

**PREPARATORY WORK FOR THE
PROPOSED TECHNICAL ASSISTANCE ON
STRENGTHENING PROVINCIAL PLANNING AND
EXPENDITURE MANAGEMENT**

FINAL REPORT

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**Dr. Benjamin V. Cariño
Dr. Arturo G. Corpuz
Dr. Rosario G. Manasan**

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GLOSSARY OF ACRONYMS

ADB	Asian Development Bank
AIM	Asian Institute of Management
AIP	Annual Investment Plan
BLGD	Bureau of Local Government Development
C/MDP	City/Municipal Development Plan
C/MPDC	City/Municipal Planning Development Coordinator
C/MPDO	City/Municipal Planning Development Officer
CAR	Cordillera Administrative Region
CDF	Countryside Development Fund
CIDA	Canadian International Development Agency
CIPs	Capital Improvement Programs
CLUP	Comprehensive Land Use Plan
CPCA	Compensation and Position Classification Act of 1989
DAP	Development Academic of the Philippines
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DILG	Department of Interior and Local Government
DP	Development Plan
DSDS	Decentralization and Service Delivery Study
FGD	Focused Group Discussion
GAM	Goal Achievement Matrix
GNP	Gross National Product
HLURB	Housing and Land Use Regulatory Board
IP	Investment Program
IPDP	NEDA Integrated Population and Development Planning
IRA	Internal Revenue Allotment
IRP	Integrated Reorganization Plan
LBP	Land Bank of the Philippines
LDAP	Local Development Assistance Program
LDC	Local Development Council
LDF	Local Development Fund
LDIP	Local Development Investment Plan
LDP	Local Development Plan
LFC	Local Finance Committee
LGA	Local Government Academy
LGC	Local Government Code
LGSP	Philippines-Canada Local Government Support Program
LGUs	Local Government Units
LLDA	Laguna Lake Development Authority
LETPA	Local Economic Transformation Program Agenda
LPRAA	Local Poverty Reduction Action Agenda
MDA	Mindanao Development Authority
MDFO	Municipal Development Fund Office
MOOE	Maintenance and Other Operating Expense

MPDC	Municipal Planning Development Coordinator
MTPDP	Medium Term Development Plan
NCR	National Capital Region
NEDA	National Economic and Development Authority
NGA	National Government Agency
NGO	Non-government Organization
NIPAS	National Integrated Protected Area System
NLUC	National Land Use Committee
NPC	National Planning Commission
NRO	NEDA Regional Office
ODA	Official Development Assistance
PDC	Provincial Development Councils
PDF	Provincial Development Fund
PDIP	Provincial Development Investment Fund
PDP	Provincial Development Plans
PEPFMS	Public Expenditure Procurement and Financial Management Review
PLUC	Provincial Land Use Committee
POPDEV	Provincial Development
PPDC	Provincial Planning Development Coordinator
PPDO	Provincial Planning Development Office
PPFP	Provincial Physical Framework Plan
PS	Personnel Services
RDC	Regional Development Council
RLUC	Regional Land Use Committee
RPT	Real Property Tax
SAFDZs	Strategic Agricultural and Fisheries Development Zones
SEP	Socio-economic Profile
SP	Sangguniang Panlalawigan
TAPP	Neda-AusAid Technical Assistance to Provincial Planning
TWG	Technical Working Group
UP-SURP	University of the Philippines, School of Urban and Regional Planning

EXECUTIVE SUMMARY

The preparatory work – conducted by the ADB in coordination with NEDA as part of an on-going Decentralization and Service Delivery Study (DCDS) – was designed to investigate and validate issues and problems associated with provincial development planning. Its ultimate objective was to formulate recommendations on the nature and scope of assistance to be provided under the proposed TA on Strengthening Provincial Planning. To achieve its objectives, study activities included the conduct of a national survey of provincial planning development coordinators (PPDCs), case studies of five selected provinces, interviews with key informants, and review of plan documents at various levels.

A. Findings and Conclusions

1. Critical Issues

- ⌘ The practice of provincial development planning is more widespread today than before the approval of the 1991 Local Government Code. However, the PDP has virtually no influence on provincial investment and budget decisions. It is basically a technical document that is not integral to the political process. Likewise, it is not the main source of project ideas for the AIP which effectively serves as the operational plan for the province.
- ⌘ Multiple, outdated guidelines, issued by various agencies and institutions, are used in PDP preparation which has allowed for a variety of plan documents in terms of format and contents. More importantly, it also reflects the absence of a coherent system to coordinate the formulation of PDPs. There is a need to prepare an integrated guideline to strengthen provincial planning and expenditure management.
- ⌘ There is little linkage among plans at the provincial level, as well as between provincial plans, on one hand, and plans at higher (national, regional) and lower (city/municipal) levels, on the other. Insufficient interface among agencies at various levels exacerbate the lack of linkage.
- ⌘ PDP quality and provincial planning capacity are generally low. They can be significantly improved both by addressing resource constraints as well as targeting specific gaps in plan content and format, and building up basic planning logic and networks among staff.
- ⌘ Heavy reliance on the IRA and the LDF reinforces the non-implementation of the PDP. Large, strategic projects in the PDP are beyond the capacity of most provinces to finance. At the same time, these programs and projects often have no clear connections to external sources of funds.

2. Planning Capabilities

- €# Most Provincial Planning Development Coordinators (PPDCs) appear qualified as far as education and experience are concerned. A large majority of the PPDCs have formal education in planning and planning-related fields and have served as heads of the PPDO for an average of ten years. A major constraint, however, is that the majority of PPDO technical personnel lack formal planning expertise, especially among plantilla staff (less than 2 percent have any formal planning degree).
- €# PPDO productivity and efficiency are also hampered by additional tasks and assignments that are unrelated to its planning mandate. Moreover, plans other than the PDP appear to have priority mainly because these are mandated by a national agency or by an international donor institution. These planning exercises tend to overload provincial planners and, in the process, reduce efficiency on their more basic development tasks.
- €# There are various constraints to improve planning capability including the often mentioned need for further technical training, improving resources available to planning staff, and an updated set of planning guidelines. It appears, however, that priority should also be given to establishing a basic understanding of planning logic among the staff as well as the formation of networks among provinces and other levels of planning to tap existing information and expertise.

3. Planning Guidelines

- €# As an aid to development plan preparation, numerous planning guidelines and manuals were provided to LGUs before and after the passage of the 1991 Local Government Code. The use of different guidelines has allowed for a greater variety of plan documents in terms of scope, content and format. The guidelines, however, require substantial updating and other changes to suit current provincial planning needs.
- €# A related consequence is that the guidelines have complicated the task of plan preparation. Some PPDO personnel have found the manuals and guidelines to be too complicated and intensively data-driven to be useful. The numerous guidelines also seem to reflect the absence of a coherent system to coordinate the preparation of provincial development plans.
- €# The lack of suitable guidelines have encouraged provinces (about one-third of respondents) to use external consultants or technical assistance. About half of these provinces mentioned NEDA as the source of its technical assistance.

4. Plan Preparation Process

- €# The practice of provincial development planning is more widespread today than before the approval of the 1991 Local Government Code. Provincial development

plan (PDP) preparation is, however, largely a “technical,” intensively data-driven activity that is not integral to the political process. The PDP is thus mainly a “technical” rather than a policy document which has virtually no influence on project implementation.

∄# Participation of key political players in PDP preparation is superficial: they rarely attend PDC meetings during which provincial development plans are deliberated upon. This state of affairs can obviously be attributed to the fact that politicians do not expect their project priorities to be implemented via the provincial development process.

∄# Related to the above, the operational plan document for the province is, in reality, the Annual Investment Plan (AIP). The AIP is a separate document that is formulated independently from the PDP, effectively shortening the planning horizon to one year, and transforming the PDP to a mere compliance document.

∄# The AIP is also at the core of the political process. Projects listed in the AIP are largely contributed by different political actors in the province who receive CDF-like allocations from the PDF. Consequently, project listings in the AIP are a “mixed-bag” of small, unrelated projects that have no clear connection to a more long-term development strategy for the province.

5. Plan Responsiveness and Quality

∄# The inability of the PDP to influence the investment decisions of the province is its most serious and glaring weakness. Unless this weakness can be addressed, the PDP cannot be considered responsive to provincial development concerns.

∄# The non-responsive role of the PDP is directly reflected in its decline as a reference plan. Even compared to other marginalized plans such as the PPF and the PDIP (in terms of influencing provincial investments), the role of and priority given to preparation and updating of the PDP has declined.

∄# The quality of the provincial development plan documents is uneven, and each has its own strengths and weaknesses. Overall, however, there is substantial room for improving the content and format of the plans.

∄# Key areas for improvement include: giving a more dynamic dimension to situation analyses by increasing consideration for projections, trends and growth rates; strengthening the linkages between analysis on one hand, and the identification of objectives, strategies, programs, and projects on the other; and prioritizing identified problems and issues, as well as proposed programs and projects. Other areas for improvement involve greater consideration for external linkage, demographic and demand and market/competitive conditions, the role of the private sector, and opportunities for local economic development and poverty reduction.

€# Improving the quality of the PDP goes beyond the aforementioned areas for improvement. Efforts to improve quality have to be linked with the fundamental weakness of the PDP—its inability to influence provincial investment decisions and thus its inability to affect provincial development. For there is no incentive among planners to improve the quality of a plan if the plan remains basically inutile.

6. Plan Linkages

€# There appears to be little linkage among the existing network of plans. At the provincial level, the relationship between the PDP and PPDF is not very evident. There is no clear linkage between sectoral priorities identified in the PDP, on one hand, and the spatial priorities delineated in the PPDF, on the other.

€# In turn, both the PDP and the PPDF are not the main sources of project ideas for the AIP. Since AIP projects are the ones that get funded and implemented, the PDP has, in reality, little impact on the development of the province. The PDP-AIP linkage obviously needs to be strengthened

€# Linkage is likewise not very evident between provincial plans, on one hand, and plans at higher (national and regional) and lower (city/municipal) levels of administration on the other. As well, the integration of national sectoral concerns and other planning frameworks (e.g., the plan for children, the poverty reduction plan, etc.) in provincial plan documents is not apparent.

€# There are several factors that exacerbate the lack of linkage. These include the lack of congruence between provincial and NGA priorities, the absence of a coherent system for provincial development plan preparation, and the poor understanding of the concept of integration and linkage.

7. Plan Financing

€# AIP is at the core of planning-budgeting linkage. Only projects found in the AIP are able to secure funding from the Local Development Fund. However, identification of projects for the AIP is done quite independently of the PDP/ PDIP and only a small proportion (4% - 35%) of AIP projects are found in the PDP.

€# A “divide by N” syndrome pervades allocation process for the Local Development Fund such that pork-barrel like allocations for members of the Sanggunian and municipal mayors are all too common. Thus, LDF tends to be dissipated in small projects that lack strategic focus. This has also meant that large portion of the LDF is set aside for lump-sum appropriations for generic projects (with specific projects identified in the course of the budget year). This effectively shortens the planning horizon as planning is made to coincide with budget execution.

€# Poor incentive structure for planning and budgeting is driven by (1) lack of clear mandate supporting the linkage between the PDP, the AIP and the budget, (2) short

political tenure of local elected officials, and (3) mismatch between revenue means and expenditure needs of the provinces. Fiscal gap has given rise to lack of real fiscal autonomy, weak local accountability and political economy issues in AIP formulation.

⚡ Unless provinces are able to significantly improve their own-source revenue effort and/ or to tap non-traditional sources of financing, they will remain dependent on their Local Development Fund to finance their development plans. Their ability to do this is hampered by the poor incentives that also perversely affect the planning-budgeting linkage, weak tax administration, large allocations for personal services and MOOE, and constraints in LGU credit/ capital financing framework.

B. Recommendations

1. Key Issue

⚡ The key issue to be addressed is the fact that the PDP has virtually no influence on project implementation. A related issue is that it is the Annual Investment Plan (AIP) that defines projects to be implemented. Thus, even if the PDP is improved – by improving planning capability or through a set of new planning guidelines – it will have minimal impact on the development of the province unless it is linked to the AIP. In other words, the influence of the PDP must first be established before other interventions could make a difference. In particular, a hierarchy of four (4) objectives must be achieved.

2. Hierarchy of Objectives

⚡ The first tier objective is to improve the PDP-AIP linkage, i.e., ensuring that only projects that are derived from a technically sound PDP are included in the AIP. Several alternatives could be explored to bring this about: a) mandating that the main source of project ideas for the AIP should be the PDP; b) educating/reorienting key provincial officials and political players on the importance of medium term provincial planning; c) having the PDIP approved as a multi-year appropriation ordinance; and d) the use of performance-based incentives for provinces which are able to establish linkage between the PDP and the AIP.

⚡ The second tier objective is to ensure that plan documents used to derive projects are appropriate documents given internal (provincial) and external planning considerations. In this regard, efforts must be exerted in moving towards the merger of the PDP and PFP. Both for pragmatic and conceptual reasons, such a merger should be encouraged. The key to the integration of development plans and physical framework plans is in the co-mingling in the short and medium term of sectoral priorities with spatial priorities.

⚡ The third tier objective is to ensure that planning guidelines that are responsive to provincial development needs are utilized to derive an appropriate plan document.

This new set of guidelines must be suited to the requirements of a single plan document. Among others, the guidelines should specify the scope and components of the single plan document and, more importantly, define the methodologies and parameters for integrating sectoral and spatial considerations in provincial plan preparation.

- €# Finally, the fourth tier objective is to ensure that planning capabilities and logistical requirements in the province match the requirements of the new set of planning guidelines. Various capability building programs for PPDO staff must be conducted with emphasis on improving appreciation of the logic of the planning process, upgrading of skills in project evaluation and prioritization, as well as strengthening databases for provincial planning. Improving local revenues to provide more resources for project implementation should also form part of this objective. In the medium term, increasing the tax autonomy of LGUs would enhance the accountability of local officials to local communities.

SECTION 1: INTRODUCTION

A. Nature and Justification of the Preparatory Work

1. This preparatory work focuses on the province and the provincial development plan (PDP). Provinces have been viewed as playing a critical role in achieving the country's development objective, and the PDP is supposed to be an important tool which guides the province in charting the course of its development. However, it has been observed that not all provinces have complied with the LGC requirement to formulate PDPs. Moreover, plan outputs of provinces have also been observed to be very uneven in quality. Previous studies have noted that what are referred to as provincial "plans" are really simple socio-economic profiles, or basically a "list of projects" that are prepared for compliance purposes (see, Associates in Rural Development, Inc., 1992; Cariño 1994). There is also a dissipation of efforts among the provinces, as they are required to prepare several plans and frameworks under numerous guidelines that are often too complex for provincial officials to follow. There is a lack of integrated, simplified and updated guidelines for the preparation of PDPs that are more responsive to the development needs of the provinces. This fact will be documented in greater detail in Section 2 of this report.

2. The joint ADB-WB-Government Public Expenditure, Procurement and Financial Management Review (PEPFMR) Study (ADB, WB and GOP 2003) cites an observed break between provincial and regional planning, indicating the need for a more formal linkage between the LGU network of plans on one hand, and corresponding plans at the regional and national levels. Other studies have shown the lack of PDP linkages with lower level (municipal/city) development plans as well.

3. There are also problems encountered in plan implementation. Observations have been made that PDPs do not get to be implemented for various reasons. These reasons include the poor quality of the plans and their failure to effectively address the development challenges in the province; lack of financial resources; as well as "political interference" in the allocation of resources.

4. This preparatory work is designed to systematically validate and further investigate the issues and problems in provincial development planning as noted above. It was conducted under the auspices of the Asian Development Bank (ADB), in coordination with the National Economic and Development Authority (NEDA) to provide useful inputs for the design of a proposed Technical Assistance on Strengthening Provincial Planning.

B. Objectives of the Preparatory Work

5. The overall objective of the preparatory work is to recommend the nature and scope of assistance to be provided under the proposed Technical Assistance on Strengthening Provincial Planning. In line with this overall objective, the preparatory work is designed to assess the following: a) existing capacities for provincial planning; b) existing planning processes and the guidelines used by the provinces; c) the quality and responsiveness of

existing PDPs; d) existing linkages among the network of plans at various levels (local, regional and national); and e) the extent to which plans are utilized and implemented.

6. Based on the above assessments, the study will recommend policy measures and alternatives to address the issues and problems identified. The final output of the study will be the Terms of Reference for the proposed Technical Assistance on Strengthening Provincial Planning.

7. To achieve the above objectives, study and data collection activities included the conduct of a national survey of provincial planning development coordinators (PPDCs); field visits and case studies of five selected provinces that represent varying characteristics and conditions; interviews of key informants from various national government agencies; as well as review of plan documents at various levels and financial reports of the provinces visited. A more detailed description of the methodology and research activities of the preparatory work is presented in Annex B. The questionnaire used in the national survey of PPDCs is included in this report as Annex C, while the list of key informants interviewed is attached as Annex D. Finally, the list of key informant interviews is shown in Annex E.

C. The Legal Framework

8. In the Philippine context, the regional approach to development and the eventual grant of autonomous powers to local government units (LGUs) may be seen as successive stages in decentralization policy. In many ways, the official delineation of the country into various “regions” is a form of administrative decentralization that eventually provided the foundation for the devolution of powers to LGUs (Cariño 1999). Both policies may be seen as having the same common goal: to bring government planning and decision-making closer to the grassroots with a view towards addressing more effectively local-level needs and problems. Two landmark developments were critical in bringing these decentralization policies to fruition: the 1972 Integrated Reorganization Plan (IRP) and the 1991 Local Government Code.

9. The 1972 IRP introduced several administrative reforms. As noted in another report, regionalization in the country has moved in two directions because of the 1972 IRP: a) regionalization of the administration of national sectoral services to bring the government closer to the people; and b) regionalization of the planning process to provide a more rational framework for regional planning (ADB 1990). Easily the most significant feature of the 1972 IRP, however, is the creation and co-evolution of the Regional Development Council (RDC) and its the NEDA Regional Office (NRO), for each region. As a planning and deliberative body, the RDC brings together directors of regional line agencies, local government chief executives, representatives of the private sector and others. Beyond serving as the secretariat of the RDC, the NROs act as extensions of the NEDA central office and coordinate the formulation and implementation of regional development plans. Indeed, the RDC and NRO structures constituted a critical element in the building and institutionalization of the regional development planning system.

10. But an even more dramatic and far-reaching piece of legislation in the country that has been designed to address the problem of a highly centralized political and administrative system is the 1991 Local Government Code (LGC). Major features of the LGC include the transfer to LGUs of the primary responsibility for the delivery of major components of some basic services as well as the exercise of some certain regulatory functions. It likewise increases the financial resources of the LGUs through such mechanisms as a larger share from national taxes (referred to as internal revenue allotments), broadened taxing powers, and generation of revenues from local fees and charges.

11. Important for this study is the fact that the LGC also assigns significant local planning functions to the LGUs. Section 106 of the LGC provides that “each LGU shall have a comprehensive multi-sectoral development plan to be initiated by its development council and approved by its Sanggunian” (Republic of the Philippines, 1991). The institutional mechanism for local plan formulation and implementation is also clearly prescribed by the Code:

- ∄# The local development plan (LDP) shall be prepared by the Local Development Council (LDC);
- ∄# The LDP will be approved by the Sanggunian;
- ∄# Funds for the development plan shall be allocated by the Local Finance Committee; and
- ∄# The Local Chief Executive, together with executive departments, will implement the development plan.

In line with the above mandates, the Code makes mandatory the position of the Planning and Development Coordinator for all provinces. The barangay has no mandatory planning position but is directed to assist in monitoring the implementation of the local development plan.

12. In the context of these developments and mandates, the network of plans at national, regional, provincial and municipal levels is shown in Figure 1.1. The nature and linkages among these plans will be described at length in Section 3 of this report. Suffice to mention at this stage that three types of plan documents are supposed to be prepared at the national, regional, provincial/city and municipal levels: physical plans, socioeconomic development plans (DPs), and investment programs (IPs). It is also noteworthy that the LGC prescribes the “integration” of lower level plans with higher level plans. Conversely, higher level plans must provide the framework for the preparation of lower level plans.

Table 1.1: Network of Plans

	Physical Plans <u>1/</u>	Socio-Economic Development Plans (DPs)	Investment Programs (IPs)
National (N) <u>2/</u>	NFPF	MTP	MTDIP
Regional (R)	RFPF	RDP	RDIP
Provincial (P)/ City (C)	PPFP CCLUP	PDP/CDP	PDIP/CDIP
Local (L) Municipal (M)	MCLUP	MDP	LDIP

Notes: 1/ PFP - Physical Framework Plan
CLUP - Comprehensive Land Use Plan

13. LGUs have other planning responsibilities as mandated by subsequent Memorandum Circulars issued by the DILG. For instance, the DILG has required LGUs to incorporate within the local development plan a number of priority concerns identified by the national government. These include a Local Poverty Reduction Action Agenda (LPRAA) and a Local Economic Transformation Program Agenda (LETPA) based on identified priority needs of the locality (MC No. 2001-109 issued August 21, 2001). Moreover, pursuant to RA No. 9003 (The Ecological Waste Management Act of 2000) each LGU shall prepare a separate 10-year Solid Waste Management Plan which shall be consistent with the National Solid Waste Management Framework.

14. It is important to observe that various national government agencies have, directly or indirectly, legal mandates and responsibilities pertaining to the preparation and implementation of local plans. The Department of Interior and Local Government (DILG) clearly has the legal mandate to ensure that various plans are prepared by the LGUs. In accordance with the 1991 LGC, Memorandum Circular No. 97-221 enjoins provinces and highly urbanized cities to submit to the Bureau of Local Government and Development (BLGD) approved development plans, local development investment programs, physical framework plans and land use plans.

15. At the same time, Section 114 of the 1991 LGC tasked the NEDA to assist the DILG in formulating the operational guidelines for local development planning. Moreover, NEDA's interest in strengthening provincial planning stems from its mandate to integrate approved development plans of provinces, highly urbanized cities and independent component cities into the regional development plans in accordance with existing laws. In line with this mandate, NEDA regional offices (NROs) have provided technical assistance to provinces in development planning, project development, monitoring and evaluation, as well as in capacity building.

16. On the other hand, the Housing and Land Use Regulatory Board (HLURB) clearly has a review mandate, but only in so far as physical framework and land use plans are concerned. Memorandum Circular No. 97-221, issued September 16, 1997, provides that "approved land use/physical plans are those that have been reviewed by HLURB." Consistent with this mandate, HLURB is, in fact, empowered to promulgate zoning and other land use control standards and guidelines which shall govern land use plans and zoning ordinances of LGUs as

provided for in such issuances as Executive Order 72 (S. 1993), Executive Order 124 (S. 1993) and RA 7279 (otherwise known as the UDHA). In this context, HLURB has focused its support activities to the preparation of the Comprehensive Land Use Plans (CLUPs) at the city/municipal level.

17. In accordance with its budgeting and financial control functions, the Department of Budget and Management (DBM) has a clear responsibility in ensuring the consistency of local budgets with local development plans. The 1991 LGC explicitly provides that local budgets should implement local development plans (Section 305-i) and that LGUs should appropriate at least 20 percent of their annual Internal Revenue Allotment (IRA) for development projects (Section 287). In the context of these provisions of the LGC, it has become the responsibility of the of the DBM to ensure that the Local Development Fund (LDF) is allocated for projects identified in the local development plan.

D. Critical Issues

18. A number of critical issues that were identified in the course of undertaking the preparatory work may usefully be highlighted to provide context, at the outset, to the conclusions and recommendations of the study. These issues will be reiterated and discussed more lengthily in subsequent sections of the report.

19. First, although the practice of provincial development planning is more widespread today than before the approval of the 1991 LGC, the provincial development plan (PDP) has virtually no influence on investment decisions, the provincial budget and subsequent project implementation. The PDP is basically a technical document that is not integral to the political process. Likewise, it is not the main source of project ideas for the Annual Investment Program (AIP) which is at the core of political power play, and effectively serves as the operational plan for the province. There is an apparent need to identify mechanisms to ensure the linkage of the PDP to the AIP.

