippines development plan.

3. ADB’s country strategy and program recognizes this gap and supports the Government’s decentralization and local governance agenda. It also identifies the local government finance and budget reform program as a critical operation to (i) reduce local government dependence on national government transfers by improving resource mobilization and budget operations, and (ii) enhance the sustainability of fiscal consolidation by strengthening the LGUs’ ability to deliver improved services despite resource constraints.<sup>6</sup> The reform program recognizes the need for LGUs to strengthen and coordinate their development planning, institutionalize proper budgeting using approved plans and targets, and enhance their resource mobilization capacity. It also commits to support improved planning, budgeting, and finance linkages and strong regional development coordination.

4. To support the Government’s decentralization agenda, ADB provided TA to NEDA’s regional development offices to prepare the groundwork for improved local investments and service delivery through harmonized local planning investment programming, financing, and budgeting processes; and strengthened vertical linkages of plans and investment programs between various levels of government (footnote 1). Under this TA, a five-volume set of

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<sup>1</sup> ADB. 2004. *Technical Assistance to the Republic of the Philippines for Strengthening Provincial and Local Planning and Expenditure Management*. Manila.

<sup>2</sup> ADB and World Bank. 2005. *Decentralization in the Philippines: Strengthening Local Government Financing and Resource Management*. Manila.

<sup>3</sup> ADB. 2007. *Loan 2387-PHI: Local Government Unit Financing and Budget Reform Program for \$300 million approved on 13 December 2007..* Manila.

<sup>4</sup> The TA first appeared in *ADB Business Opportunities* on 29 November 2007.

<sup>5</sup> Arsenio Balisacan and Hal Hill. 2007. *The Dynamics of Regional Development: The Philippines in East Asia*. Tokyo: Asian Development Bank Institute and Edward Elgar Publishing.

<sup>6</sup> ADB. 2005. *Country Strategy and Program (2005–2007): Philippines*. Manila, paras. 41–43.

guidelines on provincial and local planning and expenditure management (PLPEM) were formulated. The guidelines will help the provinces plan more effectively; identify, prepare, and prioritize critical programs and projects; and raise and allocate financial resources. In addition, the Government issued a joint memorandum circular (JMC) providing guidelines for harmonizing local planning, investment programming, revenue administration, budgeting, and expenditure management.<sup>7</sup> The JMC and the TA output constitute a major contribution to advancing the decentralization agenda supported by the Philippine Development Forum working group on decentralization and local governance.<sup>8</sup>

5. While ADB assessed implementation of the phase 1 TA as “fully satisfactory,” effective implementation of follow-on activities requires a focus on key implementation lessons: (i) training and capacity building among local government chief executives, officials, and staff is a continuing process that must be institutionalized with strong commitments from local chief executives; (ii) strong coordination and collaboration among local government oversight agencies (i.e., Department of Budget and Management, Department of Finance, Department of Interior and Local Government, and NEDA) is critical for a consistent, efficient, and effective local governance policy, thus, JMC must be supported to strengthen its capacity; and (iii) advocacy activities must be emphasized to enhance wider acceptance of proposed institutional and policy reforms for good local governance. Building strong local governments requires a long process of sustained reform initiatives; stakeholder ownership and commitment to reforms must be strengthened through continued advocacy work.

6. The phase 2 TA will use the PLPEM guidelines to produce actual provincial outputs, i.e., provincial development and physical framework plans (PDPFPs), provincial development investment programs (PDIPs), and feasibility studies of critical projects in the PDIPs. The PDIP programs and projects will become inputs to the provincial budget, and be important components of the planning, investment programming, budgeting linkage. The phase 2 TA will deepen the reforms started during the first phase TA and support the JMC principles.

7. ADB’s team for community of practice, managing for development results, will complement TA activities to strengthen provincial and local planning and expenditure management. The team will help bring managing for development results best practice to local governments and provide a web-based platform to facilitate information flow among participating LGUs, government agencies, and the wider network of ADB’s community of practice. Moreover, this TA coordinates and complements World Bank activities to strengthen LGU service delivery mechanisms. This TA is complemented by activities funded by German development cooperation through the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), which has committed to financially support preimplementation activities in provinces of the Visayas region.