20. Second, there are multiple, outdated guidelines issued by various national agencies and institutions that are used in PDP preparation. This has allowed for a variety of plan documents in terms of format and content but has, at the same time, complicated the PDP preparation process. It is noteworthy that some of these guidelines were issued prior to the approval of the 1991 LGC and are not attuned to the reforms that were introduced. More importantly, the issuance of numerous guidelines also reflects the absence of a coherent system to coordinate the preparation of PDPs.

21. Third, there is little horizontal linkage among plans at the provincial level. The PDP and the PFP seem to be formulated independently of each other. As well, there is little vertical linkage between provincial plans, on one hand, and plans at higher (national, regional) and lower (city/municipal) levels, on the other. Insufficient interface across various sectors, and among levels of government and administration exacerbate the lack of linkage.

22. Fourth, there is considerable room for improving PDP quality. PDP documents are generally not internally consistent and lack sufficient consideration of some critical factors that make an impact on provincial development. The relatively poor quality of plans can be partly explained by the lack of provincial planning capacity. Although, Provincial Development Planning Coordinators are general generally qualified and experienced, the PPDO rank and file needs capacity building in various areas of planning.

23. Fifth, the heavy reliance by the provinces on the IRA and LDF reinforces the non-implementation of the PDP. Large, strategic projects and programs envisioned in the PDP are well beyond the capacity of most provinces to finance. At the same time, these programs and projects have no clear connections to external sources of funds. There is an obvious need to improve the financial status of provinces, as well as for greater interface of external sources of funds.

E. Organization of the Report

24. The report is divided into seven (7) major sections. To provide context to the analysis of the development planning process, Section 2 will focus on provincial planning capacities and on the nature and usefulness of planning manuals or guidelines that have been provided to provinces by different national agencies. Attention will also be given to the qualifications of the PPDCs. The various activities and processes involved in plan preparation will then be documented in Section 3. Focus will be on the “dynamics” of the process, giving particular attention to the participation of various stakeholders.

25. In Section 4, the quality of the plan documents of the provinces visited by the study team will be assessed. In particular, the responsiveness of the plans to the development needs and concerns of the province concerned, as well as the strengths and internal weaknesses of each PDP document will be evaluated in detail. Following the evaluation of the quality of plans, the linkages and consistency of the PDP with other plans at the provincial level, as well as with higher level (regional and national) and lower level (city/municipal) plans will be examined in Section 5.

26. The various obstacles and constraints in plan implementation will be discussed in Section 6. Special attention will be given to the fiscal gap, and the factors that contribute to such gap, as a major reason for the non-implementation of plans. Finally, in Section 7, the recommendations of the study to address the issues and problems identified in the provincial planning system will be presented.

SECTION 2. PLANNING CAPABILITIES AND GUIDELINES

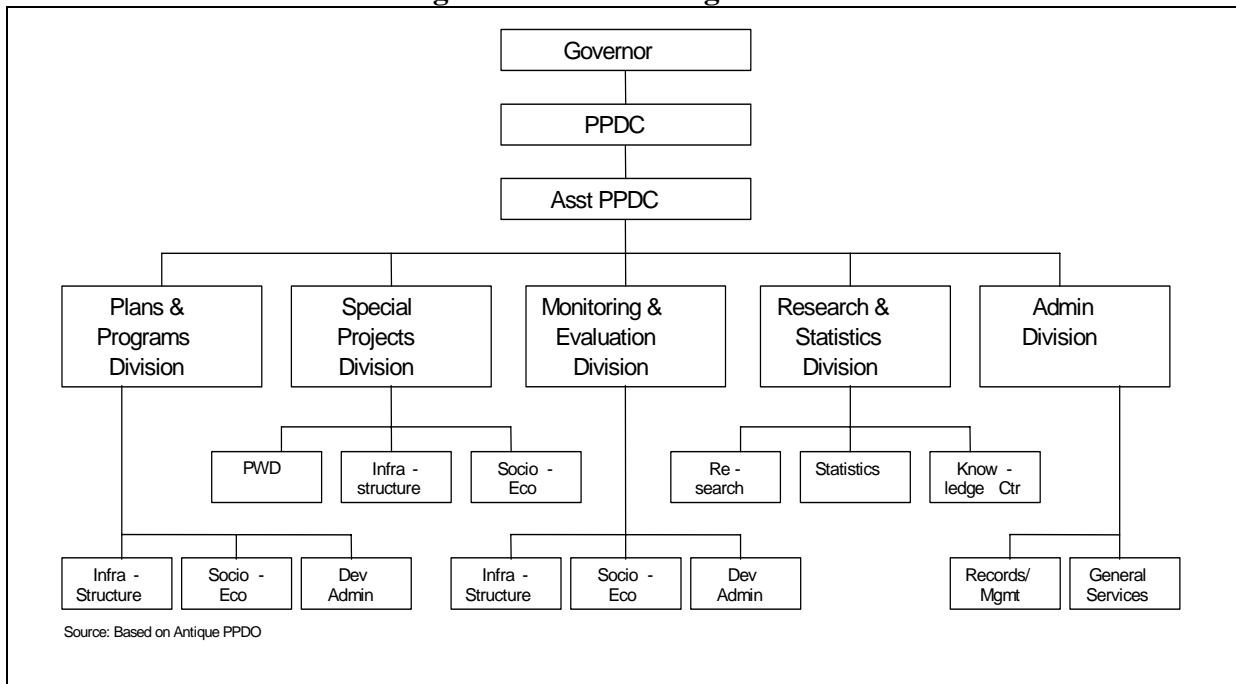
27. To provide context to the subsequent analysis of the provincial plan preparation process, this section of the report will focus on two factors that could have considerable influence on the nature and quality of the PDP documents: provincial planning capabilities and plan preparation guidelines. Planning capabilities will be assessed in terms of: the size, structure and qualifications of the Provincial Planning and Development Office (PPDO); capability-building programs; activities and outputs; and external assistance. On the other hand, the plan preparation guidelines will be examined in terms of their nature and scope, relevance, and usefulness to the Office.

A. Planning Capabilities

Provincial Planning and Development Office (PPDO) Organization

28. The PPDO is the primary government office responsible for development planning in the province. As shown in the chart below, the PPDO reports directly to the Governor:

Figure 2.1: PPDO Organization Chart



PPDO Staff Size, Composition and Qualifications

Staff Size

29. Like most government staff, the PPDO is composed of plantilla (regular/permanent) and contractual staff. Average staff sizes are shown in Table 2.1. (See also Annex F for the full list of provincial staff sizes.)

Table 2.1: Average PPDO Staff Sizes

	Province	Number of staff
Average staff size		28
Largest	Agusan del Sur	91
	South Cotabato	60
	Bukidnon	56
Smallest	Laguna, Southern Leyte	8
	Biliran, Ilocos Norte	12
	Aurora, Mountain Province	13
Average plantilla staff size		22
Average contractual staff size		6
Average vacant plantilla		4

Source: Provincial survey, 2004.

30. As indicated above, the average staff size is 28, although the range of sizes is broad--from 8 to 91. (The adequacy of staff size will be discussed later after considering outputs, activities, and staff planning background.)¹

Provincial Planning and Development Coordinator (PPDC) Profile

31. According to the 1991 LGC, the qualifications of the PPDC are:

- ☞ Citizen of the Philippines
- ☞ Resident of the province
- ☞ Good moral character
- ☞ Holder of a college degree, preferably in urban planning, development studies, economics, public administration, or any related course
- ☞ First grade civil service eligibility or its equivalent
- ☞ At least five years experience in development planning or related field

32. Most of the PPDCs surveyed qualify as far as technical (education and experience) are concerned; 90.3% have some formal education in planning or planning-related fields. The distribution of PPDC educational attainment is shown in Table 2.2.

33. Current PPDCs have been serving as head of the PPDO for an average of 9.5 years. The average number of years that a PPDC has spent in planning/planning-related positions, including as PPDO head, is about 20 years (including experience as a sector specialist.)

¹ Provinces with larger populations tend to have larger PPDO staff sizes. The ten largest provinces surveyed have an average staff size of 26; the ten smallest have an average of 21. However, some provinces with small populations have relatively large staff sizes--e.g. Palawan (55), Sorsogon (43), Antique (42), Capiz (42). Based on poverty incidence, the ten provinces with the lowest poverty incidence have an average total staff size of 34; the ten provinces with the highest poverty incidence, meanwhile, have an average staff size of 26. There is some indication that higher income provinces (first and second class) tend to have larger PPDO staff sizes. Average staff size by income classification is 32 for first and second class provinces, and 19 for third and fourth class provinces. (Provincial Survey, 2004) All of these numbers should be interpreted with caution, however, as no causal relationship has been established. Further, there are some glaring exceptions as in the case of Laguna province (one of the largest and highest income provinces but which reported only a staff size of eight) which requires further investigation.

34. About 40% of the PPDCs have served or have been serving as head of the PPDO for 1-5 years; about 50% have served for 6-20 years. Approximately 25% have more extensive experience, up to 38 years. (Table 2.3)

Table 2.2: Highest PPDC Educational Attainment.

Education	Percentage
Graduate level degree, planning-related (architecture, engineering, economic, rural development, other social sciences)	25.8
College degree, planning-related	41.9
Masteral units, planning-related	11.3
Graduate level degree in planning (urban/regional/environmental)	9.7
Ph.D units, planning-related	1.6
College degree, non-planning (e.g. music, fine arts, communication arts, counseling, etc.) or cannot be classified.	9.7
Total	100.0

Source: Provincial survey, 2004.

Table 2.3: PPDC Experience (Years) in Planning/Planning Related Positions

Years	Number of PPDCs	Percentage
Less than 1 year	0	0.0
1 – 5 years	4	6.5
6 – 10 years	3	4.8
11 – 20 years	19	30.6
21 – 30 years	28	45.1
31 – 40 years	3	4.8
No/incomplete data	5	8.1
Total	62	100.0

Source: Provincial survey, 2004.

Plantilla Positions

35. The average plantilla staff size of about 22 accounts for 78% of the average total PPDO staff. Collectively, planning, planning-related, and planning support positions account for 66% of all plantilla positions; only about 28% are involved in non-planning positions. Provinces where non-planning plantilla positions have the largest shares are Aurora (54%), Zamboanga del Norte (52%), and Benguet (50%). The distribution of plantilla positions by type of position is shown in Table 2.4.

Table 2.4: Distribution of Plantilla Positions

Type of Position	Percentage
Planning (PPDC, project dev. officer, project analyst, population program worker)	43.4
Planning-related (program evaluation officer, budget officer, accountant, statistician, researcher)	14.5
Planning support (draftsman, statistician aide)	7.9
Sector specialist (enterprise development, community development, sociologist, nutritionist, economist)	5.5
Non-planning (administrative officer, clerk, utility)	28.7
Total	100.0

Source: Provincial survey, 2004.

36. Regarding highest educational attainment of plantilla staff in planning positions, less than 2% have a graduate degree in planning; none have a college degree in planning. More than half (59%), however, have college degrees in planning-related programs. (Table 2.5)

Table 2.5: Highest Educational Attainment of Plantilla Staff in Planning Positions

Education	Percentage
College degree, planning-related	58.8
Graduate degree, planning-related	16.8
Graduate units, planning-related	12.4
College degree, non-planning	7.4
Graduate degree, planning	1.4
Others (vocational, college undergrad, non-planning grad degree, unclassified)	3.2
Total	100.0

Source: Provincial survey, 2004.

Contractual Staff

37. The average contractual staff size of about six accounts for almost 22% of average total PPDO staff. Unlike plantilla positions, contractuales are hired primarily for non-planning positions. The distribution of positions handled by contractual staff is shown in Table 2.6.

Table 2.6: Distribution of Contractual Positions

Type of Position	Percentage
Non-planning	57.5
Unclassified/unknown	14.7
Planning support	10.6
Planning	7.5
Sector Specialist	4.7
Planning related	5.0
Total	100.0

Source: Provincial survey, 2004.

38. In terms of education, the majority of contractual staff are college graduates. Very few have graduate school experience, however, with much less planning orientation compared to plantilla staff (Table 2.7).

Table 2.7: Highest Educational Attainment of Contractual Staff

Education	Percentage
College degree, planning-related	44.7
College degree, non-planning	21.7
College degree, planning	0.3
Graduate degree, planning-related	1.7
Graduate units, planning-related	3.3
Others (college undergrad, vocational, high school, elementary, unclassified)	28.3
Total	100.0

Source: Provincial survey, 2004.

Capability-building programs

39. PPDCs have had fairly regular if not extensive training experiences. In the last five years, PPDCs attended an average of about 5-6 training programs (excluding purely workshop type of events). A majority of these trainings involved physical planning, sectoral planning, local governance, management, participation, and other planning-related trainings.

40. There is no specific information available about the training experiences of the rest of the PPDO staff, although interviews with some PPDCs and planning staff members consistently identify the need for further training, study, and exposure trips to improve capability. Some of the areas that need to be addressed, according to PPDCs, are GIS, urban/regional planning, project evaluation, and research methods. Another constraint mentioned regularly is the lack of provincial-level data. (Other areas that need to be strengthened may be deduced from the type of external assistance that PPDOs have been receiving in the past. This is discussed below with respect to external consultants and assistance.)

41. Field informants also suggested that training programs be given to provincial government non-planners, especially politicians, in order to improve their appreciation for planning and the planning process, and to reduce political interference in planning.

Activities and outputs

42. The PPDO has primary responsibility for the preparation of several provincial plan documents, including the PDP, PDIP, PFP, and the AIP. The preparation and integration of these plans constitute the major regular planning activities of the PPDO. As reported, the average lengths of time needed to prepare the PDP and PDIP are 6 months and 3 months, respectively; the PFP takes about one year, although this probably included initial training programs and therefore, subsequent PFP updating will likely require a shorter period. The AIP, being an annual requirement, can be considered to be a continuous activity.

43. PPDOs are also responsible (solely or with other provincial offices) for various sectoral plans such as Local Development Plan for Children, Poverty Reduction Plan, Tourism Master Plan, Gender and Development Plan, Food Security Plan, and Provincial Strategic Agriculture and Fisheries Development Zone Plan. Other plans prepared by or with the participation of the PPDO are: Road Network Development Plan, Executive Agenda, other sector (e.g. water service, road development, anti-drug abuse, coastal resource management master plans) and area development plans (e.g. CELUMEPAF Framework Plan of La Union), Valley Master Development Plan of North Cotabato, Dipolog-Dapitan-Katipunan-Roxas-Manukan Corridor Master Plan of Zamboanga del Norte).

44. In addition to the preparation and integration of these and other plans required by and for consideration of the Provincial Development Council, the PPDO is also mandated to:

- ⌘ Monitor/evaluate implementation of all development programs, projects, activities;
- ⌘ Analyze income and expenditure patterns, recommend fiscal plans and policies;

- ⊘ Promote people participation in development planning;
- ⊘ Exercise supervision over the secretariat of the Provincial Development Council; and
- ⊘ Exercise other powers and perform other functions and duties as may be mandated.

45. The above list includes activities and responsibilities assigned by or through the Governor to the PPDO. These can be extensive as in the case of South Cotabato where the PPDC is also responsible for provincial cooperative development, arts and culture, and productivity, among others. In several of the provinces consulted, it appeared that the PPDO was involved in many, non-planning activities to the extent that office resources and staff capabilities were seriously taxed. Political interference that hampered planning activities, particularly from the legislature, was also mentioned consistently during consultations.²

External consultants and technical assistance

46. The PPDO avails of the services of external consultants/assistance in the preparation of the PDP and other plans. Among the 62 provinces surveyed, 17 identified external consultants/assistance in the course of preparing the PDP. Of the 17, eight were NEDA-based; others included the Population Commission, UNFPA, NSCB, PRRM, UP-Planades, evelopment Academy of the Philippines, and several private firms/individuals. (Two other provinces indicated the participation of external consultants but did not identify them.)

47. The areas where external consultants/assistance were involved are: general technical assistance, plan formulation and preparation; situation analysis; technical writing/ editing; data gathering, organization, and statistics; mapping; and plan packaging. These are consistent with the areas identified for further improvement by the PPDCs.

48. Of the 17 provinces that reported the participation of external consultants/assistance during PDP preparation, 15 also reported similar participation in the preparation of the PPF. Unlike in the PDP, however, which had a greater variety of consultants/assistance, the PPF preparation was dominated (11 out of 17) by NEDA-AusAid TAPP program consultants.

Summary, Issues and Concerns

49. An average PPDO staff size of 32 (average 28 plus an average vacancy of 4) appears barely sufficient to cover an organizational structure similar to the example presented in Figure 2.1. And based on anecdotal evidence and field comments, it appears that PPDOs with much fewer staff (e.g. Mountain Province with 12) are pressed to deliver provincial planning requirements. PPDOs with larger staffs, however, do not necessarily have a slack in personnel activity because of additional functions and responsibilities assigned to the office by the Governor. As mentioned earlier, these can be extensive, such as in South Cotabato (which has the second largest staff size among all provinces surveyed). As a whole, and based primarily on limited field interviews, it appears that a staff size that approximates the

² Political interference with technical planning activities was a common observation offered during consultations with selected provinces. There were differences expressed in the degree of interference, however, with some describing them as excessive while others considered them as necessary and/or unavoidable constraints.

average (from 25 to 40) is a reasonable number to perform PPDO functions. But the amount of additional functions and responsibilities required of the PPDO, including non-planning related activities, should also be considered in assessing the adequacy of a PPDO's staff size.

50. It appears that PPDCs, by virtue of their experience and education, have appropriate qualifications to serve as chief provincial planners. In terms of education, more than 90% took up formal studies in planning or planning-related fields, although specific planning expertise seems to be lacking considering that less than 10% actually have a graduate degree in planning. But PPDC experience appears substantial and could compensate for any lack of formal training in planning. Perhaps more important than technical planning capability, but without downplaying the need for such capability, is the PPDC's skill in handling the political aspects of the PPDO. This rests primarily on the ability to recognize the political nature and implications of PPDO activities, and to manage these in a manner that allows the technical aspects of planning to bear fruit. A detailed assessment of this skill, however, was not possible during the study, although PPDCs appear to be fully aware of this requirement.

51. While it is difficult to evaluate the PPDC's ability to handle politics, there is stronger evidence that PPDCs and the PPDO in general are constrained by: a plantilla staff that requires further improvement in formal planning expertise (less than 2% have any formal planning degree) and a lack of technical tools (data, maps, etc) including planning guidelines.

52. Observations and suggestions regarding the improvement of PPDC and PPDO plantilla planning capability—the need for trainings, further formal study, and improved technical planning tools--appears valid but the extent required and the capability training priorities will have to be determined based on the specific requirements of each province.

53. The lack of data for provincial planning requires national government action. Priority should be given to economic (especially production and employment), and social welfare (poverty, access to services) data at the provincial and sub-provincial levels. Other data requirements: income and expenditure data for all LGUs (not just large cities); migration data (inter- and intra-provincial); and updated and standardized NAMRIA-based maps showing sufficient detail, especially roads and other infrastructure, and preferably in digital format.

54. Planning guidelines are discussed next, while specific areas of planning that need to be improved are discussed in Section 4. It is useful to mention, however, that guidelines cannot compensate for the lack of an understanding of basic planning logic. Having key members of the planning staff possess and apply this basic understanding is the most significant improvement in PPDO planning capability that can be achieved in the short-medium term. It should be a focus and benchmark of future trainings.

B. Planning Guidelines

55. Out of 62 respondent-provinces, 42 reported the use of guidelines during PDP preparation. (Table 2.8) The survey mentioned 12 guidelines but only five were intended for LGU development (non-physical) plan preparation: NEDA Provincial Planning Manual (1976); Local Development Assistance Program Guidebook (1994); PopDev Integration

Guide (1995); DILG-LGA Local Development Planning Manual (1991); Executive Agenda Manual (2002). The following review will be limited to these five guidelines, which account for 74% of the provinces that reported the use of planning guidelines.

56. The rest of the guidelines reportedly used were sector- or province specific guidelines, unspecified national/local policies, DILG circulars, or physical planning guidelines; these include the Guidelines on the Utilization of the 20% Development Fund (Catanduanes), PDC Planning Manual (Palawan), PRRM Guidelines (Aurora), and DILG Memorandum Circular No. 92-41: Guidelines on the preparation of local development plans and annual investment plans as basis for the 1993 budget preparation, July 6, 1992 (Ifugao).

57. Three provinces (Cavite, Davao del Sur, and Compostela Valley) used physical planning guidelines for the PDP--the NEDA-AusAid Guidelines and the HLURB Guidelines. This is indicative of the need for an updated set of PDP planning guidelines if provinces are expected to come up with PDPs relevant to their respective development efforts. The use of the NEDA-AusAid and HLURB Guidelines is inappropriate because these have different (although related) objectives, and because they need to be updated to make them more responsive to actual planning environments (e.g aligning plans with political objectives and terms of offices) and to revise part of their structural elements and introduce new tools and analytical interpretations that are better suited to local planning capabilities and conditions.³

58. The distribution of the guidelines used for PDP preparation is shown in Table 2.9. (PPFP guidelines are also shown for comparison.)⁴

59. In contrast to the variety of guidelines used in PDP preparation, the preparation of PPFPs was dominated by the use of NEDA-AusAid Guidelines. Issued in 1992, these guidelines were used as learning materials during training programs that started in 1994. Thirty-one of the respondent-provinces (66% of those that reported the use of guidelines in PPFP preparation) mentioned NEDA-AusAid materials during PPFP preparation.

³ Many of the PDP weaknesses identified in Section 4 are applicable to PPFPs and CLUPs; in some cases, these are even more attributable to the influence of planning guidelines. Both the NEDA-AusAid and HLURB Guidelines need to focus more on the basic logic of planning, to emphasize the core and strategic objectives of the plan itself, in a manner that shows how the tools are derived from the objectives rather than the other way around. A specific example is the way alternative strategies are mandated in the NEDA-AusAid and HLURB planning processes. These alternatives are intended to help derive the most appropriate course of action or strategy. The derivation of this strategy is the key objective and to the extent that alternative strategies contribute towards this objective then deriving alternative strategies can be part of the planning process. In the NEDA-AusAid and HLURB Guidelines, however, the basic role of alternatives in identifying the most appropriate strategy is not fully explained, and because such alternatives are mandated elements of the planning process, then the alternatives have become the objective. In most PPFPs and CLUPs, deriving alternative strategies have become mechanical exercises to comply with the designated planning sequence. Typically, a preferred strategy is derived and then alternatives are drawn up to serve as contrasts and are set up so that they are convincingly rejected to reinforce the former. The key objective—the derivation of the most appropriate strategy—is lost in the exercise of a tool whose purpose is misunderstood.

⁴ Some of the guidelines were inferred from the original written responses of the respondent-provinces. For example, “NEDA Format” was interpreted by this author to mean the NEDA Provincial Planning Manual, while “Local Planning Guidebook” was interpreted to refer to the DILG-NEDA LDAP Local Planning Guidebooks. Some survey questionnaire entries were not clear as to the actual guidelines used (e.g. “Strategic Planning Guidelines,” or “Sectoral Planning Guidelines” and these were not included in the tables.