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<sup>7</sup> The memorandum circular was issued as JMC No. 1 series of 2007, signed by the four local government oversight agencies: Department of Finance, NEDA, Department of the Interior and Local Government, and Department of Budget and Management.

<sup>8</sup> In line with the principles of the Paris declaration on Harmonization and Aid Effectiveness, the Philippine Development Forum is the Government’s primary mechanism for facilitating substantive policy dialogue among stakeholders on the country’s development agenda. To facilitate the dialogue, the forum is comprised of seven thematic working groups; the working group on decentralization and local governance is one of them.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

8. The overall impact of the TA is to improve local government public expenditure management by strengthening the links between plans and investment programs across all levels of government. The TA aims to (i) increase provincial capacity for planning and expenditure management thereby upgrading their governance capabilities, particularly in public spending and LGU supervision; and (ii) improve and standardize provincial inputs to regional and national plans and investment programs through the transfer of provincial planning skills, tools, and techniques using the PLPEM guidelines.

#### B. Methodology and Key Activities

9. The TA has five key activities.

10. **Prepare PDPFPs and PDIPs.** Using the PLPEM guidelines, the NRO core team of NEDA regional offices (NROs) will guide and assist the provincial PLPEM core team in preparing PDPFPs and PDIPs following the synchronized planning, investment programming, budgeting process.

11. **Conduct Learning-By-Doing Workshops.** The draft PDPFPs and PDIPs will be reviewed nationally and provincially through regional workshops. Following a review guide, the NRO core team will review the plans for consistency with the PLPEM guidelines and the regional and national development plans and strategies. At national critiquing sessions, experts will undertake a more in-depth review of the PDPFPs and PDIPs of two provinces per region (provinces to be identified by NROs) vis-à-vis logical consistency and overall clarity.

12. **Refine and Adopt the PDPFPs and PDIPs.** The NRO core team will guide its provincial counterparts in refining the PDPFPs and PDIPs based on comments and suggestions generated during the regional review workshop and critiquing session. The team will then conduct a final review and quality check of the programs and plans prior to their adoption by the local government councils. Completion of PDPFPs and PDIPs will be synchronized with local budget preparation activities in 2009.

13. **Prepare Feasibility Studies.** The NRO core team will train its provincial counterparts on project evaluation and development and guide preparation of the feasibility study for at least one project in the PDIP. The basis for project selection will primarily be its impact on the province's development and potential for project funding by the national Government or through official development assistance and other existing financing facilities. The draft feasibility studies will undergo the same provincial and national review process undertaken for the PDPFPs and PDIPs. The NRO core team will also guide the preparation and packaging of project proposals and assist in sourcing funds to finance these projects.

14. **Provide Project Management and Monitoring.** NEDA's regional development coordination staff, supported by a financial and project management specialist, will undertake project mobilization activities, including designing a project monitoring system. They will coordinate and conduct field visits, and recommend problem-solving sessions as necessary to address implementation delays and gaps.

15. TA implementation has the following assumptions:

- (i) Consistency of future related issuances, guides, and circulars of other oversight agencies with the PLPEM guidelines will be discussed and resolved through an interagency committee to harmonize local planning, investment programming, revenue administration, budgeting, and expenditure management (footnote 3).
- (ii) The provinces accept and are committed to the PLPEM guidelines, and guidelines use is sustainable.
- (iii) The provinces are willing to provide counterpart resources as necessary to produce the provincial outputs.

### **C. Cost and Financing**

16. The total cost of the TA is estimated at \$850,000 equivalent; ADB will provide \$650,000. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the balance of \$200,000 by providing office accommodation and facilities, remuneration and per diem of counterpart staff, and other support facilities (Appendix 2).

### **D. Implementation Arrangements**

17. NEDA will be the Executing Agency. NEDA's regional development coordination staff will manage the day-to-day project activities to ensure their adherence to project objectives. The NRO core teams will provide direct planning assistance to provinces in formulating provincial outputs.

18. The interagency committee, comprising, Department of Budget and Management, Department of Finance, Department of Interior and Local Government, and NEDA will provide a venue for discussing policy-related concerns that may be raised during TA implementation.

19. Individual consultants (international and national) will implement the TA activities. ADB will engage the consultants in accordance with the *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of four international and 24 national person-months of consulting services will be required. The terms of reference for the consulting services with details on the duration of services are in Appendix 3. The consultants will prepare review guides for PDPFPs, PDIPs, and project evaluation and development for use of the NRO core teams during regional review workshops; and critique the provincial outputs. The consultants will provide written reports in English on a regular basis: (i) an inception report to include a comprehensive implementation plan; (ii) interim report; (iii) progress reports; and (iv) a draft final report, and subsequently a final report to be submitted before the end of the TA. ADB will procure the required computers (hardware and software) and printers in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). The TA will commence in April 2008 and be implemented over 24 months.

## **IV. THE PRESIDENT'S DECISION**

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$650,000 on a grant basis to the Government of the Philippines for Strengthening Provincial and Local Planning and Expenditure Management, Phase 2, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impact</b> Improved local government public expenditure management</p>	<p>Provincial expenditures reflect the development priorities and needs of the province</p> <p>Consistency between regional and national development plans and investment program improved</p>	<p>Annual fiscal reports (Bureau of Local Government Finance, Department of Budget and Management)</p> <p>Regional development plans and regional development investment programs (National Economic and Development Authority [NEDA])</p> <p>Medium-term Philippine development plan and medium-term Philippine investment program (NEDA)</p>	<p><b>Assumption</b> Future related issuances, guides, and circulars of other oversight agencies are consistent with the provincial and local planning and expenditure management (PLPEM) guidelines.</p> <p><b>Risk</b> Political changes result in opposition to previously agreed program due to the change in local executives due to 3-year election cycle</p>
<p><b>Outcome</b> Stronger link between provincial plans and investment programs</p>	<p>Beginning from 2009, programs, projects, and activities in provincial development investment programs (PDIPs) are drawn from provincial development and physical framework plans (PDPFPs)</p> <p>Beginning from 2009, projects reflected in the annual investment program and provincial budgets are drawn from PDIPs</p>	<p>Annual investment program and annual provincial budget (local government units)</p>	<p><b>Assumption</b> Provinces sustain the use of the PLPEM guidelines in updating their plans and investment programs.</p>