Table 2.8 PDP and PFPF Planning Guidelines

Province	PDP Guideline	PFPF Guideline
Abra	PopDev	
Agusan del Norte		NEDA-AusAid /RFPF Guidelines
Agusan del Sur		NEDA-AusAid
Aklan	LDAP Guidebook	HLURB Guidelines
Albay		NEDA-AusAid
Antique	NEDA Manual	NEDA-AusAid
Apayao	NEDA Manual	NEDA-AusAid
Aurora	PRRM Guidelines	HLURB Guidelines
Basilan		
Benguet	PopDev	
Biliran		LPP Guidelines
Bohol	LDAP Guidebook	?
Bukidnon		Custom-made by multi-agency group
Bulacan	?	HLURB Guidelines
Cagayan	PopDev	HLURB Guidelines
Camarines Norte	NEDA Manual	NEDA-AusAid
Camarines Sur	LDAP Guidebook	NEDA-AusAid/HLURB, RFPF, NPFP
Camiguin		
Capiz	Executive Agenda	DILG MC 92-26
Catanduanes	Guidelines Utilization of 20% Fund	
Cavite	HLURB Guidelines	NEDA-AusAid
Compostela Valley	HLURB Guidelines/TAPP	HLURB Guidelines/ NEDA-AusAid
Davao del Norte	NEDA Manual	NEDA-AusAid
Davao del Sur	HLURB Guidelines	LPP Guidelines
Davao Oriental		NEDA-AusAid
East Samar	LDAP Guidebook	NEDA-AusAid
Guimaras	PopDev	NEDA-AusAid
Ifugao	DILG MC 92-41	DILG MC 92-05, 92-06
Ilocos Norte	NEDA Manual	HLURB Guidelines/TAPP
Ilocos Sur	NEDA Manual, PopDev	HLURB Guidelines
Iloilo	LGA Manual	LGA Manual
Kalinga		
La Union	?	NEDA-AusAid
Laguna		NEDA-AusAid
Lanao del Norte		NEDA-AusAid
Leyte		NEDA-AusAid
Marinduque	National/Local Development Policies	NEDA-AusAid
Masbate		
Misamis Oriental	Gender Planning Guidelines	NEDA-AusAid
Mt Province	NEDA Manual	NEDA-AusAid
Negros Oriental	NEDA Manual	?
North Cotabato	NEDA MTPDP, MTRDP	NEDA-AusAid
Nueva Vizcaya	NEDA Manual	?
Oriental Mindoro	LDAP Guidebook	HLURB Guidelines
Palawan	PDC Planning Manual	HLURB Guidelines
Pampanga	LDAP Guidebook	HLURB Guidelines/TAPP
Pangasinan	NEDA-1 MTDP	RFPF Guidelines
Quezon	LDAP Guidebook	?
Quirino		
Rizal	NEDA Manual	NEDA-AusAid
Romblon		NEDA-AusAid
South Cotabato	LGA Manual	
Samar	PopDev	NEDA-AusAid
Sorsogon	LGA Manual	NEDA-AusAid
Southern Leyte	Project Dev Manual	HLURB Guidelines/ NEDA-AusAid
Sultan Kudarat		NEDA-AusAid
Surigao del Norte	PopDev	
Tarlac		NEDA-AusAid
Zambales	LDAP Guidebook	NEDA-AusAid
Zam del Norte		NEDA-AusAid
Zam del Sur	PopDev	
Zam Sibugay	NEDA Manual	HLURB Guidelines/ NEDA-AusAid

Source: Provincial survey, 2004 (Note: Some entries were undefined and are shown as “?”.)

Table 2.9 Distribution of Planning Guidelines

Guideline	Number	Percentage
PDP		
NEDA Manual	11	25.0
LDAP Guidebook	8	18.2
PopDev Guide	8	18.2
LGA Manual	3	6.8
HLURB Guidelines	3	6.8
Executive Agenda	1	2.3
PRRM Guidelines	1	2.3
PDC Planning Manual	1	2.3
Guidelines on Utilization of 20% Fund	1	2.3
NEDA-AusAid Guidelines	1	2.3
Project Development Manual	1	2.3
Other national/local policies (e.g. MTPDP, Gender, DILG MCs) ^a	5	11.3
Total	44	100.0
PPFP		
NEDA-AusAid Guidelines	31	52.5
HLURB Guidelines	13	22.0
RPPF Guidelines	3	5.1
LGA Manual	1	1.7
National Physical Framework Plan	1	1.7
DILG MCs ^b	2	3.4
Other national/local policies, guidelines	8	13.6
Total	59	100.0

Source: Provincial Survey, 2004

- a. MC 92-41 (Guidelines on preparation of LDPs & AIPs as basis for 1993 budget preparation, July 6, 1992)
- b. MC 92-05 (Attendance to the 3rd Annual convention of the callweb on Feb 29, 1992, January 20, 1992); MC 92-06 (Attendance to the National Symposium on LGC Celebration, February 24, 1992, PICC, January 27, 1992); MC 92-26 (Amendment of MC 92-09, Suballotment of FW4SP training fund applicable to 37 provinces in Luzon area, Regions 1-5, NCR, and CAR, May 29, 1992).

Note: 2 respondents used 2 sets of PDP guidelines; 9 respondents used more than 1 set of PPFP guidelines; respondents which did not indicate any guideline are not included in the table.

Structure and process

60. The structure of the five planning guidelines reviewed follow the basic planning process. (Table 2.10). The major elements include: a situation analysis resulting in the identification of issues, problems, and constraints; goals, objectives, strategies; sector-based plans that identify programs and projects; and implementation, monitoring/ evaluation.

61. The NEDA Manual, LDAP Guidebook, and LGA Manual are the closest to the traditional planning process format. The PopDev Guide deviates by focusing on the population sector but its basic structure is consistent with the other guidelines. The Executive Agenda does not explicitly contain a situation analysis because it is intended to takeoff from other development plans, but the rest of its structure also conforms to the standard process.

Table 2.10: Plan Formats of Selected Planning Guidelines

NEDA Manual (1976)	LDAP Guidebook (1994)	PopDev Guide (1995)	LGA Manual (1991)	Executive Agenda (2002)
Situation Analysis	Situation Analysis	Situation analysis	Situation analysis	
Data processing	Sectoral profiles		Data, inventory	Prioritizing issues
Trends			Trends	Consulting stakeholders
Problems/constraints	Development issues		Problems/needs/constraints	
Plan Formulation	Development framework			
		Vision		Vision/mission
Goals	Goals	Goals/objectives/targets	Goals	Goals/objectives
	Objectives/Targets			
Strategies	Strategies	Policies, strategies	Strategy	
Sectoral plans	Sectoral plans	Programs/projects	Programs/projects	Projects/prioritization
	Sectoral plan integration	Investment program		Capacity assessment
	Financial resources			Building commitment
Plan evaluation/adoption	Plan approval/adoption		Adoption/approval	Endorsement/approval
Implementation	Implementation/monitoring	Implementation	Implementation	Implementation
		Monitoring/evaluation	Monitoring/evaluation	Popularizing EA
			Investment program	Sustaining Implementation

The nature, strengths and weaknesses of the guidelines

62. The five planning guidelines are discussed below with respect to their objectives and, in part, relative to the political and economic environment at the time of their formulation. Summary strengths and weaknesses are also listed, with emphasis on how each guideline might be used as an input to the formulation of a new set of planning guidelines

NEDA Manual

63. The NEDA Provincial Planning Manual was prepared under the direction of NEDA in response to “the absence of such a comprehensive planning manual” at the local level. Released in 1976, it was intended to be a procedural handbook, specifically drafted for use at the provincial level. Its major objectives were:

- ⌘ To standardize and simplify procedures in development plan formulation and implementation at the provincial level;
- ⌘ To tie up the planning process with the formulation of the Provincial and Municipal Capital Improvement Programs and the annual action budget of the province;
- ⌘ To provide the link-up between long range (15-25 years), medium range (5 years) and action (annual) plans; and
- ⌘ To outline the possible and effective coordination of provincial planning of municipalities and cities located within the province. (NEDA 1976)

64. The Manual recognized a hierarchy of planning responsibilities with NEDA performing macro-planning at the national level (with assistance from national line agencies), the Regional Development Council at the regional level; and DILG coordinating and monitoring local level planning with NEDA providing the guidelines.

65. The Manual was also intended to be the basis for “the official handbook for local development planning,” and that it was drafted after Presidential Decree No.144 was issued in 1973. (NEDA 1976) This decree required all LGUs to allocate no less than 20% of their annual budgets for development projects. Subsequent to this decree was DILG MC No. 73-17 which declared, among others, that starting 1974, all LGU annual general fund budgets that did not comply with the 20% requirement of P.D. 144 would be considered inoperative. It appears, therefore, that provincial governments had significant motivations to use the Manual.

66. The NEDA Manual is notable in its integration of sectoral and physical elements of development, which is consistent with the way development planning took place before physical framework planning was separated as an activity and as a plan document. Its situational analysis, for example, includes the assessment of physical resources and land capabilities, with details on map preparation and land use. Further, the development strategy has two basic components--economic (including social services) and physical. The latter included a land use strategy and the identification of growth centers. And the section on implementation includes a relatively detailed description and guide to the preparation of a

zoning ordinance, applicable even to provinces, and a capital improvement program (precursor to the local investment program).

67. The NEDA Manual also required a Cross-Sectoral Analysis to ensure that sectoral plans complemented each other and avoided inconsistencies, duplications, and omissions.

68. The Manual is a fairly complete and well-crafted guide to the preparation of a local development plan. Much of its descriptions and instructions on sectoral planning are still relevant given adjustments to accommodate more recent information, mandates and requirements; the basic planning logic of the Manual remains valid.

69. But the Manual is also conspicuously outdated with respect to decentralization; likewise, and primarily because it was prepared before the LGC was enacted, when a strong central planning authority was still in place, its capital improvement program and other implementation provisions are also no longer applicable. Further, some of the Manual's elements are more suited to the PFP.

Summary Strengths: Clear and logical format, good overall technical guide to sectoral planning, cross-sectoral analysis to enhance internal consistency; worth consulting if or when a new set of PDP guidelines is prepared.

Summary Weaknesses: Outdated with respect to decentralization, LGC, implementation, poverty reduction, data sources; inconsistent with current separation of physical from sectoral planning; not worth updating.

LDAP Guidebook

70. The LDAP Guidebook was developed under the Local Development Assistance Program (LDAP), which was a USAID-assisted government project under the supervision of the DILG. There were actually five guidebooks produced, each with an attachment containing technical and reference materials (Advisories). The five guidebooks covered the following topics:

- Local Development Plan
- Local Development Investment Plan
- Annual Investment Plan
- Participatory Planning
- Land Use/Structure Planning

71. The Guidebooks were designed for the use of all provinces, cities and municipalities, anticipating that the coverage of each local government would vary according to capability, following income class. Consistent with its emphasis on participation, the Guidebooks were not intended to be prescriptions on how LGUs would plan but, rather, they were to serve as operational guidelines for reference and “possible use” by LGUs. (LDAP 1994)

72. Released in 1994, the Guidebooks were written after the 1991 LGC was enacted. Unlike the NEDA manual, therefore, which was drafted in the spirit of LGU compliance with the 1973 Presidential Decree No. 144, the LDAP Guidebooks were more suggestive than prescriptive, consistent with the decentralization thrust of the LGC. Emphasis was given to the participatory process and less on the technical aspects of development planning. It was geared towards the decentralized structure of government and aligned with the Local Government Code of 1991. Guidebook No. 1 and its accompanying Advisories cover the preparation of the Local Development Plan.

73. The two volume format for each guidebook is innovative. The Guidebook itself is concise, which is an important feature of local guidebooks and manuals. It also contains a suggested topical outline for the Local Development Plan (which is a conspicuous influence in several of the PDPs reviewed). The accompanying Advisories are in a separate volume and contain detailed guides on specific processes and requirements such as planning techniques and standards, applicable laws and other regulations, and even consultant listings.

74. The topical outline, however, as presented and described in the Guidebook, is subject to misinterpretation in terms of sequence and content. For example, the outline does not explicitly contain a section on situational analysis but it is, in fact, the subject of one section of the Guidebook prior to the outline. The latter is probably intended to be part of each sectoral discussion but this is not clear. Further, there is no clear distinction in the outline where the profile ends and where the sectoral analysis/plan begins.⁵

Summary Strengths: Each guidebook is concise and user-friendly; relatively up to date as far as decentralization and participation aspects are concerned; availability of technical and other advisories; separate volume on advisories can be explored as a model for future PDP guidelines.

Summary Weaknesses: Requires several volumes, particularly if other guidebooks are required; some tightening up of the outline in Guidebook No.1 is needed to make it more consistent with the intended structure; some advisories need to be updated (e.g. standards) or may be deleted (e.g. list of consultants); need to update policies and data sources.

PopDev Guide

75. The Users Guide to PopDev Integration in Local Development Planning was produced by the NEDA-Integrated Population and Development Planning (IPDP) project, with funding from UNFPA. The Guide was published in 1995.

⁵ If the outline is followed strictly, then immediately following what appears to be a situation analysis (location, the people, land and physical resources, income, employment and prices) is a series of sectoral discussions, but each of these is also supposed to contain a situational analysis according to the Advisories. One effect (as observed from a review of PDPs based on the LDAP Guidebook) is a tendency to omit an economic profile that describes the overall sectoral breakdown and characteristics of the provincial economy. The economic sectors are discussed individually but already as part of the plan and not in a way that shows how the overall economy is structured—which sectors or livelihood activities dominate, which ones are declining, and which are increasing their shares of the local economy.

76. The primary concern of the Guide is PopDev integration: the “explicit consideration of population and development interrelationships in the planning process.” While PopDev integration efforts had been ongoing since 1980, the lack of a guide was seen as one of several obstacles to local integration. Like the LDAP Guidebook, the PopDev Guide was not intended to result in a separate PopDev Plan. Instead, the guide was designed to help planners come up with a “better local development plan.” (NEDA 1995)

77. The PopDev Guide targeted local planners as its main clientele. However, the guide also presumed attendance by the planner in basic training courses conducted by NEDA under the IPDP project, or familiarity with the training materials through a separate publication.

78. Like the individual LDAP Guidebooks, the PopDev Guide is a concise guide and even more user-friendly with its example boxes. In some areas, however, it lacks some amount of detail and instead, refers to other planning guidelines such as the LGA Manual and the LDAP Guidebook. This is especially evident in the area of investment programming and monitoring.

Summary Strengths: Concise and user-friendly; focused on population integration which is important and visibly lacking in many PDPs; to the extent possible its salient features on the integration of population into local development planning should be incorporated in a guideline document.

Summary Weaknesses: Not to be used for a specific PopDev plan document and therefore should be used in conjunction with another plan document guide; best use of the guide requires previous training or exposure to training materials; need to update with respect to policies, relationships and examples of poverty reduction and population, data sources.

LGA Manual

79. The Local Development Planning Manual was prepared under the supervision of the Local Government Academy (LGA) and the Bureau of Local Government Development (BLGD). It was completed in 1991, just before the enactment of the LGC. The Manual, however, anticipated the Code, and the increased powers, resources, and responsibilities of LGUs. The overall framework governing the Manual, therefore, was decentralization and local autonomy.

80. The intended users of the Manual were all provincial, city, and municipal planners. The Manual was designed to complement the capability building program of the LGA, which sought to strengthen Local Development Councils by “upgrading their level of competence and performance in managing the economic and social development of their respective communities.” (LGA 1991) This objective, in turn, was a response to Executive Order No. 319 (March 4, 1988), which assigned the Councils the task of accelerating development participation.

81. Content-wise, the LGA Manual is the most extensive among the guidelines reviewed, perhaps rivaled only by the NEDA Manual, in terms of scope. Unlike the NEDA Manual, however, the LGA Manual is more up to date; it barely predates the passage of the 1991 LGC but already accommodates the key principles of the latter. It was also prepared prior to the introduction of the PFP and therefore maintains a “Physical Sector” as part of its sector analysis and provides for the preparation of a zoning ordinance.

82. The LGA Manual is the most voluminous single volume document among the planning guidelines. More than half of the document, however, is comprised of supporting annexes.

83. Compared to the NEDA Manual, the LGA Manual is sketchy and less rigorous. It provides many examples but tends to be cryptic in some of its discussions. (For example, in describing the activities involved in identifying programs and projects, the Manual devotes only half a page to cover the following steps: generate program/project by sector, integrate project ideas, augment list.) More extensive discussions may be found in some other areas including in the analysis of individual sectors, but the emphasis is more on process than analysis. Details of some techniques are included, but explanations of when such techniques should be used are also lacking. Overall, there seems to be a lack of consistency in the Manual with respect to level of detail. Perhaps more important, the link between techniques and analysis—how and when techniques should be used in order to understand the current situation--needs to be strengthened.

Summary Strengths: Extensive coverage; up to date relative to decentralization and local autonomy; provides details on selected areas and techniques of planning; worth considering in preparation of new PDP guidelines but more on process than analytical content.

Summary Weaknesses: Needs updating to incorporate specific LGC provisions, poverty reduction, new policies, data sources; requires more consistency in the level of detail provided; needs to strengthen links between analysis and technique, and to describe the logic of the specific analysis in the first place.

Executive Agenda Manual

84. The Manual on Formulating an Executive Agenda for LGUs is the most recent among the planning guidelines reviewed. It was published by the Philippines-Canada Local Government Support Program (LGSP) in 2002, with support from NEDA, DILG, and the Canadian International Development Agency (CIDA). The Executive Agenda Manual targets local chief executives and provides them with a guide in formulating “the strategic directions of an LGU during the executives’ term of office.” (LGSP 2002) The Manual itself was the product of a training project involving 183 LGUs in Mindanao and West Visayas.

85. The overall objective of the Executive Agenda is good local governance through strong and effective leadership. Strong and effective leadership, in turn, is premised on the ability of the local chief executive's ability to set a vision, "steer their LGUs towards this vision, and build stakeholder ownership and support for this vision." (LGSP 2002)

86. The Executive Agenda is designed to be a multi-faceted tool for the chief executive. In addition to being a planning and budgeting tool, the Agenda is also intended to promote transparency and accountability, social mobilization, and performance management. As a planning tool and budgeting tool, the Executive Agenda has the following objectives:

- ≠ Provide a development roadmap for the LGU;
- ≠ Help identify results that will contribute to the LGU's long term vision;
- ≠ Identify priority programs and projects that will help accomplish these results;
- ≠ Organize and allocate local resources in a rational and results-oriented manner.

87. The Executive Agenda is not intended to be a new document, although in practice it is associated with or results in one. In principle, however, the Agenda is viewed as a link between plans and implementation, focused on the term of office of the local chief executive and based on the executive's vision. (LGSP 2002) This is why the Manual starts with prioritization of issues, with the assumption that some planning or at least situation analysis has already taken place.

88. The integration of the Executive Agenda formulation process into the local planning process is not seamless and may involve some duplication, particularly with respect to the identification and formation of the "Executive Agenda team." As described in the Manual, this team is likely to involve the same planning office staff considering that the desired qualifications of team members include knowledge about and skills in planning and technical writing. And since the formulation of the Executive Agenda is supposed to rely on existing or previous plans, then it is likely to result in the same staff doing additional but similar work.

89. An implicit (and accurate) assumption of the Executive Agenda is that traditional planning and implementation have not worked. Traditional development plans are supposed to identify problems, formulate strategies, identify programs and projects, and guide implementation; if these plans were effective then an Agenda would be unnecessary. The logic and presence of an Executive Agenda, therefore, although unmentioned in the Manual, means that traditional planning and implementation are considered ineffective.

90. Like PopDev integration, the Agenda is not supposed to replace existing plan documents. Unlike PopDev, however, the Agenda does not focus on a specific sector as an integrating element. Rather, it is focused on the local chief executive's vision and translation this into an implementation. It is best applied, therefore, during the formulation/updating of the development plan. Otherwise, and as has happened, it results in what is perceived as a new plan altogether.

Summary Strengths: Simple and user-friendly format; emphasis on process, participation and consultation and in marketing the Executive Agenda.

Summary Weaknesses: Not intended to be a separate planning guideline as the Executive Agenda is intended to complement or integrate into other plan documents; may involve some duplication; nothing new from a technical point of view; there is a tendency for it to be interpreted as a replacement for other plans.

Summary

91. If the five guidelines were to be the basis for a new set of PDP planning guidelines, then a combination of the technically rigorous NEDA Manual and the user-friendly, concise, and relatively updated LDAP Guidebook would come closest to what might be the most appropriate guide to formulating a new PDP. But substantial updating and other changes to suit current provincial planning needs would still be required, e.g. integrating new policies dealing with local economic development, PopDev integration, poverty reduction, technology, urbanization and globalization; retooling with respect to new techniques and data sources; and accommodating changes in institutional and political processes, including elements from the Executive Agenda.

92. More specific recommendations will follow discussions on current planning processes, linkages, and implementation. In particular, the review of the quality of the PDPs (Section 4) serves as a list of issues that need to be considered and addressed by a new set of guidelines.

SECTION 3: PDP PREPARATION PROCESS

93. This section of the report will document the “dynamics” of the provincial development planning process. It will assess the various activities undertaken, delineate the roles of actors and stakeholders involved, and describe the interfaces among government institutions and agencies at various levels. In the process, issues and problems that are encountered in provincial development plan preparation will be identified.

94. As previously noted, provinces used a variety of plan preparation guidelines, and quite a few relied on external consultants in the formulation of their development plans as in the case of South Cotabato and Antique. This has allowed for some variation in content and format of the plan documents. It should also be recalled that not all provinces have a PDP. Based on the results of the national survey of PPDCs, eleven of the sixty two (62) provinces do not have a PDP and nineteen (19) do not have a PDIP despite the provisions of the 1991 LGC mandating the preparation of the same (see Table 3.1). Moreover, only 69.4 and 59.7 percent of the provinces surveyed, respectively, have a current and updated PDP and PDIP. All provinces, however, have a PFPF, a fact that can be attributed to the support and guidance given by NEDA, through the AUSAID-assisted Technical Assistance to Physical Planning (TAPP) project, in the formulation of the PFPF documents. Among the provinces visited by the study team, the explanation given by the Zamboanga del Norte PPDC for not having a PDP is that the province relies on an “expanded” PFPF, i.e., a basically physical planning document that includes sectoral analysis, as well as project identification and prioritization in the various sectors.

Table 3.1: Status of PDP and PDIP (N = 62)

	Number	Percent of Total
Provinces without PDP	11	14.6%
Provinces without PDIP	19	30.6
Provinces with Updated PDP	43	69.4
Provinces with Updated PDIP	37	59.7

Source of Data : Provincial Survey, 2004

95. The process followed in provincial development plan preparation varies slightly across provinces. Based on information gathered from the interviews of the PPDC, PDP plan preparation seems to generally adhere to the logical steps and stages from situational analysis, to the setting of goals, objectives and strategies, and to the identification of programs, projects and activities. It should, however, be stressed at the outset that even as the various stages in PDP preparation are documented in this report, the process itself is superficial and has little impact on the development of the province since the vast majority of the projects envisioned in the plan are really never implemented. The reasons why this is so will be explained in the sections that follow.

96. The PDP preparation process would nonetheless be documented to derive valuable lessons in improving various aspects of the provincial planning system. Strictly speaking, what is described is really the updating process since the provinces consulted already have an

existing PDP. As explained by field informants in Antique, the updating process differs from the original plan preparation process in that the former will no longer entail a visioning exercise. Overall visions for development, it is explained, hardly change over a long period.

A. Plan Updating Stages

97. The PDPs of three (3) provinces visited by the study team (Batangas, Mountain Province and Antique) all need to be updated in 2004. The lone exception is the South Cotabato PDP which covers a period until 2005. Zamboanga del Norte does not have a PDP. Updating activities to some extent vary across provinces, but generally follow the stages outlined in Table 3.2. Based on the results of the national survey of PPDCs, it takes six months, on the average, to prepare the PDP. However, there is no definite calendar for preparing the plan document. The stages shown in Table 3.2 are described more elaborately below:

Table 3.2: PDP Plan Preparation Process

Stages/Activities	Outputs
Stage 1: Pre-planning	
A. TWG Meetings and FGD's B. Consolidation of results by PPDO	Š Initial sectoral analysis and project ideas Š Data gaps and “framework” for data collection
Stage 2: Plan Preparation	
C. Field data gathering and validation D. Formulation of goal, objectives, strategies E. Identification of programs and projects	Š Socioeconomic profile Š Draft integrated plan document
Stage 3: Community Consultation	
F. Public Hearing G. Revision of the draft plan	Š Fine-tuned plan document
Stage 4: Plan Approval	
H. Presentation to PDC I. Presentation to SP J. Final revision	Š Final integrated plan document.

Stage 1: Pre-planning

98. In theory, this is the most important stage in the process in terms of providing an opportunity for various segments of society to participate in planning and decision-making. The venues for such participation are the activities of the Provincial Development Council (PDC) and its secretariat, the PPDO. The PDC is of course the main planning body of the province. Chaired by the Governor, it has a relatively large membership which is multi-sectoral in character, including NGO representatives who constitute at least 25 percent of the total membership of the PDC. The Code also stipulates that the PDC may call upon any local official concerned or any NGA representative in the local government unit to assist in the formulation of the development plan. The upside of the activities in this stage is that it provides the participants a sense of satisfaction in being a part of the plan preparation process. The downside is that it could also be a source of frustration when, in the end, the PDP is overwhelmed by the AIP.

99. The key activity in this stage is the *consultation workshop*. Early in the planning period, the members of the PDC are convened into Technical Working Groups (TWGs) based on the “sectors” to be covered in the plan. Since the PDC is a multi-sectoral body, the TWG’s that are convened in the early stages of plan preparation constitute the main venue for participation of various segments of society in the planning and decision-making processes. Based on the experience of Antique, the sectors covered by the TWGs usually include agriculture and the economy, social services, infrastructure, eco-tourism and the environment, socio-cultural concerns (e.g., poverty alleviation, gender issues, etc.) and development administration. Beyond the regular members of the PDC, some field informants claimed that consultants or representatives of community groups, as well as heads of the various provincial and national sectoral agencies are invited to attend these consultation workshops as resource persons. The staff of the PPDO serves as the secretariat for the TWG meetings which are often designed as “focused group discussions” (FGDs).

100. Informants in the provinces visited by the study team reported that the workshops, which usually last for a day, focus on the most pressing problems and concerns of the province. At any rate, the most important agenda during the TWG meetings is to arrive at a consensus on the overall thrust of the plan, as well as solicit initial project ideas from the various groups. Various methods are used (e.g., SWOT technique) in generating discussion and participation.

101. Beyond the discussions in the working groups, an important function of the workshops is that they serve as a mechanism for the generation of planning data from the various participating agencies, municipalities, non-government organizations (NGOs) and private sector participants. Participants are often requested to present data that are relevant to the discussion in the various sectors. Otherwise, the workshops provide an opportunity for the PPDO staff to request workshop participants to supply information that may be needed in the latter stages of the planning process.

102. Results of the group discussions are consolidated by the PPDO staff. Such a consolidation, which takes the form of a summary of issues and problems discussed in the different sectors, is presented to the PDC for a second round of meetings as necessary. The second round of meetings is designed to “fine tune” the program priorities and thrusts of the plan. In any case, the final output of the consolidation work of the PPDO is, in varying forms, a planning “framework” outlining in broad terms the major components of the plan.

Stage II: Plan Preparation

103. The various tasks in this stage of the plan updating process may be characterized as excessively technical and data-driven, and are largely performed by the PPDO staff. The process is systematic, but in some ways impractical. To begin with, data at local levels are scarce on such matters as livelihood opportunities, the structure of the local economy, access to land, etc. A highly technical plan document may not also address the priorities of principal political actors in the province and their constituencies.

104. To a large extent, the highly technical nature of the tasks involved is dictated by the nature and demands of the planning guidelines earlier described. But it is precisely because of its highly technical character that the plan preparation process becomes less transparent and less participatory, and political actors of the province and the people as a whole are unable to effectively participate and commit themselves to the content and substance of the PDP (see also Associates in Rural Development, Inc. 1993).

105. It is also important to note at the outset that while activities in this stage of the plan preparation process constitute a logical sequence, in most cases such a logical sequence of activities is not reflected in the resulting plan document. As will be discussed at length in Section 4, there is often an incongruence between the analysis of existing conditions on one hand, and goals, strategies and on the other. Consequently, provincial needs and problems that may have been articulated in the early stages of the process, are really never fully addressed in terms of responsive program interventions.

Data-Gathering and Socio-economic Profiling

106. Here, the PPDO staff undertakes fieldwork to gather additional data and assess the existing situation based on the framework arrived at in the first stage. Data needed for this stage in the planning process are, in most cases, supplied by the municipal planning development offices, heads of the various sectoral agencies, and by barangay officials. As necessary, these data are supplemented with information gathered through field inspection and rapid appraisal techniques.

107. The information collected then becomes the basis of the PPDO to prepare a socio-economic profile (SEP) of the province which is the final output of this particular activity in the planning process. For all intents and purposes, the SEP is probably the most important section of the PDP. In varying levels of comprehensiveness and detail across provinces, it provides a description of the demographic, socio-economic and physical characteristics of a province which could serve other purposes (e.g., as reference material for researchers and students and, more importantly, as guide to private sector investments) beyond its relevance to the formulations of goals, objectives and strategies.

Formulation of Goals, Strategies and Projects

108. Based on knowledge of problems and potentials, the next stage is the identification of overall development goals and more specific sectoral objectives. Based on these goals and objectives, development strategies are formulated. In the case of the PDP, the strategy should ideally be expressed in terms of inter-sectoral priorities, as opposed to spatial priorities which are more prominent in the PPF. In reality, however, inter-sectoral priorities are less evident in the plan documents than priorities within sectors which may not serve as a sufficient basis of the subsequent task of resource allocation and budgeting for capital investments.

109. Based on goals and strategies, specific programs and activities are then identified. The programs and projects are prioritized by sector and are supposed to respond to the province' problems, or otherwise harness its potentials. These programs and projects are also supposed to be consistent with development goals and objectives formulated during the earlier stages of the process. As noted earlier, however, a careful analysis of the documents in

Section 4 reveals an inconsistency in that goals and objectives do not seem to emanate from the situational analysis. Consequently, programs and projects that are based on goals and objectives may not be responsive to problems identified in the situational analysis.

Preparation of the PDIP

110. At any rate, the programs and projects identified become the basis for the preparation of the Provincial Development Investment Program (PDIP) which is often a separate document, but in some cases integral to the PDP, as is the case of South Cotabato. The PDIP is usually a three-year plan document (corresponding to the term of local chief executives) and prepared, on the average, over a period of three (3) months. It consists of a list of priority projects with cost estimates, and with each project having a definite timeframe for implementation.

Stage III: Community Consultation

111. This stage takes the form of a public hearing. It is important to observe at the outset that activities in this stage in PDP plan preparation are considered optional by some field informants. Of the four provinces visited by the study team with a PDP, only South Cotabato went through a process of public hearing. As explained by field informants in Antique, public hearings are more critical for the PDP since there might be land use issues that need to be resolved with the municipalities, implying that no similar issues need to be resolved in regard to the PDP.

112. It is also noteworthy that public hearings are conducted at a time when the PDP document is essentially completed. Admittedly, however, the public hearings resulted in only negligible changes in the plan document. On the whole, public hearings appear to be perfunctory for the PDP and, especially since they are considered optional, they do not seem to be important venues for the articulation and communication of local needs and problems in PDP preparation.

Stage IV: Plan Approval and Adoption

113. The completed plan document is then presented to the PDC for final deliberation and endorsement to the Sangguniang Panlalawigan (SP). There appears to be no serious deliberation on the plan document at this stage and there are indications that approval of the PDP by the PDC is a mere formality. In the five case provinces for this study, PDC informants indicated that the PDP is approved by the PDC with little or no changes.

114. Finally, the PDP document is submitted to the SP for final approval and adoption. Again, SP approval and adoption seems ministerial with little or discussion on the contents of the plan document. The perfunctory approval by the SP of the PDP is understandable since the plan document is not considered a policy document and is, therefore, not binding to the political actors. As previously noted the AIP is, in reality, the operational plan of the province. The AIP formulation process will be described in a subsequent section of this report.

B. Interfaces in the Planning Process

115. Field informants indicated that there are inputs from, and interfaces with, various agencies in plan preparation. These interfaces supposedly take place to ensure that there is some linkage between the PDP with corresponding plans at higher (national and regional) and lower (city and municipal) levels. Such interfaces are important especially since the LGC prescribes the integration of lower level plans with higher level plans. As will be noted in Section 5 of this report, however, the linkages are more ideal than real, a fact that can be explained in part by the absence of clear guidelines for integration especially for the PDP. Based largely on the results of the national survey of PPDCs, these interfaces in the preparation of the PDP and the related PDIP documents will be examined in the sections that follow. For purposes of comparison, interfaces in the preparation of the PFP will likewise be presented.

Interfaces in PDP Preparation

116. Interfaces could be very important in influencing the content and substance of the PDP. At higher levels, the staff of the NROs is highly respected by PPDO respondents and could be a source of technical assistance in plan preparation. Some of the PPDOs have, in fact, benefited from the expertise of the NRO staff in terms of capability building programs and assistance in plan preparation. At lower levels, the C/MPDOs are important sources of data and insights on local priority needs and problems. In particular, the province relies heavily on municipalities for needed maps, socio-economic data, as well as plans and programs. The sectoral agencies, on the other hand, could also be sources of information and assistance especially in terms of defining sectoral priorities and concerns.

117. Results of the national survey of PPDCs, however, suggest that interfaces are infrequent and irregular, and do not result in important inputs for PDP preparation. In the survey, PPDCs were asked to rate whether or not inputs from various agencies are important in plan preparation. The results of the survey for PDP preparation are presented in Table 3.3.

Table 3.3: PPDC Ratings of Agencies' Input in PDP Preparation (In percent) N = 62

	No Input	Some Input	Important Input	No Answer	Total
M/CPDO	4.8	17.7	58.1	19.2	100%
PDC	4.8	11.3	67.7	16.1	100
NRO	8.1	30.6	41.9	19.4	100
DILG	32.3	32.2	14.5	21.0	100
HLURB	32.3	22.6	19.4	25.8	100
NGO	11.3	40.3	29.0	19.4	100
Other Agencies	1.6	14.5	17.7	66.1	100

Source of Data: Provincial Survey, 2004.

118. Survey results show that outside of a few agencies, inputs from other institutions and agencies for the preparation of the PDP do not seem to be all that important and substantial. In general, the percentages of PPDCs who indicated that inputs from various agencies are important are small which seems to indicate that interfaces with other agencies in plan preparation are not as widespread as they should be.

119. There are exceptions to this general pattern, however. The evidence presented shows that a large percentage of the respondents (67.7 percent) viewed the inputs from the PDC as important. These survey results are hardly surprising since the PDC is the official body that is charged with the preparation of the PDP in the first place, with PPDO serving only as the secretariat. As noted earlier, the PDP preparation process is initiated by the PDC through the TWG meetings. What is, in fact, surprising is that some PDCs are seen by some 11.3 and 4.8 percent of the PPDC informants, respectively, as making only some input or no input at all in PDP preparation, a pattern which suggests that some PDCs in the country are probably inactive.

120. Also a relatively high percentage of the PPDCs (58.1 percent) characterized the inputs from the M/CPDO as important, probably a reflection of the fact that plans at the city/municipal level serve as the building blocks for PDP preparation. As also noted by informants of the five provinces visited by the study team, the M/CPDO often serves as the representative of the mayor in PDC meetings. PPDO informants observed that insights of the C/MPDCs are indeed important in assessing the priority concerns of the province.

121. That a much smaller number of the PPDCs considered inputs from the NRO as important in PDP preparation is noteworthy. This pattern can obviously be attributed to the fact that NRO's are not that accessible to many provinces. This state of affairs is unfortunate since the NRO is recognized by field informants as a good source of planning assistance to the provinces. Among the provinces visited by the study team, this problem appears to be particularly serious in the case of the Mountain Province in relation to the Cordillera Administrative Region (CAR). Indeed, for most provinces in the CAR, NRO II is more accessible than the NRO for CAR in Baguio City. It takes all of seven (7) hours, for instance, to travel from Baguio City to Bontoc, the Capital of Mountain Province.

122. A related explanation for the relatively low level of interface between the PPDO and the NRO is the fact that NEDA does not have the local network to provide assistance in PDP preparation. For this reason, one NRO informant observed that NEDA responds to LGU planning needs only when requested. Moreover, the plan preparation process is long and NROs also have their hands full in responding to the demands of the national planning process in accordance with central NEDA's guidelines, data needs and time schedules. Moreover, some NROs are undermanned and have limited capacity to effectively respond to the planning assistance needs of the LGUs.

123. Also noteworthy is the fact that informants in the five provinces and the overwhelming majority of the PPDCs surveyed did not consider DILG inputs as important for PDP formulation. It will be recalled that the DILG has the legal mandate to ensure that

LGUs prepare development plans in accordance with the requirements of the 1991 LGC. PDP preparation, however, is apparently not a central concern of the DILG. As noted by a DILG informant, macro-level planning has not been a priority concern of the DILG. The informant also indicated that, in recent years, the agency has focused its attention on project-level planning and management, capacity-building in the management of micro enterprises, and in “down-streaming” national priority programs at the LGU level.

124. A relatively high percentage of PPDCs surveyed likewise indicated that HLURB made no inputs in PDP preparation. This survey result is understandable since, strictly speaking, PDP formulation is beyond the scope of HLURB’s legal mandate. The objectives, functions and activities of the HLURB pertain mainly to physical planning which, in practice, is distinct from development planning. A related explanation is the fact that HLURB has focused its attention mainly on assisting LGUs in the preparation of the CLUP at the municipal/city level where land use regulations have greater relevance and impact.

Interfaces in PDIP Preparation

125. A similar pattern can be observed in respect to the preparation of the PDIP which can be viewed as an extension of the PDP. In some instances, in fact, the PDIP is integral to the PDP as in the case of South Cotabato. As shown in Table 3.4, a large number of the PPDCs surveyed seemed to rely more on PDC and M/CPDC inputs for PDIP preparation. Apparently for the same reasons cited in PDP formulation, smaller proportions of the respondents rated NRO and NGO inputs as important in the preparation of the PDIP. Likewise, high percentages of the respondents indicated that HLURB and DILG made no inputs at all for PDIP preparation.

Table 3.4: PDPC Ratings of Agencies’ Input in PDIP Preparation (In percent) N = 62

	No Input	Some Input	Impt. Input	No Answer	Total
M/CPDO	6.5	16.1	58.1	19.4	100%
PDC	4.8	14.5	66.1	14.5	100
NRO	14.5	35.5	29.0	21.0	100
DILG	29.0	35.5	11.3	24.2	100
HLRUB	38.7	17.7	12.9	30.6	100
NGO	12.9	33.9	25.8	27.4	100
Others	4.8	11.3	12.9	71.0	100

Source of Data: National Survey of PPDCs, 2004.

Interfaces in PPFPP Preparation

126. For purposes of comparison, information on interfaces in the preparation of the PPFPP was also sought in the national survey of PPDCs. As shown in Table 3.5, the numbers are somewhat different reflecting variations in institutional responsibilities in the preparation and approval of the PPFPP. Obviously for the same reasons cited in PDP formulation, relatively high percentages of the survey respondents rated the inputs of PDC (75.8 percent) and the M/CPDO (56.5 percent) as important for PPFPP preparation. The PDC of course is also the

responsible unit in the province for PPF preparation. Similarly, the CLUP at the municipal level provides the foundation for PPF formulation.

Table 3.5: PPDC Ratings of Agencies' Input in PPF Preparation (In percent) N = 62

	No Input	Some Input	Impt. Input	No Answer	Total
M/CPDO	3.2	30.6	56.5	9.7	100%
PDC	8.3	12.5	75.8	3.2	100
NRO	1.6	25.8	67.7	4.8	100
DILG	17.7	45.2	32.3	4.8	100
HLURB	4.8	21.0	71.0	3.2	100
NGO	8.1	48.4	32.3	11.3	100
Others	3.2	14.5	29.0	53.2	100

Source of Data: National Survey of PPDCs, 2004

127. This time, however, the roles of the HLURB and NRO understandably become more prominent. In the preparation of the PPF, 70.8 percent and 66.7 percent of the PPDC respondents, respectively, considered the HLURB and NRO inputs as important. As stated earlier, the mandate of HLURB is directly relevant to the formulation of physical framework and land use plans. The NEDA, on the other hand, played a critical role in the preparation of the first set of PFPs. As will be discussed in Section 4, initial PFPs for all provinces were prepared under the auspices of the NEDA through the AUSAID-supported Technical Assistance to Physical Planning (TAPP) project. Both the NEDA and HLURB also play important roles in the eventual approval of the PPF.

128. On balance, there is some degree of interfaces taking place among different agencies of the government in the preparation of provincial plan documents. These interfaces, however, seem to have been more important in the formulation of the PPF than in PDP preparation which is perhaps also a reflection of the declining interest in the PDP. In the latter, only the inputs of the PDC and M/CPDO are considered important by a relatively high percentage of the PPDC informants. Regional and national level agencies do not seem to have much influence on the form and content of the PDP. By contrast, the preparation of the PPF seems to benefit from important inputs of higher level agencies, particularly the NRO and the HLURB, a pattern that also reflects the more streamlined institutional arrangements for PPF formulation and approval.

C. Issues in PDP Preparation

129. There are issues and problems that characterize the PDP preparation process that may usefully be elaborated on. Unless approaches are found to deal with these issues, they will effectively transform the PDP to a mere compliance document.

The Planning Process is Superficial

130. In reality, the planning process is superficial. A major reason for this state of affairs is that the resulting PDP document is, in most cases, really never implemented. The

preparation of the PDP is not resource-based, i.e., there is little or no consideration of resources that are available to the province to fund the programs and projects identified in the PDP. Indeed, a major weakness of the PDP and the PDIP is that the magnitude of projects listed is, in most cases, well beyond the financial capacity of the province to implement. This is particularly evident in the provinces of South Cotabato, Zamboanga del Norte and Antique.

131. At the same time, large, strategic projects that are listed have no clear linkage to possible external sources of funds. This pattern is a clear reflection of the fact that the PDP and PDIP are apparently used mainly as a marketing tool, not as a guide for policy action for development. From a planning standpoint, a “bloated” PDIP reflects the absence of a development strategy in terms of a coherent set of anchor projects that are critical to the development of the province.

132. A related weakness of the PDIP is that, in many cases, the project listings are not supported with an implementation strategy, both in terms of a concrete resource mobilization plan, and in terms of defining clear institutional arrangements for carrying out the projects. As noted by one field informant, the PDIP is really a “wish-list” of projects which has little or no chance of being implemented.

PDP is not Integral to Political Process

133. The preparation of the PDP is mostly a “technical,” intensively data-driven activity. It is in part for this reason that PDP preparation is not integral to the “political” process. In large part because it is mainly a technical activity, there is hardly any participation and involvement of key political actors in the PDP preparation process. Field informants indicated that, as members of the PDC, the Congressman (or his representative) and the city/municipal mayors are of course invited to participate in the workshops. In some cases, respondents of the study reported that invitations are extended even to SP members. Admittedly, however, these key political actors in the province rarely attend the workshops, but instead send representatives who are unable to commit on decisions made by the working groups. This pattern of behavior among political actors can obviously be attributed to the fact that they do not expect their project priorities to be implemented via the provincial development process.

134. Some political actors and even NGO representatives to the PDC have little or no recollection of the major thrusts of both the PDP and PFP in their respective provinces, further substantiating the superficial nature of the PDP preparation process. The Congressman of course has his own Countryside Development Fund (CDF) which is allocated at his discretion and outside the control of the province. The non-attendance of political players in PDC meetings is also the apparent reason for the fact that PDP preparation is not integral to the political process, and obviously does not result in a binding policy document. As will be explained later in the discussion of the AIP process, key political actors in the province seem to have no sense of commitment to the PDP, as much as they have to the highly political AIP document. Indeed, the AIP is at the core of political power play.

The AIP is Effectively the Operational Plan

135. The 1991 LGC explicitly provides that the Provincial Development Fund (PDF) could only be allocated for projects identified in the provincial development plan. In practice, the AIP, not the PDP, has been historically and routinely (and perhaps conveniently) interpreted as the development plan of the province, and the reason for this state of affairs is partly historical.

136. Early in the implementation of the LGC, development planning was not a widespread practice and the overwhelming majority of provinces did not have a PDP. To satisfy the Code requirement that the PDF can be used only for projects identified in the development plan, the AIP was liberally interpreted as that plan document. Although the practice of provincial development planning is now more widespread, the long-standing interpretation of the AIP as the provincial plan document appears to have been institutionalized through the years, and renders almost useless the time, resources and effort consumed in PDP preparation. For this reason, the projects listed in the AIP are the ones that get funded and implemented, not the projects identified in either the PDP, PDIP or the PFP.

137. Ideally, the AIP project listings should emanate from the provincial plan documents, i.e., it should be construed as the main instrument for plan implementation in a given year, and must serve as the important link between planning on one hand, and annual budgeting on the other. In all provinces visited by the study team, however, the AIP is a separate document and prepared almost independently of the PDP, PDIP and the PFP. Indeed, the preparation of the AIP appears to be essentially a “political” process.

138. As chief executive, the governor starts the AIP formulation process by calling the mayors and the members of the SP to a meeting. In many cases, provincial agency heads and representatives of national government agencies are likewise invited to the meeting primarily designed to identify projects for inclusion in the AIP. The list is consolidated by the PPDO, but subsequently screened and prioritized by the Executive Committee (EXECOM) which is chaired by the Governor. It is important to observe that the extent to which PDIP project listings are included in the AIP appears to depend on the relative standing of the PPDC vis-à-vis the governor, i.e, some PPDCs are simply more influential than others in the planning and decision-making process. In the end, however, political actors are more dominant and only small proportions of PDIP projects are eventually included in the AIP.

139. It is important to observe that the PDF is a source of a CDF-like allocation given to the other key political actors in the case provinces: the Vice Governor, SP members, and municipal mayors. Like the congressional CDF, the recipients of the CDF-like allocations have full discretion in identifying projects to be funded out of their share from the PDF. In Zamboanga del Norte, disposal of the PDF and the preparation of the AIP appear to be at the core of political power play. NGO representatives to the PDC have objected to the demands of municipal mayors and SP members for CDF-like allocations from the PDF. As of the time

of the study team's field visit in January 2004, this has resulted in the non-passage of the 2004 budget of the province.

140. In some cases, moreover, the AIP includes lump sum appropriations for broad sectors and items of expenditure, with specific projects identified later in the fiscal year. For this reason, planning and budgeting, in many ways, become concurrent activities. The resulting project listings in the AIP are, not surprisingly, a "mixed-bag" of small projects with no clear relationship and contribution to a more long-term development strategy for the province as may be stipulated in the PDP. In the meantime, the more strategic projects envisioned in the PDP are not implemented, in large part because they are not linked to national and external sources of fund. It is noteworthy that as confirmed by field informants, the allocation of the CDF of the congressmen is outside the influence of the provincial government and is likewise unrelated to provincial plans. In the light of all these, the formulation of the PDP has become a very frustrating experience for some of the PPDCs. It is obviously in this context that a field respondent characterized PDP preparation as "an exercise in futility."

The PDC is a Poor Venue for Participation

141. As the central planning body of the province, it is important to assess the status of the PDC (the central planning body of the province) vis-à-vis its various functions and mandate as a venue for participation in planning and decision-making. Section 109, Book 1 of the LGC enumerates the functions of the PDC as follows:

- ☞ Formulate long-term and annual socio-economic development plans and policies;
- ☞ Formulate the medium-term and annual public investment programs;
- ☞ Appraise and prioritize socio-economic and development programs and projects;
- ☞ Formulate local investment incentives to promote the inflow and direction of private investment capital;
- ☞ Coordinate, monitor and evaluate the implementation of development programs and projects; and
- ☞ Perform such other functions as may be provided by law or any competent authority.

142. Although patterned after the Regional Development Council (RDC), the PDC, on paper, is an even more powerful planning body. Unlike the region, the province represents a level of government and the decisions of the PDC are directly actionable by the provincial government. In reality, however, the PDC is moribund for a long period during the fiscal year, a fact that may suggest a reassessment of its structure and role in the planning and decision-making processes. Although it may be convened for special meetings beyond the two (2) regular sessions prescribed by the LGC, such special meetings are rarely convened, in part because the PDC, like the RDC, is a relatively large body composed of political players who often could not find the time to meet. Thus, in most cases, the PDC meets only twice during the year: once to launch the plan preparation process, and a second time to

approve the plan document. In between these two meetings, the functions and mandate of the PDC are assumed by the EXECOM which is also chaired by the governor. In practice, it is the EXECOM, acting in behalf of the PDC, that decides on critical investment and resource allocation decisions for the province with the PDC merely giving its stamp of approval in the end.

143. The Executive Committee is a very powerful body in that it acts in behalf of the PDC when the latter is not in session. Chaired by the governor, the EXECOM also includes as members the Chairman of the Sanggunian's Committee on Appropriations, the President of the Provincial League of Mayors, and an NGO representative as members. The PPDC serves as the secretary of the committee. Since the PDC rarely meets (twice a year as prescribed by the LGC), the EXECOM is the de facto PDC especially in respect to the formulation of the AIP. Expectedly, the governor exerts considerable influence in the deliberations of the EXECOM on the AIP. In all provinces visited by the study team, large sums are controlled by the governor especially in connection with the granting of counterpart funds for various municipal projects.