<p><b>Outputs</b></p> <p>1. Project management system</p> <p>2. Provincial Development and Physical Framework Plan (PDPFP)</p> <p>3. Provincial Development Investment Program (PDIP)</p> <p>4. Feasibility studies (FS) for selected projects in the PDIP</p>	<p>The status of technical assistance (TA) activities including disbursements is monitored</p> <ul style="list-style-type: none"> <li>- Project monitoring and financial management system in place by April 2008</li> <li>- At least two field/ monitoring visits conducted during the TA implementation.</li> </ul> <p>PDPFP Review Guide by April 2008 75 PDPFPs formulated, reviewed and printed by February 2009</p> <ul style="list-style-type: none"> <li>- 30 PDPFPs reviewed by consultants by August 2008</li> <li>- 45 remaining PDPFPs reviewed by NROs by November 2008</li> </ul> <p>PDIP Review Guide by April 2008 75 PDIPs formulated, reviewed and printed by July 2009</p> <ul style="list-style-type: none"> <li>- 30 PDIPs reviewed by consultants by January 2009</li> <li>- 45 remaining PDIPs reviewed by NROs by April 2009</li> </ul> <p>FS Review Guide by October 2008 75 FS prepared and reviewed by February 2010</p> <ul style="list-style-type: none"> <li>- 30 FSs reviewed by consultants by October 2009</li> <li>- 45 remaining FSs reviewed by NROs by January 2010</li> </ul>	<p>Implementation reports such as Inception, Mid-Term and Final Reports (NEDA and ADB)</p>	<p><b>Assumption</b></p> <p>Provinces agree to prepare their PDPFPs, PDIPs, and feasibility studies using the PLPEM guidelines.</p> <p>Provinces are willing to provide counterpart resources as necessary to produce the provincial outputs.</p> <p>.</p>
<p><b>Activities with Milestones</b></p> <p>1. Project Management System</p> <p>1.1 TA mobilization and design of monitoring system (Apr–Apr 2008)</p> <p>1.2 Operationalizing the Monitoring System (May 2008–Feb 2010)</p> <p>2. 75 PDPFPs</p> <p>2.1 Preparation of PDPFP Review Guide (Apr 2008)</p> <p>2.2 Drafting of PDPFP (Apr– Jun 2008)</p> <p>2.3 Consultant’s review of 30 PDPFPs (Jun–Aug 2008)</p> <p>2.4 Review workshops-area/regional (Sep–Nov 2008)</p> <p>2.5 Revision of PDPFP (Dec 2008)</p> <p>2.6 Field visit (Dec 2008)</p> <p>2.7 Quality checking of PDPFP (Jan 2009)</p>		<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• <b>Asian Development Bank (\$650,000)</b></li> <li>• Consultants remuneration (\$129,900)</li> <li>• International and local travel (\$16,000)</li> <li>• Reports and communication (\$10,000)</li> <li>• Equipment (\$27,500)</li> <li>• Training, workshops, and seminars (\$297,600)</li> <li>• Printing costs (\$43,500)</li> <li>• Miscellaneous administration and support costs (\$67,000)</li> <li>• Contingencies (\$58,500)</li> <li>• <b>Government (\$200,000)</b></li> </ul>	

<p>3. 2.8 Printing pf PDPFP (Feb 2009) 75 PDIPs 2.1 Preparation of PDIP Review Guide (Apr 2008) 2.2 Drafting of PDIP (Aug- Oct 2008) 2.3 Consultant's review of 30 PDIPs (Nov 2008-Jan 2009) 2.4 Review workshops-area/regional (Feb-Apr 2009) 2.5 Revision of PDIP (May 2009) 2.6 Quality checking of PDIP (Jun 2009) 2.7 Field visit (Jun 2009) 2.8 Printing pf PDIP (Jul 2009)</p> <p>4. 75 FSs 4.1 Preparation of FS Review Guide (Oct 2008)</p> <p>4. 4.2 PED Refresher courses (Jul 2009) 4.3 Drafting of FS (Jul-Aug 2009) 4.4 Consultant's review of 30 FS (Sep-Oct 2009) 4.5 Review workshops-area/regional (Nov 2009-Jan 2010) 4.6 Revision of FS (Jan-Feb 2010)</p>	<ul style="list-style-type: none"> <li>• Office accommodation and facilities (\$50,000)</li> <li>• Remuneration and per diem of counterpart staff (\$100,000)</li> <li>• Other support facilities including contingency (\$50,000)</li> </ul>
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Note: FS – Feasibility Studies  
 PED – Program Evaluation and Development  
 PDIP - Provincial Development Investment Programs  
 PDPFP - Provincial Development and Physical Framework Plans  
 PLPEM - Provincial/Local Planning and Expenditure Management  
 PPAs – Programs, Projects and Activities

**COST ESTIMATES AND FINANCING PLAN**  
(\$)

Item	Total Cost
<b>A. Asian Development Bank (ADB) Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	129,900
i. International Consultant	69,100
ii. National Consultants	60,800
b. International and Local Travel	16,000
c. Reports and Communication	10,000
2. Equipment <sup>b</sup>	27,500
3. Training, Workshops, and Seminars <sup>c</sup>	297,600
4. Printing Costs <sup>d</sup>	43,500
5. Miscellaneous Administration and Support Cost	67,000
6. Contingencies	58,500
<b>Subtotal (A)</b>	<b>650,000</b>
<b>B. Government Financing</b>	
1. Office Accommodation and Facilities	50,000
2. Remuneration and Per Diem for Counterpart Staff	100,000
3. Other Support Facilities Including Contingency	50,000
<b>Subtotal (B)</b>	<b>200,000</b>
<b>Total</b>	<b>850,000</b>

<sup>a</sup> Financed by the ADB technical assistance funding program.