144. In many ways, the prominence and actions of the EXECOM defeats the very purpose of creating a multi-sectoral PDC, which is presumably to ensure representation of various segments of society in the planning process. At the same time, a smaller body appears to be more efficient and workable. Some sectors view the large representation of NGO's in the PDC as a welcome innovation in that it increases the awareness of the community of the activities of the council. In this regard, the performance record of NGO representatives appears to be mixed. In the case of Zamboanga del Norte, the NGO representatives to the PDC took the side of the governor and performed an important role as fiscalizers to politicians who were demanding CDF-like allocations from the provincial development fund (PDF). In other cases, such as in Antique, NGO representatives to the PDC seem to contribute less to the formulation of the development plan, but are more preoccupied with the task of seeking support (in particular, a share of the PDF) for specific projects of their own organizations.

Low Planning Capacities of PPDOs

145. PDP preparation is obviously affected by the low planning capacities of PPDOs as discussed in Section 2 of this report. Outside of the generally relevant training and qualifications of the PPDC, PPDO technical personnel hold degrees in fields other than planning which may explain the low understanding of planning concepts and of the dynamics of the development process. PPDO productivity and efficiency are also often hampered by additional tasks and assignments given by local chief executives that are unrelated to its planning mandate.

146. Moreover, plans other than the PDP also appear to have priority mainly because these are mandated by an NGA or by an international donor agency. Currently, PPDOs are preoccupied with the preparation of the plan for children and the poverty alleviation plan required by external institutions. LGUs are likewise confronted with the preparation of planning documents arising from a number of national sectoral programs (e.g., tourism, coastal resource management, etc.). Needless to mention, these planning exercises tend to

overload provincial planners and, in the process, reduce efficiency on their more basic development planning tasks.

Complicated Planning Guidelines

147. As also noted in Section 2, there are numerous planning guidelines and manuals provided by national government agencies to LGUs prior and after the passage of the 1991 LGC for both development and physical planning. This has allowed for a greater variety of plan documents in terms of scope, content and format. As previously documented in this report, however, many of these guidelines are outdated and are no longer relevant to the reforms introduced in the 1991 LGC.

148. A related consequence is that it has also complicated the task of plan preparation. Some PPDO personnel have found the manuals and guidelines to be too complicated and intensively data-driven to be useful. The numerous planning guidelines also seem to reflect the absence of a coherent system to coordinate the preparation of provincial plans.

Interfaces are not Widespread in PDP Preparation

149. Interfaces could influence the form and substance of the PDP. In this connection, there is some degree of interfacing especially between the province and municipality in the formulation of the PDP. Interfaces with regional and national government agencies of government are less frequent and do not seem to have much influence on the form and content of the PDP. It is, in part, for this reason that national sectoral concerns hardly form part of the PDP. Also not apparent is the integration of current national planning initiatives and frameworks (e.g., poverty alleviation, gender concerns, plan for children, etc.).

150. The lack of interfaces hardly matter, however: in the end, the PDP is really never implemented. In contrast, interfaces with agencies at higher levels are more prominent in the formulation of the PPF, a phenomenon that can be attributed to the more streamlined institutional arrangements in PPF preparation and approval, as well as to the inputs of the TAPP project. Greater efforts also appear to be exerted in monitoring and evaluating the implementation of the PPF.

D. Summary

151. The most critical issue in PDP preparation is the fact that it is not integral to the political process. The PDP is largely a technical document that has virtually no influence on investment decisions and budget preparation. Related to this observation is that the AIP is really the operational “plan” of the province. The AIP is a separate document and is prepared independently from both the PDP and the PDIP, effectively shortening the planning horizon to one year, and transforming the PDP to a mere compliance document.

152. The AIP is also at the core of the political process. Projects listed in the AIP are largely contributed by different political actors who receive CDF-like allocations from the PDF. Consequently, project listings in the AIP are a “mixed-bag” of small, unrelated projects

that have no clear connection to a more long-term development strategy for the province. However, AIP projects are the ones that get funded and implemented.

153. Interfaces with national agencies and external institutions are not widespread, partly explaining the non-implementation of large, strategic projects identified in the PDP that need external funding. It is also, in part, for this reason that national sectoral concerns and current national planning initiatives and frameworks are not evident in the PDP.

154. Despite numerous planning, programming and resource allocation functions assigned to it by the LGC, in the end the PDC plays a relatively limited role in planning and investment decisions. It is a large, unwieldy body that meets, in most cases, only twice annually, and it is the EXECOM that absorbs most of its functions for the greater part of the fiscal year. This pattern is probably efficient and politically convenient, but whether or not it should be allowed to persist in the context of the envisioned role of the PDC and the PDP is a policy question that probably needs to be revisited.

SECTION 4. PLAN RESPONSIVENESS AND QUALITY

155. This section will assess the responsiveness and quality of the PDP with respect to provincial development requirements. It identifies strengths and weaknesses of the plan based on field interviews, the experiences and comments of users and stakeholders, and a review of various PDPs with emphasis on the PDPs of the provinces visited during the study.

156. As far as overall responsiveness is concerned, it is logical to expect that a province with a PDP that identifies the most effective programs and projects to address its key problems will have a better chance of experiencing a meaningful improvement in quality of life. In reality, however, it is difficult to attribute specific provincial development characteristics to the PDP given other possible intervening factors such as leadership, national and other external policies, and trade environments, for example, that distort and mask linkages between planning and implementation. It is possible that a good quality PDP (however defined) is responsible for an improvement in the quality of life in a province, but this is not easily established. (See Annex G for a review of provinces with and without a PDP and their respective development indicators.) This section, therefore, looks at responsiveness primarily in terms of the extent by which the PDP influences the province in identifying and allocating resources for development activities. It does not, however, assess the impacts of such activities on provincial development although to some extent the potential impacts are covered by a review of the technical quality of the plan.

A. Strengths

157. In its most basic form, a PDP should serve as a rational basis for development activities in a province. Looking more closely at the PDPs of Batangas, Mountain Province, South Cotabato, and Antique (the four provinces with a PDP that were visited by the study team), we can identify several strengths that contribute towards this overall objective.

Straightforward and familiar sectoral structure

158. One is the straightforward and familiar planning structure of the PDP. There are variations to this structure (e.g. a collective situational analysis vis-à-vis a separate analysis for each sector) but the general planning process is consistent--starting with a situational analysis, followed by identification of issues and concerns, and then by the formulation of goals/objectives, strategies and identification of programs/projects. This is a standard planning structure that most practicing planners are familiar and can work with; and it is an important consideration given the lack of formal planning background among provincial planning staff.

159. The sectoral format of the PDP may be considered a strength to the extent that it dovetails neatly with the structure of government bureaucracy. This facilitates the plan formulation process starting from data collection (both internal and external to the province) to implementation. The advantage of this format is better appreciated when contrasted with the PFP, which has four basic components (settlements, production, protection,

infrastructure) that are not directly linked to the structure of government, and which form an additional layer of processing and analysis.

Coverage period consistent with term of government

160. The original five-year coverage of the PDP was intended to provide a link between long term (15-25 years) and annual plans. (NEDA 1976) This medium term period is ideal in the sense that it allows a relatively broad range of planning activities, which would be unlikely within a short term orientation, without losing sight of the implementation horizon. It also accommodated projects for immediate implementation as well as activities that could, if necessary, extend beyond a single administration.

161. More recent PDPs, however, have shorter, three-year plan periods. Although this could encourage a more incremental approach to planning at the expense of a strategic, medium term perspective, it allows the plan to coincide with the term of the incumbent administration. Thus, it fosters ownership by the current government which, in turn, enhances implementation.

Established development plan

162. Finally, as a provincial development plan, the PDP is an established document. With its present basic format, it has been involved with provincial development efforts at least as early as the 1970s. It is part of a planning tradition that is accepted by the provincial government, its stakeholders, and involved agencies and organizations. Unlike more recently mandated plans such the Local Poverty Reduction Action Plan (mandated by the DILG in 2001), the PDP is an existing and accepted venue for guiding and influencing provincial development activities. Although this does not mean that the PDP will necessarily continue to exist in more or less its present form, it is part of status quo; at the least, it cannot be ignored if changes are to take place.

B. The Decline of the PDP as a Reference Plan

163. The most glaring and most serious weakness of the PDP is that it has become ineffective in identifying the programs, projects and activities that are implemented by the province. The AIP, which was intended to be a routine, one-year slice of the PDIP, is now the operating document that defines how provincial resources are allocated as far as development and related activities are concerned. The nature and complexities of this defining characteristic of local planning is discussed in greater detail in other sections of this report, but at this point it is useful to emphasize the low percentage (ranging from 4% to 61%, with a simple average of 32%) of PDP projects that are included in the AIP of the provinces consulted. This is overwhelmingly consistent with impressions and descriptions gathered from staff and officials of the provincial government, NEDA regional offices, other LGUs and stakeholders; all expressed that the PDP hardly mattered when it came to the

identification and actual implementation of provincial projects and in influencing development planning and implementation in general.⁶

164. Some of the manifestations of the diminished role of the PDP are the following:

- ⌘ There is increasing preference for the PPFPP relative to the PDP as a reference plan. This does not mean that the PPFPP has increased its influence on project identification relative to the AIP but it does refer to the overall decline of the PDP. From an overall planning point of view, this is a concern because the PDP and the PPFPP are intended to be complementary documents that are essential to provincial development planning.
- ⌘ Reduced priority is given to the preparation and updating of the PDP in favor of other plan documents and activities. This is related to the capacity and workload of provincial planning offices; workload, in particular, appears to have increased in recent years because of additional plan documents (e.g. Development Plan for Children, Gender and Development Plan, and Women, Disaster Management Plan, Local Poverty Reduction Action Plan) that planning offices are required to prepare. While updating the PDP remains an accepted basic task of the PPDO, other planning activities, especially those that are foreign-funded, take precedence. In some cases, it has encouraged the idea of combining the PDP and the PPFPP into a single plan document and in at least one instance (Zamboanga del Norte), it has resulted in the de facto merger of the PDP and PPFPP.
- ⌘ In some provinces (Iloilo, Albay, Sorsogon, Catanduanes, and Ilocos Norte), the medium term PDP has been replaced by an annual development plan. This contravenes the PDP's strategic, medium term intention and effectively takes away the role of the PDP as a link between long term and annual budget-oriented plans. This trend further distinguishes the PDP from the PPFPP, at least as far as plan documents are concerned, with the PPFPP remaining as the only multi-sectoral plan with a medium/long-term orientation.
- ⌘ The emergence of an annual development plan suggests that the same factors that moved the center of project identification and resource allocation from the PDP to the AIP have also moved the rest of the PDP's planning functions to the short term. In this case, the provincial planning process is being transformed from a situation where budget/resource allocation is guided by a plan (PDP), to a situation where the plan is being guided by the budget/resource allocation process. In the former, the AIP is derived from the PDP; in the latter, as the PDP becomes an annual development plan, its main purpose becomes the justification of the AIP.

⁶ As illustrative examples, the Zamboanga del Norte provincial administrator affirmed the lack of influence of the PDP, along with other medium and long term plans, and suggested that such plans be revised to cover a shorter period. In the case of Batangas City, the capital city of the province of Batangas, the city planning office claimed that unlike the PPFPP, the PDP was not utilized by the office.

165. Most of the explanations offered to explain the diminished role of the PDP cite politics (e.g. political motives related to pork barrel distribution, lack of political will) as a key factor. The full implications of this and other possible explanations require careful assessment, although it is reasonable to conclude that the PDP cannot be considered responsive given its decline as a reference plan.

C. Internal weaknesses and inconsistencies

166. Setting aside the marginal role of the PDP in influencing resource allocation and subsequent development activities, the following criteria may be used to assess weaknesses and inconsistencies:

167. Does the PDP assess the provincial situation, including identification of the problems facing the province, with sound basis and analytical logic?

∄# Does the PDP formulate strategies and other responses to the issues and problems identified in a manner that addresses the drivers (rather than just the symptoms) and with due consideration for priority and resource limitations?

∄# Does the PDP provide appropriate implementation and monitoring mechanisms, including feedback to subsequent planning?

168. There is noticeable variation among the PDPs of the provinces consulted relative to the above criteria. But there are clear and consistent shortcomings. Many of them are inter-related. These are described below, roughly following the sequence of the planning process (from analysis to project identification).

Situational analyses tend to be snapshots of existing conditions, with minimal discussion of projections, trends and growth rates.

169. As a whole, situational analyses of the PDPs are static assessments that lack purposeful and substantial consideration for medium-long term conditions.

170. The Mountain Province PDP provides a useful illustration. Throughout its entire situational analysis, the PDP only talks about a trend in three instances: a statement about the 1.5 percent population growth rate from 1995 to 1997; a statement about an increase in the employment rate from 81.16 percent to 95.8 percent during the same period; and in presenting education and health indicators between 1992 and 1997. (Mt Province 1998) Note that the population and employment data, which are basic considerations in any development planning exercise, refer to short term periods that are hardly useful for trend analysis.

171. The absence of some indication of future trends severely compromises planning. It can even be argued that proper planning is not possible without an appreciation of future conditions. It may not be significant for short term assessments but the lack of such an appreciation hampers the medium-long term planning objective of the PDP including

providing consistency to development efforts that are intended to extend beyond a single term of office.

Situational analyses tend to focus on symptoms, rather than “drivers” of key issues and problems.

172. Underlying factors of conditions described in the situational analyses are not sufficiently identified and explained. The following are some illustrative examples.

173. In South Cotabato, in response to the unemployment issue, the PDP merely proposes to support DOLE programs and to advocate the implementation of labor laws, rather than, say, identify ways to remove obstacles to employment-generating investments. Poverty, meanwhile, is presented as a population issue, with no mention of the strong positive linkages between poverty reduction and economic growth and access to basic services.

174. The Antique PDP is notable in the direct and succinct manner that it provides summary statements about the concerns of each sector, but minimal analysis is offered.

175. The Batangas PDP is unique in providing problem tree diagrams that identify factors affecting selected problems (e.g. low agricultural productivity, unemployment, environmental deterioration, low quality education). These diagrams provide good summaries of inter-related factors affecting major issues and distinguish the Batangas PDP as the closest to explaining the core factors of problems identified in the situational analysis. Some of these diagrams, however, tend to be sector-bound and underemphasize key external and market factors (like global or international competition, land demand and supply, and direct and indirect subsidies) that drive the identified problems. In assessing the reasons behind the lack of infrastructure support, for example, insufficient funding emerged as a primary cause rather than lack of affordability or inadequate effective demand, or even physical and other technical constraints as the case may be.

176. The Batangas and Mountain Province PDPs may also be distinguished by their use of SWOT analysis. This analysis can be a useful tool to derive strategies and to some extent it has worked accordingly, especially for Batangas. Like all tools, however, its effectiveness remains dependent on the type and manner of application or, in this case, in the analysis behind the SWOT algorithm. And this is where there are apparent shortcomings for while threats, potentials and constraints are identified, their linkages to resulting strategies are unexplained. In Batangas, for example, air and water pollution are seen as threats under the environment sector but the corresponding strategy merely echoes an intention to “minimize air and water pollution.”

177. The Mountain Province PDP does not provide a situational analysis (or SWOT)⁷ in the usual manner. It describes key provincial characteristics but falls short of identifying any problem or issue of concern. (E.g. instead of saying that there is a lack of local non-farm

⁷ As presented, the Mountain Province SWOT analysis only lists opportunities and threats, each with corresponding critical success factors. The Batangas PDP SWOT follows tradition by presenting strategies in the SO (strengths to take advantage of opportunities), WO, ST, and WT formats.

employment, the profile states that “during off farm season, the males usually go outside their localities to find work in government or private contracts.” (Mt Province 1998) There is a hint that employment is a problem but this can only be inferred because the PDP stops short of stating this condition.) Some problems are mentioned in the discussion of strategies and policies but this strains the credibility of the analysis because, in these cases, responses and recommended solutions are identified simultaneously with the problem. In short, the Mountain Province PDP lacks a situational analysis that links the profile with the identification of objectives and projects.

Weak linkages between situation analysis and the identification of objectives/strategies and programs/projects.

178. Internal consistencies and linkages of the PDPs vary. In general, however, linkages between goals/objectives/strategies on one hand and programs/projects on the other, are fairly direct. Once the preferred course of action (goals/objectives/strategies) has been established, the path to project identification is relatively straightforward. This is evident in the Antique, Batangas, South Cotabato, and to a lesser degree, Mountain Province PDPs.

179. Except for Antique, however, the link between situational analysis and goals/objectives/ strategies is conspicuously weak. The problem lies in deriving the course of action—the objective, strategy, policy, and subsequent program or project—from the assessment of the current situation. (In the case of Antique, current issues and problems are briefly described, with supporting summary data and information. The link between analysis and projects may not be immediately obvious but it eventually becomes apparent because the goals derived from the situational analysis directly serve as the framework for strategies, programs, and projects.)

180. The weak link or even disconnect between analysis and course of action can take place in two ways: (1) when the results of the analysis are not translated into a specific project, or (2) when a particular course of action is not sufficiently justified in the analysis.

181. The first case is less common than the second and the lack of analysis to begin with, as described above, may be a key reason. There is a tendency, however, to present data in the description of existing conditions without using them in the analysis. While some of these data may be interesting and useful for other purposes, they do not contribute to the identification of objectives, strategies and projects. Many data of this type are simply too detailed for the kind of assessment needed in a PDP, such as the longitude and latitude coordinates of town centers or specific soil types of each municipality (Mountain Province 1998), or the distribution of dialects among the population (South Cotabato 2002). For the most part, these data are superfluous but they do not constitute a serious shortcoming. (And arguably, in some ways, they can provide interesting insights towards a greater appreciation of the province.) The greater concern is when the resulting analysis points to an important issue but which is ignored and not addressed by an appropriate plan of action. This is not apparent, however, in any of the four PDPs.

182. The second case occurs when an objective or a strategy or project is identified without basis or sufficient justification. An example in the Mountain Province PDP is the objective of food self sufficiency. (Mt Province 1998) The basis for this objective is not clear given the overwhelming dominance of agriculture as a form of livelihood in the province and the reliance on external sources for industrial, fishery, and other non-agricultural requirements. It would appear, therefore, that there is a need to expand external linkages to increase both exports of provincial agricultural products and imports of non-agricultural commodities. Food self-sufficiency is not contradictory to a policy of increasing agricultural productivity, but it may be inconsistent with increased external trade, especially if agricultural products are the major trade commodities. Still, food self sufficiency may very well be a valid objective for Mountain Province, but this is not explained in the PDP.

183. In the South Cotabato PDP, the weak link between analysis and course of action is exemplified by an economic development sector--with 14 issues/concerns, 15 development objectives, 30 strategies and policies, and 14 programs and projects—that appears to have no starting point in the plan document in so far as the PDP has no economic profile whatsoever. As mentioned earlier, the weakness lies not in the link between objectives and projects but between the analysis (issues/concerns) and objectives—objectives are not based on an assessment of the current situation but, in the case of South Cotabato, on cryptic and marginal explanations.

Fundamental factors are not given sufficient attention.

184. Several important factors were consistently omitted or glossed over by the PDPs. These are: demographic and economic conditions and trends; external linkages; demand, market, and competitive conditions; and the private sector.

Demographic and Economic Conditions and Trends

185. PDPs typically provide population data that include current levels, growth rates, and densities, sometimes including urban-rural and/or municipal distributions. But none of the PDPs that were reviewed discussed or at least went beyond a superficial discussion of population trends including those pertaining to internal distribution and/or migration.⁸ The Batangas and South Cotabato PDPs have the most extensive coverage of population among the four provinces, providing data on municipal densities, growth rates, projections, household size, dialects, and religion (with South Cotabato providing interesting historical insights), but their potential impacts are not discussed or are not explicitly related to subsequent objectives, strategies or projects. And the key planning concern about future demand and levels of service, based on existing and future population, is virtually untouched.

186. The basic economic characteristics of the province are covered to an even lesser degree by the four PDPs. None of the four provide an economic profile; there is no quantitative indication, even in rough terms, of the structural characteristics of the

⁸ For example, the Batangas PDP mentions in-migration peripherally, to explain in part land conversion and the decrease of agricultural areas. But there is no mention of the extent of migration or of the net effects on the magnitude of population growth.

economy—What are the dominant livelihood activities? What activities are declining and to what extent? Which ones are growing and have future potential? Etc. (Antique has a one page economic sector overview but with no comparative assessment.) These are fundamental issues and the conditions and trends that result from analyzing them are indispensable to development planning.

187. The lack of data is probably one reason for the paucity of discussions on the economic characteristics of the province. (There are enough population data, readily available to all, to conduct suitable demographic assessments of a province.) Most standard, nationally-generated economic data are available only down to the regional level. But there are sufficient indicators from several sources (e.g. Family Income and Expenditure Survey, Annual Poverty Indicator Survey, Labor Force Survey generated by the National Statistics Office of the national government) that, if properly utilized and combined with selected local information, can provide a reasonable sketch of the provincial economy.

External Linkages

188. Except for the Antique PDP, there is hardly any consideration for external linkages. This may be related to the sectoral structure of planning guidelines which tend to focus on internal provincial performance and characteristics while compromising inter-provincial comparisons and thus external linkages. But even discussions about external linkages of sectors are minimal.

189. Physically, the lack of consideration for external linkages is especially evident in the infrastructure sector. In the case of Batangas, the only discussion involving an external factor is the recognition that the province sources its power from the Luzon grid. Similarly in South Cotabato where it recognizes Lanao as the power source (and interestingly seeks alternative local sources in the interest of self-sufficiency). (South Cotabato 2002) This is also the case in Mountain Province where provincial integration is a major development program. This involves, according to the PDP, setting up a network of transportation, communication, solid and waste disposal systems to “foster provincial and inter-municipal integration.” Curiously, however, the need to improve and develop external linkages is not mentioned in the PDP even though it is a logical extension of provincial integration and, especially in Mountain Province, a key consideration considering limited internal linkages. (Mt Province 1998)

190. The lack of attention to external linkages in the PDPs may be based on the notion that such linkages deal primarily with inter-provincial infrastructure projects. This could be interpreted, first, as beyond the coverage of a single province and thus should be addressed at the regional or national level; and second, as a physical concern that is better addressed in the PFPF. But even if these interpretations are valid (which is clearly debatable) they do not and should not prevent a PDP from considering external linkages if these are important factors of development. And this is increasingly the case given rapid advances in technology, for example, that require more regular and quicker responses to external market conditions.

191. As mentioned earlier, Antique is the exception among the four PDPs because it states the need to improve provincial access. However, this is not discussed in its infrastructure sector, despite concern for the development of the provincial airport. (Antique 2001)

Demand, Market, and Competitive Conditions

192. Another characteristic common to the PDPs is a supply- or production-side orientation at the expense of the demand side, markets, and competition.

193. The PDPs vary in extent but South Cotabato is an illustrative example of the absence of or minimal consideration for the demand side. In its assessment of the Agriculture, Fishery, Livestock and Poultry sector, virtually all the development issues that were identified dealt with production: high production costs, pests, and low quality products; low production volume; poorly maintained farm to market roads; inadequacy of production inputs, knowledge, technology, and post-harvest facilities; loss of biodiversity; and lack of support (laboratory) facilities. Consequently, all programs and projects that were proposed for the sector also focused on the production side: soil conservation, crop enhancement and rehabilitation, disease prevention, maintenance/ breeding and dispersal programs, farm youth development, and laboratory development. All of these projects are intended to improve and support production activities. (South Cotabato 2002) There was no mention or indication of the markets for the various crops and other key provincial commodities, the extent of competition, and how these might affect the feasibility of future production.

194. In the Antique PDP, to cite another example, all of the 35 investment programs/projects/ activities identified for economic development (excluding those under tourism, which are covered by a separate list) deal primarily with productive activities without discussing corresponding demand and competitive conditions. (Antique 2001)

195. There is no indication that the supply- or production-oriented programs and projects identified in the various PDPs are not important or necessary. But it is also difficult, perhaps impossible, to derive realistic and strategic responses to economic issues and problems without considering the demand side, market competition, and comparative advantages.

196. It is not clear why PDPs favor the production/supply side, but difficulties in acquiring data about market/demand conditions is a likely factor. Supply-biased analyses are often simpler to do because these rely more on internal (provincial level) data that are readily available; demand and market share studies are more likely to involve external consumption and income data, for example, and these are less accessible to provincial and other local planners. (This is probably why other plan documents (e.g. CLUP) are likewise supply- or production-biased.)