<sup>b</sup> Includes computer hardware and software, printers for the central and regional offices of the National Economic and Development Authority.

<sup>c</sup> Refers to preparing/refining and adopting provincial development and physical framework plans, provincial development investment programs, and feasibility studies including, monitoring, problem-solving, critiquing, review sessions, and project evaluation and development refresher courses in 75 provinces.

<sup>d</sup> Cost of printing the provincial development and physical framework plans and provincial development investment programs for the covered 75 provinces

Source: ADB and National Economic and Development Authority estimates

## OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. **Local and Regional Planning Specialist** (International, Intermittent, 6 person-months). The consultant should have experience working with local government units (LGUs) and clear appreciation of the link between local planning and investment programming. Communication skills and the ability to deal effectively with national and local government offices are essential. Tasks include the following:

- (i) Formulate review guides for provincial development and physical framework plans (PDPFPs) and provincial development investment programs (PDIPs) to ensure the review process is clear, workable, and helps lead to quality outcomes. They should contain key questions that may cover the following areas: content questions pertaining to the overall clarity, technical soundness, and logical consistency within and between the PDPFP and PDIP; and procedural and conformity questions pertaining to the process by which the PDPFP and PDIP were prepared in accordance with provincial and local planning and expenditure management (PLPEM) guidelines.
- (ii) Review and provide inputs to harmonize the project evaluation and development review guide with the PDPFP and PDIP guides.
- (iii) Using the review guides, prepare and present in-depth assessments of the PDPFPs and PDIPs of two provinces per region during the area workshops.
- (iv) Provide expert advice throughout technical assistance (TA) implementation; as necessary, act as resource person in problem-solving sessions; and give recommendations to address issues that may be raised in the course of formulation and adoption of the PDPFPs and PDIPs.

2. **Project Evaluation and Development Specialist** (National, Intermittent, 3 person-months). The consultant should have experience working with LGUs and have knowledge and background in local project evaluation and development. The consultant will undertake the following:

- (i) Formulate a review guide for provincial feasibility studies to ensure the review process is clear, workable, and helps lead to quality outcomes. The guides should contain key questions that may cover the following: content questions pertaining to the logical consistency, technical soundness, and overall clarity of the feasibility studies; and procedural and conformity questions pertaining to the process by which the feasibility studies were prepared in accordance with the PLPEM guidelines.
- (ii) For the area workshops, present a more in-depth assessment of the overall clarity, logical consistency, and analyses carried out in the feasibility studies of two provinces per region.
- (iii) Provide expert advice upon request during feasibility study preparation.

3. **Financial and Project Management Specialist** (National, 18 person-months). The consultant must be familiar with Asian Development Bank (ADB) operations in the Philippines, understand ADB business procedures, and have experience working with ADB staff and

government agencies involved in local planning and expenditure management. The consultant should have a strong technical background in coordinating dialogue, workshops, and consultations with other stakeholders particularly LGUs. Reporting directly to the ADB project officer and NEDA, the consultant will provide technical and administrative support necessary for overall management of the TA. Activities include the following:

- (i) Coordinate discussions between ADB and NEDA and, as necessary, among other development partners on provincial planning and expenditure management concerns.
- (ii) Review, in coordination with NEDA, the work program of NEDA's regional offices vis-à-vis the TA objectives.
- (iii) As part of TA mobilization, assist NEDA in designing and operationalizing a system to track activities.
- (iv) Design and implement a TA financial monitoring system, prepare a procurement plan, and expedite procurement of goods and services.
- (v) Coordinate the timely release of funds and other resource requirements based on approved work programs, and liaise with NEDA and the NEDA regional offices for the preparation and submission of required financial and liquidation reports.
- (vi) Provide logistics support during the area workshops, monitoring visits/meetings, and problem-solving sessions.
- (vii) In coordination with NEDA, draft the inception, interim, and integrated final TA reports, and other TA reporting requirements.