197. Another likely reason why PDPs focus on supply and ignore demand is the lack of attention given to the latter in PDP planning guidelines.

The private sector

198. PDPs tend to minimize the role of the private sector and entrepreneurship in general. There is almost universal recognition that the private sector, including the business sector, is a necessary partner of development, not just as a stakeholder during the consultation process but also and perhaps more so during implementation. And yet, this role is often obscured or taken for granted. In the South Cotabato PDP, for example, there is hardly any mention of the private sector in the entire document. On the rare occasions that it appears in the document, it is mentioned in the context of NGOs and volunteerism. A program to encourage private sector investments is mentioned in one instance--an exception in the PDP as a whole.

Lack of prioritization among identified problems and issues and among proposed programs and projects.

199. As a general rule, identified programs and projects are not prioritized for implementation in the PDPs. Similarly, there is a conspicuous lack of a sense of relative urgency among identified problems or issues.

200. The Antique PDP is a useful example, particularly because of the exceptional consistency in the way its analysis is translated into programs and projects. Virtually all of its 122 investment programs/projects/activities may be traced to its analysis of the various sectoral situationers. Once identified and listed, however, no apparent attempt is made to establish project priorities. The same is true for South Cotabato and Mountain Province.

201. The lack of intersectoral prioritization may be a result of the sectoral structure of the PDP which, as in the national government's medium term development plan and other plan documents, does not encourage intersectoral comparisons. But even assuming that the PDP allows rational intra-sectoral analyses,⁹ establishing priorities is not easy or simple. The fact that it is not explained in the NEDA Provincial Planning Manual (NEDA 1976), even if the Manual states that projects should be prioritized, further emphasizes this difficulty.

202. Two other factors may help explain the lack of prioritization. First, political interests behind specific projects may be affected; and second, prioritization may be a futile exercise anyway if the AIP, and not the PDP, defines what will actually be implemented.

203. Returning to the PDPs, Batangas is an exception because it employs a Goal Achievement Matrix (GAM) to prioritize all projects across all sectors. The GAM is a standard tool that has been used in other plans, and is in fact part of the PFPF guidelines. (NEDA-AusAid 1996) It is simple, easy to accomplish, and perhaps more important, allows

⁹ This is an assumption because there are advantages and disadvantages with the manner by which sectors are identified or classified in any plan. For example, the typical development plan document would tend to have an economic, social development, environment, infrastructure, and development administration sectors. But there are variations in the way each of these sectors are comprised that could affect intra-sectoral priorities. Labor and employment, for example, can be part of social development but it could also be included under economic development. Similarly, education can be part of infrastructure (as in the Antique PDP) although it is more often identified with social development. Conceivably, these variations can alter priorities within a sector.

for widespread stakeholder participation. In the Batangas PDP, 130 projects across five sectors were evaluated and prioritized, yielding 28 top priority projects.

204. The Batangas example can be replicated and the GAM or some other technique can be mandated for all PDPs to ensure prioritization. But the case of Batangas also suggests that the current PDP planning process has not led to prioritization based on its inherent analytical logic. An analysis should distinguish differences among the problems facing the province and a fairly thorough analysis should indicate relative urgency. Ideally, the use of a GAM will confirm priorities established or implied during analysis. The way GAM is used in the Batangas PDP (as well as in the PFPF), however, priority is based primarily on stakeholder perception, which may or may not coincide with the results of a purposeful planning analysis.

205. The absence of clear project prioritization between and even within sectors is a concern given the traditional (official) role of the PDP as a blueprint for provincial development. In practice, however, the lack of prioritization is not significant given actual project budgeting and implementation methods in a province. With PDP programs and projects increasingly treated as suggestions for consideration during the AIP process, prioritization likewise becomes unnecessary. This has serious implications on the role of the PDP, which is directly related to its decline as a guide to provincial development in general and resource allocation in particular.

Minimal attention to pro-poor economic growth and poverty reduction.

206. Pro-poor economic growth and poverty reduction are given minimal attention in the PDPs, and basic learnings about how to approach poverty reduction have yet to be incorporated into provincial planning.

207. The most significant component of poverty reduction--economic growth—is not recognized in the PDPs that were reviewed. Instead, poverty tends to be discussed under the population sector, and why projects that appear to have been identified to address poverty do not reflect the basic characteristics (e.g. labor-intensive employment, microfinance, support education, health and other services) of pro-poor economic growth.

208. In the Batangas PDP, the basic indicators of poverty incidence and magnitude are presented under the Population Development subsector, but poverty is not mentioned with respect to any policy, strategy, program or project. (A livelihood program, however, is included in the subsector's list of projects.) Similarly, in South Cotabato, poverty is mentioned briefly under the Social Welfare and Population Development Services subsector. Only two projects relevant to poverty reduction are proposed under this subsector: poverty mapping and family planning. In Mountain Province, poverty is mentioned as part of a strategy to increase income and productivity, but the extent or degree of poverty in the province is not stated. Two programs are consequently listed and appear to be intended as direct responses to poverty: a Gintong Ani program to increase agricultural production and a generic poverty alleviation program. In Antique, the provincial poverty threshold and magnitude are stated under the Economic Development sector but no specific project is mentioned to address poverty. (Batangas 1998; South Cotabato 2002; Mt Province 1998)

Overall, except for South Cotabato's proposal to conduct poverty mapping, the PDPs do not identify any specific poverty reduction project.

209. The minimal attention given to poverty in terms of the absence or small number of projects explicitly intended for poverty reduction is not necessarily a problem considering that poverty cuts across all sectors and thus can be addressed implicitly under various development thrusts—livelihood promotion, educational programs, population management, disaster mitigation, peace and order, infrastructure development, among others. It can even be argued strongly that for most provinces the entire PDP should be a multi-pronged thrust towards poverty elimination and therefore there is no need for a separate and distinct section on poverty reduction. The concern, however, is the lack of attention given to the specific nature of poverty in the province (beyond the current poverty threshold and magnitude)--the existing activities of the poor and the obstacles that need to be hurdled in order for them to be lifted out of poverty--and matching these with potentials and opportunities available in the province following the basic tenets of pro-poor economic growth.

210. It is reasonable to expect that future updates of PDPs and other local plan documents will incorporate more recent poverty reduction policies and programs. The preparation of some of the PDPs may have been already underway when the government's KALAHI program (Social Reform and Poverty Reduction Act: RA 8425) was enacted and when ADB's Three Pillars Strategy came out in 1999, thereby depriving PDPs of the learnings and guidance of these initiatives. But future planning should benefit from subsequent lessons and should be guided by more recent DILG and other government mandates.¹⁰

Other PDP planning concerns

211. There are other PDP planning issues that are manifested in varying degrees among the four provinces:

⚡ There is a tendency to identify generic strategies that do not take advantage of (or at least do not mention) specific opportunities that a province might offer. There is nothing inherently wrong with a strategy that is ubiquitous and enjoys wide recognition and application. But if such a strategy is expressed in a generic manner down to the project identification level (e.g. livelihood program, family planning, skills training), then further extensive assessment is necessary. Some degree of flexibility is obviously necessary but given the 3-4 year time frames of PDPs, and in the interest of generating reasonable resource allocation estimates (assuming that the PDP is a basis for resource allocation), then generic strategies are not very helpful.

¹⁰ DILG Memorandum Circular No. 2001-109 (August 21, 2001) which enjoins all local chief executives to undertake local poverty reduction programs and formulate local poverty reduction action agenda (LPRAA); DILG Memorandum Circular No. 2001-105 (August 31, 2001) which calls for the identification of local poverty reduction action officers (LPRAA) in all municipalities, cities, and provinces. A new "Guidebook on Local Poverty Diagnosis and Planning," prepared under DILG, NEDA, NAPC, and UNDP was also released in 2002.

- ⊘# The number and resource requirements of projects identified in the PDP far exceed the capacity of the province to implement them. This is a clear indication that the provincial investment program serves more as a wishlist for further consideration and prioritization. (In the Batangas PDIP, for example, which has the most detailed listing and extensive evaluation of projects among the four provinces, only 11 of the 130 listed projects are to be financed by the provincial government, based on local revenue projections.)
- ⊘# There are no specific monitoring and feedback mechanisms in the PDPs. Among the four reviewed, only Batangas contains a section on project monitoring and evaluation. Even then, the Batangas provisions are prospective and subject to future implementation.
- ⊘# PDPs have weak spatial references. Notably, for example, all the PDPs reviewed as well as others gathered in the course of the study have no maps to indicate the location, configuration (including boundaries of component local governments), and basic features of the province. In addition to these basic maps, PDPs should also describe (at least in map form) the location, distribution, and key physical features, as applicable, of the provincial population, infrastructure, and other social and economic elements identified in the analysis. Finally, maps are required to indicate the location and distribution of proposed projects, programs, and activities.

212. It is likely that part of the reason why the PDP is not provided with maps is the impression that maps and other physical descriptions of the province are the responsibilities of the PPF. This is based on the impression that the PDP and PPF complement each other such that the PDP covers the sectoral while the PPF is responsible for the spatial/physical. However, this does not mean that PDPs should not use maps because, in the first place, conceptually separating the sectoral from the physical is not the same as physically separating them into documents. This is a complex issue and we will not dwell into this matter here. The fact remains, however, that the PDP is a single and separate document that is not typically viewed simultaneously with the PPF. As a separate document, it should convey its analysis, arguments, and proposals in the best way possible and this can only be done if there are maps or some other form of spatial reference.

C. Summary

213. In terms of guiding and influencing provincial development, the issue of quality is secondary because PDPs do not have any significant input to the allocation of resources and identification of projects. As mentioned earlier, this role is played out in the formulation of the AIP, which serves as the operational document for provincial investments. Unless the PDP influences provincial development in some other way—one that is not coursed through the AIP--or things change such that the AIP can be influenced by the PDP in a meaningful manner, then the province is generally unaffected by the quality of the PDP. If this issue can be resolved to the extent that updating the PDPs is warranted, then quality becomes an important consideration.

214. Based primarily on the PDPs of the four provinces and others gathered during the study, and the criteria mentioned earlier (Section 3.4), the strengths and weaknesses of the PDPs are:

Strengths

- ⊘ The straightforward and standard planning structure is familiar to many planners and its sectoral format dovetails neatly with government bureaucracy;
- ⊘ The coverage of the PDP tends to coincide with the term of the provincial government which fosters plan ownership and promotes implementation;
- ⊘ The PDP has an established tradition as a venue for guiding and influencing provincial development activities.

Weaknesses

- ⊘ Situational analyses tend to be snapshots of existing conditions, with minimal discussion of projections, trends and growth rates; further, they tend to focus on symptoms, rather than “drivers” of key issues and problems;
- ⊘ Linkages between situation analysis and identification of objectives, strategies, programs, projects are weak;
- ⊘ Fundamental development factors are not given sufficient attention: including demographic and economic conditions, external linkages, demand and market/competitive conditions, and the private sector;
- ⊘ There is a lack of prioritization among identified problems and issues and among proposed programs and projects;
- ⊘ Minimal attention is given to pro-poor economic growth / poverty reduction;
- ⊘ Other PDP planning concerns: generic strategies that do not take advantage of (or do not mention) opportunities that a province might offer; the number and resource requirements of PDP projects far exceed the capacity of the province to implement them; no specific monitoring/feedback mechanisms; weak spatial references.

215. Overall, the weaknesses overshadow the strengths such that the technical quality of existing PDPs, while obviously varying, is open for substantial improvement.

216. Individually, the Batangas PDP appears to be the most complete in terms of adhering to standard planning practice including the use of established planning tools and techniques. For this reason, its analysis is the most extensive, utilizing goal achievement matrices and tree diagrams, for example, apart from the usual interpretation of data and information. As a

whole, it is a reasonable presentation of the province's situation, although its analysis and subsequent approaches and strategies require further strengthening. The South Cotabato, Mountain Province, and Antique PDPs do not match the same overall quality of planning of Batangas, although the differences cannot be fully measured in linear fashion.

217. The Antique PDP is a good example of a plan document that is straightforward in its purpose and orientation. It is succinct and almost single-minded in the manner that it derives projects and programs from its development goals. It offers minimal analysis, however, and leaves prioritization to the next level of plan implementation. If the objective of the PDP is simply to derive a list programs and projects in a relatively rational manner, without going into the details of their logic and implications, then the Antique PDP is close to ideal.

218. The South Cotabato PDP, on the other hand, provides a well crafted profile that is unequalled by the rest in terms of providing just enough level of detail (including a summary of its financial performance) to appreciate provincial conditions. Like the other PDPs, however, it lacks an economic profile and a serious analysis of existing conditions prior to identification of objectives, strategies, and projects.

219. The Mountain Province PDP offers reasonable and sometimes insightful analyses that support some of its recommendations but it also has unexplained internal inconsistencies.

220. Finally, the need to improve the quality of the PDP should also be viewed in terms of the extent to which it is used. If the PDP is basically an ignored document when it comes to actual resource allocation and project implementation, then simply complying with the requirement of producing a plan document, even if its quality is poor, becomes a rational planning and "satisficing" objective. It becomes even more rational considering planning capabilities, workload and other PPDO responsibilities and assignments, provincial government priorities, and other resource constraints.

221. The circumstances that discourage a better quality PDP, even assuming there is sufficient planning capacity, do not exempt the PDP from the criteria of quality posed earlier. But they do suggest that rational planning, from the perspective of the planner and with due consideration for limitations in planning capabilities and logistics, does not necessarily mean a quality plan document. The fact that the PDP has been marginalized (relative to the AIP) suggests that there is little incentive to improve it. The PDP can be improved by, among others, formulating a new set of planning guidelines that serves to address the abovementioned weaknesses; as effective instruments for provincial development, however, the more fundamental issue of how the PDP can actually guide such development, given the current role of the AIP, has to be addressed.

SECTION 5: PLAN LINKAGES

222. This section of the report seeks to assess the linkages among the existing network of plan documents. “Linkages” must clearly be distinguished from “interfaces.” The latter form part of processes and activities involved in plan preparation described in Section 3. The purpose of this section is to assess the actual substantive linkages among the plan documents which may result in part from the interfaces. To provide a benchmark for the assessment of actual plan linkages, the ideal and logical linkages among the plan documents will first be presented. Actual substantive linkages will subsequently be analyzed at three (3) levels:

- ≠# First, the relationship between the PDP and other plans at the provincial level will be examined. Attention will especially be focused on the linkage of the PDP with the Provincial Physical Framework Plan (PPFP), the PDIP, and the provincial AIP.
- ≠# Second, the linkage of the network of provincial plans with corresponding network of plans at higher (regional and national) and lower (city and municipal) levels will be investigated.
- ≠# Third, the integration of national sectoral concerns and plans with both the provincial development and physical framework plans will then be examined.

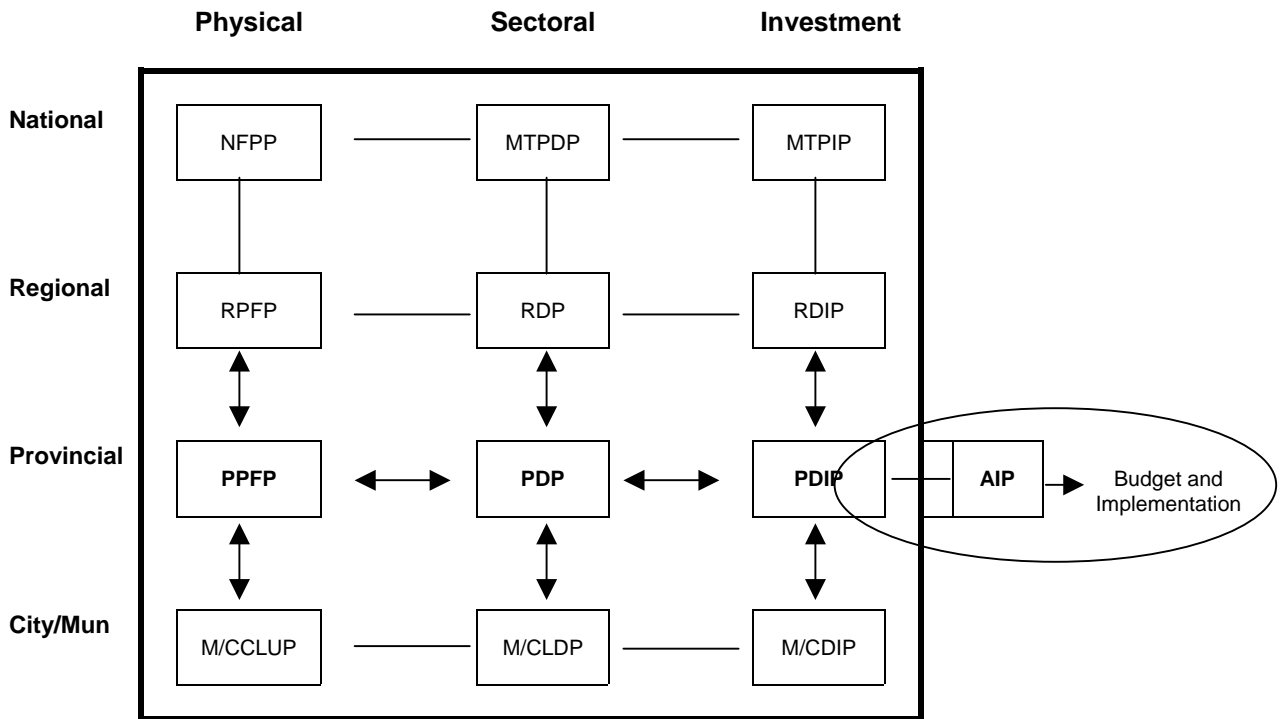
Following the assessment of the above linkages, the factors that hinder or enhance them will be identified.

A. Ideal Linkages

223. The envisioned and ideal linkages among provincial plans (the PDP, PPFP, PDIP and the provincial AIP), and between the network of provincial plans, on one hand, and the of higher (national and regional plans) and lower (city/municipal) network of plans on the other are presented in Figure 5.1. The following observations may usefully be highlighted.

224. The PDP is an important document to which other planning activities should ideally relate. As provided for in the 1991 LGC, the PDP is supposed to be a comprehensive multi-sectoral plan to be initiated by the PDC and approved by its SP. Among others, the PDP is supposed to define an overall development strategy for the province. Consistent with such a strategy, the PDP should identify, evaluate and set priorities among a coherent set of programs and projects across sectors, as well as formulate local investment incentives to enhance the inflow of private capital (1991 LGC, Section 109).

Figure 5.1: Ideal Plan Linkages



225. There are basically two (2) processes that relate to the PDP. On one hand, the PDP must link to the formulation of the PPFPP which is a long-term plan (usually covering a period of 10 years or more). Among other features, the PPFPP is supposed to provide the spatial dimension of provincial development goals and targets, and define the policies that would promote the effective utilization, development and management of the province's land and other natural resources. In particular, the functions of the PPFPP in relation to the PDP are the following (see also Cariño, 1994):

- ⌘ It defines a desirable spatial pattern and delineates where, geographically, programs, projects and activities identified in the PDP should occur;
- ⌘ It identifies the physical constraints that must limit the magnitude and scope of socio-economic activities to enhance public safety and ensure environmental sustainability;
- ⌘ It facilitates the integration and interaction of related socio-economic activities through appropriate networks of transportation and communication services.

226. The PDP should also be the main source of project ideas for the multi-year PDIP which is a prioritized list of programs and projects with cost estimates, and with a definite timeframe for the implementation of each project.

227. In turn, the PDIP becomes the basis for the formulation of the AIP which serves as primary reference of the SP in the preparation of the provincial government's annual budget. Given a budget, projects could then be implemented and project outcomes would have a

pump-priming effect on private sector investments. A clear connection between plan formulation and plan implementation is thus established.

228. Plans and investment programs must have vertical connections to corresponding plans and investment programs at the regional (RDP, RPPF and RDIP) and city/municipal levels (C/MDP, CLUP, LDIP and AIP). In turn, regional plans and programs must relate to corresponding plans and investment programs at the national level.

229. National sectoral plans and programs, including national initiatives in such areas as sustainable development, gender concerns, Agenda 21, children's welfare and poverty alleviation, must similarly form part of, or at least consistent with, plans and programs at various levels of government and administration (regional, provincial and municipal). National priority programs and projects in health, education, infrastructure and other sectors must ideally be taken into account in the formulation of development and physical plans at various levels.

230. For the same reason, national sectoral land use plans (such as those for forestry and coastal areas), are supposed to form integral components, or at least consistent with, physical plans and programs at the regional, provincial and city/municipal levels.

231. Ideally then, there should be "top-down" and "bottom-up" relationships among the network of plans prepared at various levels. Provincial plans and programs in a region should be important inputs in the preparation of the RPPF, the RDP and the RDIP. In turn, this network of plans at the regional level is supposed to provide the framework for the formulation of plans and programs at the provincial level. At the same time, national sectoral concerns must be consistent with, and derive their justification from the development plans and physical plans at various levels.

232. Similarly, the network of plans and programs at the municipal level should provide the basis and building blocks for the preparation of plans and programs at the provincial level. In turn, the PPF, PDP and the PDIP should provide the framework and context for the preparation of the CLUP, the City/Municipal Development Plan (C/MDP), and the Local Development Investment Program (LDIP).

B. Actual Linkages

233. The above linkages, however, appear to be more ideal than real. As will be discussed in the sections that follow, substantive linkages among the various plans are generally weak or, otherwise, not very evident. In investigating linkages, particular attention will be focused on the functional integration and spatial integration of plans at various levels.

Linkages among Provincial Plans

234. It will be recalled that many of the provinces do not have a complete set of plan documents, in which case the question of linkage between the PDP and other plans become moot and academic. Even for provinces that have a complete set of plan documents,

however, the linkages among them are not very prominent. To begin with, among key respondents interviewed by the study team, the distinction and, more importantly, the linkage and complementarity between the PDP and the PPF were only vaguely understood and appreciated. Most PPDC respondents correctly observed that the two plan documents are not the same and serve different purposes. At the same time, however, the PDP is only superficially described in Batangas as a plan for the “people” and “socio-economic activities,” while the PPF is a plan for “land” and “geographic space.” In Antique, the PPF is described as the “mother” of all plans but no clear explanation was given why it is so, except that it is long-term document while the PDP is short or medium-term.

235. A factor that contributes to the lack of linkage between the PDP and the PPF is the fact that the PPFs (for that matter RPFs) are largely “supply” side documents (also observed in Cariño, 1994). Given available supply of land, the PPFs of the provinces visited by the study team appear to merely delineate the possible uses of such available land, presumably taking into account carrying capacities as well as physical characteristics and constraints. There is, however, little effort in “demand” analysis, i.e., there is no clear determination of the magnitude of the land and space requirements of various processes (population growth, urbanization, industrialization, etc.), as well as of programs, projects and activities that are envisioned in the PDP, in part because of the difficulties associated with measuring land requirements for various socio-economic activities given relatively undeveloped techniques and local standards. The PDP on the other hand is largely a compilation of sectoral plans, i.e., while it is clear in defining sectoral priorities, it is generally silent in delineating spatial priorities. In short, the concept of spatial integration (the packaging of programs and projects in geographic space) is not evident. Indeed, the integration of development plans and physical plans may lie in the co-mingling of sectoral and spatial priorities.

236. In the view of an NRO respondent, another factor that contributes to the lack of linkage between physical framework and development plans at various levels has to do with the “lack of fit” between socio-economic programs and projects envisioned in the development plan on one hand, and the very broad land use categories used in physical framework plans, on the other (i.e., protection land use, production land use, settlements development and infrastructure development).

237. In the five provinces visited by the study team, the majority of projects identified in the PDP are hardly referred to in the PPF. One NRO informant suggested that a refinement of the broad land use categories referred to above may be needed to achieve integration of the provincial development and physical framework plans and, in fact, in the production of a single plan document for the province. In the absence of such refinement, the interrelationships between demographic and socio-economic activities on one hand, and land and physical resources, on the other, would remain unclear.

238. It is noteworthy that both PPDO and NRO respondents have, in principle, no objections to the merging of the PDP and PPF documents to a single plan document as a means of enhancing integration. Both also agree that, conceptually, a single provincial plan document is feasible. They, however, support the idea with varying degrees of enthusiasm.

From the perspective of the NRO informants, a major obstacle (although, admittedly, not insurmountable) to the merging of the PFPF and PDP is the fact that the latter is a short or medium-term document, while the former is a long-term framework plan. PPDO respondents support the single plan concept with somewhat greater enthusiasm for both pragmatic and conceptual reasons. From a pragmatic standpoint, the PPDO is overwhelmed with endless assignments of formulating a proliferation of plan documents and it neither has the time, nor the resources (and perhaps the inclination) to be equal to the tasks. Conceptually, the proliferation of documents is confusing to the PPDO staff, and in their view, exacerbates rather than enhances integration.

239. It is useful to note in this context that, as claimed by PPDO respondents, the PFPF appears to have greater utility among private developers and prospective investors when compared to the PDP. In fact, the nature of PDP application is often unexplained beyond the general argument that it serves as a reference guide, a resource material for students, sometimes as a marketing tool, and as a necessary complement to the PFPF. It is for this reason that field respondents in some of the provinces consulted do not seem to have developed a favorable attitude towards the continued formulation and use of the PDP, especially in the light of the increasing prominence of the PFPF. The low appreciation of what a PDP does, or can do, may be explained by the fact that provincial development plans are rarely implemented to begin with, since funds for major, strategic projects are often not released, and otherwise defined by the priorities of NGA and ODA financing.

240. As observed by one NRO respondent, there is no “compelling reason” for provincial planners and officials to prepare an elaborate comprehensive development plan which consumes considerable time, effort and resources, but are unlikely to be implemented in the end. Although LGUs control the 20 percent development fund from the IRA allocation, this amount is very modest and can only finance small, local projects. However uncertain, national or external sources are almost always tapped for large scale projects that are critical to provincial economic growth and development. For this reason, it is not surprising for provincial officials to view the AIP, which is a simple list of projects with cost estimates, as a sufficient justification for disbursements from the PDF.

241. The observations on the lack of linkage between the PDP and the PFPF are generally substantiated by the results of the national survey of PPDCs. In this survey, the respondents were asked the extent to which they used other plans in the province in the preparation of each provincial plan document. The data presented in Table 5.1 reveal that only 13 of the 62 PPDC informants used the PFPF in the preparation of the PDP. A somewhat bigger number of the PPDCs (19 out of 62) indicated that they used the PDP in the formulation of the PFPF.

Table 5.1: Extent of Use of Provincial Plan Documents in Plan Preparation (N=62)

Provincial Plans	PDP	PFPF	PDIP
PDP		19	14
PFPF	13		13
PDIP	18	15	

242. The linkage between the PDP and the PDIP is also not very apparent, although in one province consulted the PDIP is an integral component of the PDP. PPDO respondents in most of the provinces visited by the study team reported that only about 15-30 percent of projects listed in the PDP eventually appear in the PDIP. Results of the national survey confirm this pattern. The evidence in Table 5.1 shows that a very small number of PPDCs (18 out of 62) used the PDP in the preparation of the PDIP. It should also be pointed out that whatever linkage exists between the PDP and PDIP is subsequently overwhelmed by the fact that the AIP is, in all the provinces visited, almost totally unrelated to the PDP, PFP, and even the PDIP. In other words, the PDP, PDIP and PFP are not the main sources of project ideas for the AIP, although the PPDC of South Cotabato claimed that he exerts effort in getting PDIP projects included in the AIP. Even with these efforts, however, only a small proportion of PDP projects are eventually included in the AIP. It is important to reiterate that the AIP is a “political” document that is formulated independent of the other provincial plan documents.

Linkages among Levels of Administration

243. Especially in respect to the comprehensive development plan documents, linkages at various levels of government and administration are similarly not very evident, and this probably stems from a poor appreciation of the concept to begin with. The question of linkage, in fact, also becomes academic in many instances since a good number of the provinces do not have a PDP, even when the region has an RDP. Although the 1991 LGC mandates LGUs to prepare comprehensive development plans, there appears to be no sanction for non-compliance.

244. The PDP is a plan document that is approved only at the level of the Sanggunian, and LGUs are merely “enjoined” to submit the same to the DILG regional offices and to the Bureau of Local Government Development (MC No. 97-221, 1997). As the central planning body of the country, NEDA has an apparent interest in the PDP. However, hardly any effort is exerted in monitoring and evaluating the plan document. There is at least one instance during the field visits when an NRO was not aware of the existence of a PDP of a particular province.

245. It is also important to note that PDP documents of the provinces visited make little reference to the RDP for the region. Although the PDP of the Mountain Province acknowledges that the regional development plan of the CAR was presented to the province sometime in 1997, the provincial plan document makes no substantive reference to the same. The comparative advantages of the provinces consulted relative to the other provinces in their respective regions are likewise not very evident in the PDP documents.

246. The timetable for plan preparation is unsynchronized at various levels with the exception of the Region XII RDP which covers a shorter period from 2002-2004, all other RDPs in the regions visited cover the period from 2001-2004 which means that they are due for updating this year. The PDPs of the provinces consulted, on the other hand, cover varying 3 to 5-year periods from 1999-2005. The Batangas PDP which lapsed in 2003 is now just being updated. The synchronization of plans may, indeed be critical to integration, if one

interprets integration as functional (sharing and assigning of responsibility for functions and programs across various levels) or spatial (packaging of interrelated projects in geographic space). Synchronization also becomes critical to integration when lower level plans serve as building blocks for higher level plans.

247. In turn, PDPs are prepared with little inputs from the MDP beyond the fact that municipal data are presented in provincial plan documents. Field interviews reveal that many of the municipalities within the five provinces visited have no MDPs that are current. In the view of the Municipal Planning Development Coordinators (MPDCs) interviewed, the CLUP which most municipalities have is, for all intents and purposes, (and especially for small municipalities) a sufficient guide for the development of their respective localities. The CLUP, however, is probably more relevant to the formulation of the PFP than to PDP preparation

248. Data gathered from the national survey of PPDCs likewise support the field observations of the study team. Large numbers of the PPDCs do not consult higher and lower plans in the preparation of the PDP. As presented in Table 5.2, just over one-half of the PPDC informants (53.2 percent) made use of the RDP in the preparation of the PDP, and smaller percentages relied on the MDP (51.6 percent) and the MTDP (46.8 percent).

Table 5.2: Extent of Use of Different Plan Documents in
PDP Preparation (N=62)

<i>Plan Documents</i>	<i>Number</i>	Percent of Total
Municipal Level		
MDP	32	51.6
LDIP	15	24.2
CLUP	16	25.8
Provincial Level		
PPFP	19	30.6
PDIP	13	21.0
Regional Level		
RDP	33	53.2
RFPF	9	14.5
RDIP	6	9.7
National Level		
MTDP	26	46.8
NFPF	3	4.8

Source: National Survey of Provincial Planning Development Coordinators (PPDCs), 2004

249. Basically the same pattern can be discerned in respect to the preparation of the PDIP. As shown in Table 5.3, only 53.2 percent and 41.9 percent respectively of the PPDCs used the LDIP and RDIP in formulating the PDIP.

Table 5.3: Extent of Use of Different Plan Documents in PDIP Preparation (N=62)

<i>Plan Documents</i>	<i>Number</i>	<i>Percent of Total</i>
Municipal Level		
LDIP	33	53.2
MDP	12	19.4
CLUP	7	11.3
Provincial Level		
PDP	18	29.0
PPFP	15	24.2
Regional Level		
RDIP	26	41.9
RFPF	5	8.1
RDP	5	8.1
National Level		
MTDP	6	9.7
NFPF	2	32.2

Source: National Survey of Provincial Planning Development Coordinators (PPDCs), 2004.

250. The linkage appears to be stronger in respect to the physical framework and land use plans at various levels. A review of some of the RFPFs and the PPFPs in the regions visited reveal that proposed land uses coincide in broad terms at the regional and provincial levels. In the case of Region IX, for instance, economic zones that are delineated in the RDP in some provinces are recognized in the PDP of Zamboanga del Norte. But the vertical consistency between the two plans can in part be attributed to the fact that the PPFP and RFPF are broad physical “frameworks” to begin with, and land use conflicts are difficult to assess and detect at this level. In the preparation of the RFPFs, there are also broad guidelines on how to achieve integration among plans at various levels. Such guidelines specifically state that local physical plans are to be formulated within the framework of the RFPF. In turn, in the preparation of the RFPF, an iterative process will be followed and existing local plans will be taken into consideration (NEDA 1995).

251. As also previously noted, the preparation of the RFPFs and PPFPs were better synchronized and monitored through the activities of the AUSAID-supported Technical Assistance to Physical Planning (TAPP) program in the early 1990s. A related factor may be the more institutionalized coordinating mechanism for the formulation of physical framework and land use plans in the form of a hierarchy of land use committees at various levels, namely: the National Land Use Committee (NLUC); the Regional Land Use Committee (RLUC); the Provincial Land Use Committee (PLUC); and the Municipal Land Use Committee. These committees are multi-sectoral in composition and include representatives from NGO’s and PO’s, as well as from the private business sector.

252. Results of the national survey of PPDCs similarly substantiate this observation. Much higher percentages of the PPDC informants reported that they used corresponding plans at higher and lower levels in the preparation of the PPFP. The data in Table 5.4 indicate

that 70.8 percent and 64.5 percent of the respondents respectively used the CLUPs and the RPPFs in PPFp preparation.

Table 5.4: Extent of Use of Different Plan Documents in PPFp Preparation (N = 62)

<i>Plan Documents</i>	<i>Number</i>	<i>Percent of Total</i>
Municipal Level		
CLUP	31	64.5
LDIP	9	18.7
MDP	6	12.5
Provincial Level		
PDIP	13	27.0
PDP	9	18.7
Regional Level		
RPPF	34	70.8
RDPP	7	14.6
RDP	4	8.3
National Level		
NFPF	20	41.6
MTDP	8	16.7

Source of data: National Survey of Provincial Planning Development Coordinators (PPDCs), 2004

National Sectoral Concerns and Provincial Plans

253. Perhaps because of the hierarchy of land use committees, efforts are now being exerted in ensuring that sectoral land use plans are integrated in the updating of the PPFps. This includes, for instance, the delineation of the National Integrated Protected Areas System (NIPAS) and the Strategic Agricultural and Fisheries Development Zones (SAFDZs) within the PPFps. Indeed, the ultimate test of linkage and integration is that such sectoral land use plans should be integrated as legal pronouncements of LGUs in local physical and land use plans.

254. Less apparent is the integration of current national planning initiatives and frameworks (poverty alleviation, plan for children, gender concerns, etc.) in the PDP documents. Some of these plans are, however, ODA sponsored and the provinces visited by the study team are currently preoccupied with the preparation of separate plan documents to address these concerns. Field informants have indicated that the ultimate objective is to have these national planning frameworks eventually integrated in provincial plan documents. There is an ongoing attempt on the part of Antique to integrate these national planning frameworks in the PDP and the PPFp.

C. Factors Affecting Linkages

255. As previously noted, there are numerous inconsistencies among provincial plan documents. The lack of linkage is most evident in the case of the AIP – a highly “political” document that seems to be formulated with little regard for the program and project priorities

set in the PDP and PFP. At the same time, plan documents at the provincial level are not fully consistent with higher and lower level plans.

256. There are several factors that contribute to the poor integration of PDP with other plan documents in the province, and with corresponding plans at higher and lower levels. As noted earlier, the very nature of the physical plans as supply side documents, as well as the difficulties involved in fitting detailed categories of socio-economic programs into broad land use categories are some of the technical and procedural factors that partially explain the lack of horizontal linkage between development plans and physical plans. Beyond procedural and technical problems, however, there are other factors that may exacerbate the lack of linkage among plans at various levels. These factors may include the following:

Lack of Congruence between Provincial and NGA Priorities

257. The lack of integration of national sectoral concerns and programs in provincial plan documents is also influenced by an allocation and budgeting system that is sectoral in nature. This problem has to some extent been resolved by the devolution of some sectoral functions and programs to LGUs under the LGC. Substantial service delivery functions and programs, however, remain with NGAs. Such a sectoral orientation is generally inconsistent with the geographic and area focus of provincial development and physical framework planning. National sectoral agencies clearly respond more to the imperatives of their own agencies and their programs and projects are probably not viewed by provincial planners as being responsive to provincial development priorities. For this reason, the non-integration of national sectoral concerns in the PDP is not surprising. Conversely, provincial development priorities are not viewed as binding to the NGAs that operate at the provincial level.

258. Indeed, there is little accountability to the provincial planning system if national government agencies place a higher premium on programs and projects that are typically articulated by their central offices. At the same time, investment proposals identified at the provincial level often have no concrete and reliable connections to national sectoral policy concerns and priorities. Since national funds get allocated through the sectors, strategic investment proposals defined at the provincial level have little chance of being implemented. Linkage of priority programs and projects at the provincial level with national policy concerns and priorities must obviously be institutionalized to ensure implementation of provincial plans.

No Coherent System for Provincial Plan Preparation

259. The numerous planning guidelines is probably just a symptom of a more basic problem: the lack of a coherent system to coordinate the production of provincial plans. The national institutional arrangements for planning are “confusing” for planners at the provincial and municipal levels. Respondents in one province noted that while other sectors have a single “mother” agency at the national level, there appears to be several for the planning activity which further complicates the task of ensuring consistency among various plan documents.

260. The NEDA is looked upon by LGU respondents as having the expertise in the planning field. Field interviews by the study team in fact revealed that there are NRO-PPDO interfaces in respect to capacity-building and technical assistance on various aspects of planning. Indeed, some NROs have informally organized “provincial desks” to respond to requests coming from the provinces. The NEDA, however, does not have the legal mandate (beyond its powers to issue planning guidelines) nor the network at the provincial and municipal levels to support and backstop the preparation of local plans. For this reason NEDA, in many cases, responds to LGU planning needs only when requested, especially since NROs also have their hands full in providing inputs to the national planning process in accordance with central NEDA’s guidelines, data needs and time schedules.

261. The DILG clearly has the legal mandate to ensure that various plans are prepared by the local government units (LGUs). In accordance with the 1991 LGC, Memorandum Circular No. 97-221 enjoins provinces and highly-urbanized cities to submit to the BLGCD approved development plans, local development investment programs, physical framework plans and land use plans. This task does not seem to be a high priority concern of the DILG, however. The agency has obviously given more attention to governance issues , as well as to project management and the development of economic enterprises at local levels.

262. At the same time, the HLURB clearly has a review mandate in that approved land/use and physical framework plans to be submitted to the BLGCD are those that have been reviewed by the HLURB. Consistent with this review mandate, the HLURB is, in fact, empowered to promulgate zoning and other land use control standards and guidelines which shall govern land use plans and zoning ordinances of local governments. In this context, the HLURB has focused its assistance and support activities to the preparation of the CLUPs.

263. In the light of these separate mandates at various levels, field informants of the study have underscored the need to coordinate the activities of the three agencies. A more coherent system of support and coordination may go a long way in achieving greater productivity and efficiency, as well as greater linkage among various plan documents.

Inadequate Understanding of the Concept of Linkage

264. Finally, probably the foremost factor that contributes to the lack of linkage is the fact that there is no sufficient understanding of the meaning of linkage, a fact that is exacerbated by the absence of clear guidelines to ensure linkage, especially for the PDP. There are indications at the provincial level that the PPDO staff has no clear understanding of the specific purposes served by the PDP and the PFP, probably much less of the need for linkage between them, and linkage to plans at higher and lower levels.

265. As noted earlier, PFPs are basically supply side documents with hardly any reference to land requirements of sectoral and socio-economic projects identified in the PDP. On the other hand, the PDP is basically sectoral in character, with little or no reference to spatial considerations and priorities. The fact that the PDP never gets implemented in the end aggravates the situation. And since it is a document that is hardly monitored and evaluated, there is indeed little incentive in preparing a long-term, comprehensive PDP, and much less in ensuring its linkage to other plans.

D. Summary

266. A major finding in this section of the report is that there is little linkage among plan documents at the provincial level. PFPs are basically “supply” side documents that do not define the spatial requirements of sectoral projects in the PDP. However, the most important linkage that is non-existent is the connection between the PDP and PFP, on one hand, and the AIP, on the other. Unless such a linkage is strengthened, the PDP and PFP will have virtually no impact on project implementation and investment decisions.

267. At the same time, there is little linkage between the network of plans at the provincial level with the network of plans at higher (regional and national) and lower (city/municipal) levels. Lower level plans do not serve as building blocks for higher level plans and, vice versa, higher level plans do not serve as guides or frameworks for lower level plans. Several factors contribute to the lack of linkage. These include the lack of congruence between provincial and NGA priorities, the lack of a coherent system for the preparation of provincial plans, and the inadequate understanding of the concept of linkage. These problems must be addressed to achieve integration of plans at various levels.

SECTION 6. FINANCING THE PLAN

268. Good public expenditure management is concerned with the pursuit of three key objectives: fiscal discipline; strategic allocation of resources; and good operational management (Schiavo-Campo and Tommasi 1999). Fiscal discipline refers to expenditure control at the aggregate level and requires good revenue forecasts at the very least. Strategic allocation of resources refers to resource allocation that is consistent with policy priorities. And, good operational management calls for economy (acquiring quality inputs at the lowest cost), efficiency (minimizing cost per unit of output) and effectiveness (achieving the outcome for which the output is intended). As such, good public expenditure management calls for the existence of a strong link between planning and budgeting and for a perspective beyond the immediate future.

269. The discussion below shows that the mismatch between the revenue capacity and the expenditure needs of LGUs does not instill real local autonomy in the sense that local governments are able to link their spending decisions with their revenue/tax decisions. Consequently, local accountability and fiscal responsibility are not promoted. And, this development may in fact explain some of the political economy issues that are observed in the formulation of the AIP and the financing of the PDP.

270. Moreover, investment programming and plan implementation is constrained in many LGUs by the shortage of financing. On the one hand, the said inconsistency between revenue and expenditure assignment provides LGUs (especially at the provincial level) with poor incentives to fully utilize their revenue raising authorities. On the other hand, low level technical capacity in local tax administration weakens the ability of LGUs to generate revenues from local sources. At the same time, weak policy support in the area of local finance makes it difficult for LGUs to access non-traditional sources of financing.

A. Deviations between the AIP and the PDP/ PDIP

271. As indicated earlier in some detail in Section 3, the AIP is the weakest link between the planning and budgeting processes. In this section, attention will be focused on the magnitude of funds involved, the nature of projects and lump sum allocations that are included in the AIP, and on the implications of all these on PDP implementation.

272. *Magnitude of projects accommodated in the AIP.* The preparation of the AIP is essentially a “political” process and it is done quite independently of the PDP, PFP and PDIP. Because of funding constraints that will be discussed further below, development projects at the provincial level are largely financed out of the PDF. On the other hand, the prevailing practice in local budgeting is such that only projects found in the AIP can be funded from the PDF. Thus, the AIP is at the core of the planning-budgeting linkage. If the projects identified and programmed in the PDPs/ PDIPs are to be implemented, these projects have to find their way into the AIPs. The question then that begs to be asked: How does the AIP relate to the PDP and the PDIP?

273. Closer scrutiny of the PDPs, the PDIPs, and the AIPs of the 5 sample provinces shows that there is an imperfect match between the projects listed in the PDPs/ PDIPs, on the one hand, and those that are listed in the AIPs, on the other. Moreover, different provinces behave differently. Mountain Province is close to one end of the spectrum with about 4% of the projects listed in its 2002 AIP being found in its PDP. Batangas is close to the other end of the spectrum. Sixty one percent of the projects listed in its 2002 AIP are contained in its PFP. The comparable figure for Antique is 26% while those for Zamboanga del Norte and South Cotabato are 34% and 35%, respectively. A big gap, therefore, exists between the projects that are identified in the medium term development plan of provinces and those that are actually funded.

274. *The “politics” of AIP preparation.* The AIPs in many LGUs are put together in order to comply with the budgetary requirement that no appropriation chargeable to the LDF¹¹ can be made if the project is not listed in the LGU’s AIP. In many LGUs, there is a limited view of the AIP with the list being confined to what can actually be accommodated within the 20% Development Fund¹². In such cases, the AIP gives no explicit consideration to the other resources that may be available from other sources to support the AIP. However, some LGUs intentionally prepare a longer list of projects for their AIPs for the purpose of using it to solicit funding from external sources.

275. In preparing the AIPs, LGU officials typically do not set program targets and, seldom if ever, is there an explicit assessment of benefits versus costs. At best, some qualitative assessment of the projects (on the basis of urgency/ need, relevance to sectoral concerns, and alignment with the governor’s thrusts) is made.

276. In many of the LGUs visited, investment programming appears to be done largely on an ad hoc basis with the process being driven by the local chief executives. As also observed in Section 3, this tendency is underscored by the widespread practice in many LGUs of including lump sum allocations for broadly defined programs (and with specific projects being identified in the course of the budget year). The allocation for all lump sum items accounts for 23% - 64% of the PDF in the 5 sample provinces (column 3 of Table 6.1).

277. In essence, the planning horizon for these activities is even shorter than one year. Planning (project identification as well as project evaluation) is crammed into the current budget year and, thus, coincides with budget execution. This practice results in poor project preparation and causes delays in implementation.

278. For instance, only 26% of total PDF appropriations were actually obligated in Zamboanga del Norte in 2002. The comparable figures for Antique and South Cotabato are 69% and 72%, respectively. While it is true that the appropriations for the PDF can be carried

¹¹ The Local Development Fund is otherwise known as the 20% Development Fund because of the Code requirement that at least 20% of the IRA be set aside to fund development projects.

¹² Related to this, a DBM regional official observed that about 50% of all LGUs prepare Annual Investment Plans (AIPs) that list just enough projects whose cost will exhaust their LDFs. In 2003-2004, the size of the AIPs of Mountain Province and Antique coincided with that of their LDF. The same was true of South Cotabato prior to 2004.

over into the next budget year, it cannot be denied that the slow implementation of projects results in the LGU foregoing the benefits that would have otherwise accrued earlier to local communities.

Table 6.1: Proportion of Lumpsum Allocations in the PDF, 2002 (%)

	Pork barrel of mayors/ SP members	Other Lumpsums	All Lumpsums
Mountain Province	45	0	45
Batangas	23		23
Antique	42	23	64
Zamboanga del Norte	8	36	44
South Cotabato	5	29	34

279. In some of the provinces visited, a portion of these lump sum allocations are euphemistically described as “counterpart funds” for municipal/barangay projects. However, the cost sharing arrangements are not always well defined nor are they strictly followed even if they exist. In other provinces, they are referred to as the governor’s pork barrel. In either case, they are used to fund roads, waterworks, and other small infrastructure mostly at the municipal/ barangay level and are apparently meant to provide the local chief executive with greater flexibility to respond to intermittent requests made by local communities directly to him. These allocations account for about a third of total LDF spending in South Cotabato and Zamboanga del Norte and about a quarter of total LDF spending in Antique in 2002 (see column 2 of Table 6.1).

280. As previously discussed in Section 3, all of the provinces visited under this study provide for a CDF-like allocation to the members of the Sanggunian and/ or to each of the municipal/city mayors in the province. In Zamboanga del Norte, the lump sum appropriation is called the Project Identification Fund while in South Cotabato it is called the Barangay Assistance Fund. The amounts involved vary across provinces.

281. In Batangas, each of the 32 mayors receive an allocation of P1 million under the PDF. In Antique, each Sanggunian member gets P300,000 while each of the 18 mayors receives P500,000. One analyst aptly refers to this practice as the “divide by N” syndrome. While the individual allocations are not large per se, column 1 of Table 6.1 shows that their share in the total LDF are by no means negligible (45% of total PDF in Mountain Province, 42% in Antique and 23% in Batangas).

282. At the same time, because the mayor or the SP member wants his projects to have as many beneficiaries as possible, he then further divides his CDF into many small projects. One of the SP members interviewed for this study reported that in allocating his pork barrel, he makes sure that the cost of each project does not exceed P30,000. Meanwhile, another SP member simply divided his pork barrel equally amongst the all the barangays in his district such that each barangay receives P10,000.

283. As a result, the PDF tends to be dissipated on tiny projects that lack strategic focus. Thus, contrary to expectations that the province will take care of projects that have an inter-municipal focus, many of their PDF projects are in reality municipal level (even barangay level) projects. Table 6.2 (which shows the frequency distribution of the total cost of the various projects funded under the LDF in one of the sample provinces under this study) presents an extreme example of this tendency.

Table 6.2: Frequency Distribution of the Cost of Projects funded out of the PDF of Mt. Province, 2002

Project Cost	Number of Projects	Percent Distribution
0 - P50,000	244	60.25
P50,000 - P100,000	94	23.21
P100,000 – P200,000	37	9.14
P200,000 – P400,000	21	5.19
P400,000 – Less 1 M	6	1.48
1 Million +	3	0.74
Total	405	100.00

284. *Local budgeting.* The formal budget process at the local level starts when the local chief executive issues the budget call sometime in June/July of each year for the heads of offices to prepare their individual budget proposals for the following year. In principle, the Local Finance Committee (LFC) determines the projected income of the LGU from various sources for the following fiscal year and recommends the implied aggregate annual expenditure ceiling based on the same.

285. On the whole, budgeting at the local level is done largely in an incremental fashion. First, funds for the mandatory expenditures (like personal services, debt service and LDF) are set aside. Then, heads of offices are allowed to apply prescribed maximum rates of increase on the existing allocation for recurring expenditure programs¹³.

286. Then, after the baseline budget is determined, most budget officers simply ask each department to prepare proposals for new programs without providing any budget ceiling. In situations like this, the budgets proposed by the various departments would invariably exceed the aggregate amount of available resources. However, at the end of the day, the budget proposals are consolidated and trimmed down according to the priorities of the local chief executive. Thus, the budget process like the planning process is also governor-centric.

287. The Executive Budget is submitted to the SP not later than 16 October. The Sanggunian reviews the Executive Budget and conducts budget hearings by calling in the different department heads of the provincial government. The amended budget is subsequently enacted as an Appropriation Ordinance before the end of the current fiscal year.

¹³ Alternatively, some LGUs initially allow the different departments/ offices in the local government to prepare an un-constrained budget proposal. However, regardless of the approach followed, the end result is the same.

288. It should be noted that the preparation and approval of the AIP, on the one hand, and the preparation and approval of the appropriation ordinance, on the other, follows parallel tracks at about the same time. Work on the AIP and the PDF allocation is led by the Provincial Planning and Development Coordinator and the PDC and the final output is approved by the Sanggunian. On the other hand, work on the “regular” budget (that part of the budget which remains after money is set aside for the PDF) is led by the budget officer and the resulting appropriations ordinance (which incorporates the part of the AIP that is funded out of the PDF) is passed into law by the Sanggunian.

289. In principle, the preparation of the AIP starts earlier and its approval should precede that of the provincial budget. In practice, the two documents are approved at about the same time. Thus, in preparing the local budget, the allocation for the PDF is initially included as a lump sum item in many provinces. It is only after the AIP is finally approved that the individual projects/ activities listed in the PDF are included in the final budget document. However, delays in the approval of the AIP and the utilization of the PDF likewise delay the approval of the budget. This is exactly what happened in Zamboanga del Norte in 2004. When the mayors’ clamor for P1 million in pork barrel allocations under the PDF was not met, they held the approval of the PDF hostage. Consequently, even the budget appropriations ordinance was not passed.

290. For provinces which have relatively large budgets that can accommodate allocations for new projects/ programs outside of the allocations under the PDF, this process may not be the most efficient way of prioritizing projects. In situations like this, there would be two disjoint processes that rank the various projects independently of each other. Also, the two-track system of preparing the annual budget (with one track for “regular programs” and another one for the PDF) tends to weaken the link between capital investments, on the one hand, and the associated maintenance cost of the same, on the other. This practice may compromise project sustainability over the medium term. However, the problem may not be as serious in provinces where the LFC is functional because the said committee straddles both processes.

291. On the other hand, because of the fiscal gap in some provinces, many recurring programs (like maintenance of demonstration farms/ nurseries, anti-rabies program) are funded out of the PDF because they cannot be accommodated in the regular budget. As a result, regular programs crowd out the development projects identified in the PDP/ AIP.

292. *LDF allocation pattern.* The composition of the PDF spending of provinces is remarkable for its diversity across the individual provinces. This is indicative perhaps of the differences in local preferences and needs.

293. One commonality, however, is the way the PDF is divided between maintenance and capital outlays. The portion of the PDF that was set aside for maintenance and other operating expenditures spending was bigger than that for capital outlays in all of the 5 sample provinces (Table 6.3). One of the key informants interviewed for this study, however, noted that MOOE allocations may sometimes hide allocations for personal services (PS).

294. The share of MOOE in total PDF spending is high in the Mountain Province (96%) and Antique (75%). In the other three provinces, the split between MOOE and capital outlays was more even. This trend is suggestive of the inadequacy the PDF in financing lumpy capital expenditures.

295. Another common thread is the relative importance given to engineering services in the PDF of all 5 provinces. Most of the projects that are included in this category refer to roads/ bridge construction and maintenance.

296. Finally, it is notable that substantial sums in the PDF of South Cotabato, Mountain Province and Batangas are set aside for community development. Closer scrutiny of the source documents reveals that many of the projects in this category are small projects like waiting sheds, footpaths, clean and green activities, and financial assistance of some kind to selected sectors. These are the type of projects that are usually funded out of the pork barrel allocation given to local politicians under the PDF.

Table 6.3: Composition of LDF Expenditure, 2002

	South Cotabato	Mountain Province	Zamboanga del Norte	Antique	Batangas
General Public Services	0	6	0	10	9
Total Education Services	0	14	10	3	2
Total Health Services	18	5	24	6	25
Social Welfare & Employment	0	2	2	5	7
Housing & Community Dev't.	13	22	8	2	15
Agricultural Dev't. Projects	10	12	3	9	3
Engineering Services	46	24	37	53	27
Waterworks Services	0	4	4	2	7
Tourism Dev't. Projects	3	1	1	4	1
Other Economic Services	0	3	10	2	4
Debt Services	9	6	0	4	0
Total LDF	100	100	100	100	100
PS	0	0	0	0	18
MOOE	59	96	53	75	56
CO	41	4	47	26	26

B. What Explains Poor Incentive for Planning and Budgeting?

297. The poor incentive structure for planning and budgeting is driven by (1) the short political tenure of local elected officials, (2) the lack of clear mandate supporting the linkage between the PDP, the AIP and the local budget, and (3) the mismatch between revenue means and expenditure needs of LGUs, especially provinces. This fiscal gap has given rise to lack of real fiscal autonomy, weak local accountability and many of the political economy issues that are apparent in AIP formulation. Thus, local elected officials (governors as well as members of the Sanggunian) tend to have short-term planning horizons with concomitant adverse effect on development spending. Also, since LGUs are dependent on monies that are

not raised from within their jurisdictions/ constituencies, waste and fiscal irresponsibility tend to go unpunished by local taxpayers.

298. *Lack of clear mandate.* The LGC includes specific provisions that unequivocally mandate that local budgets should operationalize their local development plans (Section 106) and that LGUs should appropriate no less than 20% of their IRA for development projects (Section 287).

299. These provisions have been interpreted to mean that the LDF can only be spent on projects identified in the local development plan. Furthermore, as a matter of practice, and as also observed in Section 3, the term “plan” is taken to refer to the AIP rather the LDP or the LDIP.

300. As a result of the practice, the DBM (in the conduct of its budget oversight function vis-à-vis provinces and independent cities) refers exclusively to the AIP (rather than the PDP or the PDIP) when checking on the utilization of the PDF. The DBM does not check on the consistency of the AIP with the PDP. And, neither does the DILG nor the NEDA.

301. *Mismatch between Revenue Means and Expenditure Needs.* As is the case in other countries, there is a mismatch between revenue means and expenditures needs of various levels of local government in the Philippines. Many types of taxes are either deemed to be easier to administer at the level of the central government or are thought to be unsuitable for local sub-national government imposition because the corresponding tax bases are geographically mobile. On the other hand, the principle of subsidiarity implies that many functions are best assigned to local governments. In particular, while the cost of devolved functions to non-barangay LGUs including new mandatory positions in 1994 is estimated to be upwards of P14.8 billion,¹⁴ additional revenues from new revenue powers of LGUs is estimated to be P4.8 billion.¹⁵ The following discussion describes in some detail the roots of this development.

302. Under the LGC, most of the revenue productive taxes are reserved for the central government alone and are off-limits to local government units. These include the income tax (both individual and corporate), customs duties, the value added tax, and excise taxes on alcoholic beverages, and tobacco products and petroleum products.

303. On the other hand, the LGC gives LGUs wide latitude on the amount of fees and other user charges they may levy which, in principle, should enable them to relate the revenues they collect with the benefits that their constituents derive from the LGUs' expenditure responsibilities. However, while the Code expanded the tax base of LGUs to

¹⁴ This figure tends to underestimate the real cost of additional functions assigned to LGUs under the Local Government Code. It refers mainly to the functions that they inherited (i.e., devolved functions that were associated with the actual transfer of personnel and facilities to LGUs) plus the P1.5 billion in Barangay Roads Fund which were disallowed in the budget of the central government with the implementation of the Code. It does not include the cost of other devolved functions that they were supposed to perform but which were not accompanied by the corresponding devolution of personnel and facilities. It also does not include the cost of unfunded mandates. However, this estimate adjusted the benchmark cost for 1992 to take into account inflation and population growth.

¹⁵ This figure is derived by applying the maximum allowable rate on the trend value of LGU own-source revenue for 1994 following the simulation results obtained in Manasan (1992).

include products, activities and sectors – such as banks and other financial institutions, business of printing and publishing – that used to be outside of the reach of local taxation, the size of the base of local taxes has not really changed much. Most of the 11 different taxes that LGUs are allowed to levy under the Code continue to have narrow bases and limited yield prospects (Table 6.4).

304. The Code also seriously limits their power to set local tax rates. First, the Code fixes the tax rate of some of the taxes that are assigned to LGUs (e.g., the SEF component of the real property tax). Second, although LGUs are given some discretion in setting the rates of the other local taxes, the Code sets limits (i.e., floors and ceilings) on the tax rates that they may impose. On the one hand, the maximum allowable tax rates appear to be low. For instance, all provinces have already set their basic real property tax rate at the maximum allowable level even prior to the Code’s implementation. On the other hand, although the Code increased the maximum allowable tax rates for most of the local taxes, it effectively reduced the maximum allowable effective tax rate for the real property tax. This came about because the new maximum assessment levels (which are applied to the fair market value of real property before the nominal tax rate is applied) are no higher and often significantly lower than the fixed assessment levels mandated in the pre-Code period even as the maximum allowable nominal real property tax rate is maintained at the pre-Code level. This results in an effective reduction in the assessment levels of residential land, all types of buildings and all types of machinery, leading to a potentially substantial reduction in real property tax revenues. Third, the Code mandates that tax rates can only be adjusted once in every 5 years and by no more than 10%. This provision is particularly restrictive in the case of taxes (like the professional tax and the tax on delivery vans and trucks) whose rates are specified in nominal peso terms. Clearly, the resulting adjustments will not allow LGUs to maintain the real value of their revenues.

305. Thus, LGUs have limited power to control the amount of revenues they receive at the margin so as to be able to fund the services they prefer.¹⁶ In this sense, local governments do not have “to face the full marginal tax price of the spending decisions for which they are responsible” (Bird 1999).

306. Given this perspective, it is not surprising that the share of LGU own-source revenue to total general government revenue rose only minimally from an average of 5% in the pre-Code period to an average of 7% in the post-Code period.¹⁷ In comparison, the share of LGU expenditures to total general government expenditures net of debt service doubled from 11% in the pre-Code period to 23% in the post-Code period (Table 6.5).

¹⁶ While revenue sharing with the central government has the potential to provide LGUs with adequate resources to finance their expenditure responsibilities, this scheme does not provide fiscal autonomy because subnational governments do not have the power to affect the amount of shared revenues they receive.

¹⁷ It cannot be denied that many LGUs have not fully utilized their revenue raising authorities, a fact that may be attributed, in part, to the dis-incentive effect of the IRA distribution formula on local tax effort.

Table 6.4: Tax Assignment in Cities, Provinces and Municipalities

Subject	Cities	Prov.	Muni's	Brgy.
On Real Property	x	x	a/	b/
On Real Property Transfers	x	x		
On Gross Receipts of Business/ Traders	x		x	x
On Business of Printing and Publication	x	x		
On Franchise	x	X		
On Sand, Gravel and other Quarry Resources	x	X	a/	b/
On Amusement Places	x	X	a/	
On Professionals	x	X		
On Delivery Vans and Trucks	x	X		
On Idle Lands	x	X		
On Community Tax	x		x	b/
a/ Shares in proceeds of the levy of province .				
b/ Shares in proceeds of the levy of province, city or municipality.				

307. This development underscores the mis-alignment between the assignment of revenue powers and expenditure responsibilities to local governments in the aggregate under the LGC. Moreover, this mismatch is evident particularly pronounced in the case of provinces.

308. The taxing powers of provincial governments are inferior to those of city and municipal governments. Provinces are not only allowed to levy taxes at rates lower than those applicable to cities and municipalities, they are also assigned taxes that have lower yields.

309. While provinces are allowed to levy 9 out of 11 types of taxes that are assigned to LGUs in general under the LGC (Table 6.4), they are not permitted to touch the local business tax¹⁸, one of two LGU taxes that are revenue productive. Thus, outside of the real property tax (RPT), the taxes that are assigned to provinces do not yield much revenue.

310. At the same time, the basic real property tax rate that provinces are allowed to levy at the maximum (1%) is lower than that of cities (2%)¹⁹. Moreover, because of the difference in the level of economic development, the assessed value of real property (on which the RPT is applied) is relatively lower per unit of measure in provinces than in cities. Also, the share of provinces in the proceeds of the RPT (35%) is smaller relative to those of cities (70%) and municipalities (40%).

¹⁸ The local business tax is basically a turnover tax that is levied on the gross receipts of businesses/ traders.

¹⁹ Similarly, cities are allowed to fix tax rates at levels that exceed by not more than 50% the maximum rates allowed for provinces or municipalities except in the case of professional and amusement taxes.

Table 6.5: Share of LGUs in General Government Revenue and General Government Expenditure Net of Debt Service, 1985-2002

	<i>LGU share in General Gov't. Expenditure Net of Debt Service (%)</i>	<i>LGU share in General Government Revenue (%)</i>
1985	11.42	5.93
1991	12.61	4.55
1995	21.83	5.89
2001	26.13	7.71
2002	27.16	8.04
Average		
1985-1991	11.00	4.86
1992-2002	22.91	6.82

311. Indeed, the assignment of revenues under the LGC has effectively shifted the distribution of own-source revenue from provinces in favor of cities and municipalities. Thus, the share of provinces in total LGU own-source revenue contracted from an average of 20% in 1985-1991 to 13% in 1992-2002 (Table 6.6). This kind of movement is evident for tax as well as non-tax sources of own-source revenues. And, a comparison of the share of provinces in total LGU revenues (13.0%) with their share in total LGU expenditures (47.5%) underscores even more just how inadequate the revenues assigned to provinces are relative to their expenditure responsibilities.²⁰

Table 6.6: Distribution of LGU Own-Source Revenue Across Levels of Local Government by Type of Revenue (%)

	LG Total Own Source Revenue				LG Total Tax Revenue			
	Total	Prov.	Munis	Cities	Total	Prov.	Munis	Cities
1991	100	18.4	38.9	42.7	100	13.3	40.7	46.0
1995	100	14.8	31.7	53.5	100	13.1	29.5	57.4
2001	100	11.7	23.4	64.9	100	10.0	20.2	69.7
2002	100	11.6	22.8	65.6	100	10.5	19.3	70.2
Average								
1985-1991	100	19.9	37.1	43	100	15.2	38	46.8
1992-2002	100	12.9	28.1	59	100	11.1	25.3	63.6

312. The mis-match between revenue and expenditure assignment is, in principle, compensated for by the mandated increase in the share of LGUs in national taxes (called the Internal Revenue Allotment or IRA).²¹ As a result, LGUs have become increasingly dependent on the IRA. Thus, the contribution of the IRA to total LGU income in the

²⁰ Provinces absorbed 47.5% of the total cost of functions devolved to non-barangay LGUs, municipalities 48.1% and cities 4.3%.

²¹ The Code provides that the share of LGUs in national taxes should be equal to 40% of the actual collections the Bureau of Internal Revenue (BIR) in the third year prior to the current year. Under the previous legislation the IRA was set a maximum of 20% of BIR collections.

aggregate surged from 36% in the pre-Code period to 63% in the post-Code period for all LGUs combined (Table 6.7). This trend is most dramatic in the case of provinces. In particular, the IRA share in total income of provinces expanded from 38% in the pre-Code period to 78% in the post-Code period.

Table 6.7: IRA as a Proportion of LGU Income

	All LGUs	Provinces	Munis	Cities
1991	39.8	42.3	43.4	37.5
1995	61.9	74.5	68.5	43.7
2000	64.5	80.2	77.2	44.6
2002	66.2	81.5	86.0	50.1
Average				
1985-1991	36.4	38.3	40.3	35.6
1992-2002	62.5	77.7	73.7	44.7

313. All of the 5 sample provinces became increasingly dependent on IRA in 1991-2002. In these provinces, the contribution of the IRA in total LGU income varies from a low of 77% (Zamboanga del Norte) to a high of 97% (Mountain Province) in 2001-2002. In comparison, the IRA share in total LGU income is 80% in Batangas and 90%-91% in Antique and South Cotabato.

314. Although the transfer of additional expenditure responsibilities to LGUs came hand in hand with the expansion in the IRA share of LGUs in the post-Code period, there has always been a widespread the perception (especially amongst LGU officials) that a vertical imbalance exists in the sense that LGUs' prevailing share in national taxes is deficient to cover the cost of devolved functions, additional mandatory positions, the budgetary requirement for the 20% development fund, and so-called unfunded mandates.²² A matching of the aggregate IRA levels with the said LGU expenditure responsibilities suggests that while this concern was unfounded in the aggregate in the early years of Code implementation (i.e., 1993, 1994, and 1995), such was not the case in 1996, 1997 and 1998 when the salary adjustments under the Salary Standardization Law were so hefty that the increases in the IRA were not able to keep up with the rising cost of devolved functions and unfunded mandates (Annex H).²³ On the other hand, a similar analysis for 1999-2001 indicates that the increase

²² These unfunded mandates include salary increases under the Salary Standardization Law and the provision of additional personnel benefits under the Magna Carta for Health Workers.

²³ The analysis underlying Annex H is limited by the fact that, in the computation, the cost of devolved functions refers only to the cost of personnel and facilities that were actually transferred to the LGUs as well as the MOOE associated with the said devolved facilities. There are cases, however, where functions were transferred to LGUs without any corresponding devolution of personnel and facilities from the central government. This is prevalent in the areas of environment and natural resource management and public works. In this sense, the estimates of the cost of new LGU expenditure responsibilities would tend to underestimate their true cost. Moreover, the cost used in the estimation refers to the cost of the devolved functions as budgeted by the central government prior to devolution and as such they do not necessarily reflect local preferences.

in the IRA in those years for all LGUs combined is sufficient to fully cover the inflation, population growth and salary adjustments in the cost of devolved functions.²⁴

315. Moreover, variations in net resource transfer²⁵ across levels of local government are substantial. Table 6.9 shows that, in the aggregate, the net resource transfer for provinces is consistently smaller than those for cities and municipalities. Moreover, the net resource transfer for provinces is negative in 1995-1999 but turned positive in 2000-2001. This analysis suggests that provinces (and municipalities) in the aggregate are relative losers while cities were relative winners from fiscal decentralization. It is easy to see why.

316. Provinces absorbed 38.2% of the total cost of devolved functions, municipalities 38.7%, cities 3.5% and barangays 19.6%.²⁶ Contrast this with the mandated share of LGUs in the IRA: provinces 23%, cities 23%, municipalities 34% and barangays 20% and it becomes immediately clear that there is a mismatch in the resources transferred and the expenditure responsibilities devolved to the different levels of local government.

317. In addition to the vertical imbalance across levels of local government, an imbalance also exists across LGUs within each level. Thus, while the increase in the IRA share of some LGUs is not enough to finance the functions devolved to them, other LGUs received resources beyond their requirements. For instance, in 2001, per capita net resource transfer was negative in 35 (44%) out of 79 provinces.²⁷ In particular, amongst the 5 provinces included in our case studies, Mountain Province, and Antique are burdened with negative per capita net resource transfer in 1995-2001 while the same is true of Zamboanga del Norte in 1995-1999.

318. The presence of the fiscal gap tends to have a dysfunctional effect on the revenue decisions of LGUs. On the one hand, some LGUs have no incentive to utilize their revenue raising authorities fully precisely because more resources have been transferred to them relative to their needs. On the other hand, other LGUs likewise tend not to maximize the use of their revenue powers because they can always point to the central government as the culprit for not allowing finance to follow function. At the same time, local communities tend not to complain about the inadequacy of local services because they do not pay much in terms of local taxes anyway.

319. *Pork barrel and the expanded resource envelope.* Although Section 17 (b) of the Code categorically assigns the responsibility for the provision of local infrastructure to

²⁴ The mandated increase in salaries of government employees during this period was moderate compared to the earlier period.

²⁵ The net resource transfer for any given year is computed as the difference between the IRA for said year, on the one hand, and the sum of the adjusted cost of devolved functions, cost of other mandates including the provision for the 20% Development Fund and sectoral representation, and 1992 IRA, on the other hand. Adjustments on the cost side were made to take into account population growth and inflation.

²⁶ Barangays received P1.5 billion in Barangay Administration Fund under the National Assistance to Local Government Units (NALGU) in 1991. This assistance which was used to pay for the salaries of barangay officials was discontinued with the implementation of the Local Government Code and barangays are then expected to pay said salaries out of their own IRA share.

²⁷ Per capita net resource transfer in 2001 is defined as per capita 2001 IRA less per capita 1992 IRA less per capita cost of devolved functions adjusted for inflation.

LGUs, the central government (primarily through the DPWH) continues to play a major role in this area in practice. Despite this, the Department of Public Works and Highway (the central government agency that would have been most seriously affected by the assignment of local infrastructure provision to LGUs) did not devolve personnel nor budget under the 1992/1993 devolution program. Thus, some 22% of the DPWH budget in 1997-2001 is on account of local infrastructure projects which were typically funded out of the pork barrel of legislators under various names like CDF, Project Development Assistance Fund, Rural Urban Development Infrastructure Fund, Food Security Fund and Various Local Infrastructure Projects (Table 6.8).²⁸ Moreover, the allocation for the pork barrel of Congressmen/ Senators is large when compared with the size of the LDF. On the average in 1997-2001, these allocations are almost equal (96%) to the total LDF of all LGUs in the aggregate. In 2001, Senators' and Congressmen's pork barrel allocation is even greater (116%) than the total LDF.

Table 6.8: Pork Barrel Funds from Various Sources and the LDF, 1997-2001

	1997	1998	1999	2000	2001	Total
						1997-2001
Pork Barrel Funds	20.9	5.8	10.6	12.8	22	72.1
Various loc. infra proj. in DPWH budget	13.7	2.8	0.3	8.1	17.3	42.2
PDAF				3.3	3.3	6.6
CDF	2.5	1				3.5
Rural/Urban development			5.5			5.5
Infrastructure fund						
Food security program fund			1.5			1.5
Lingap para sa Mahirap			1.3			1.3
School Building Program	4.7	2	2	1.4	1.4	11.5
Memo Item:						
Ratio of total pork barrel to LDF (%)	185	47.6	69.7	71.9	116.1	95.5

320. The presence of this funds may act as dis-incentive to LGUs to engage in the provision of local infrastructure. While provincial officials have a general notion of the size of their Congressmen's pork barrel, they generally have little information on how these monies will be divided amongst the province and its component municipalities/ cities or where precisely the projects will be located. Key informant interviews suggest that many Congressmen do not align the projects they fund through their pork barrel allocations with the PDP nor the AIP. In many instances, consultations with local governments which are required under the Code appear to be inadequate.

²⁸ Not all of the projects under the CDF, PDAF and RUDIF are implemented by the DPWH.

C. Other Financial Constraints

321. The volume of projects that is either envisioned in the PDP or that is required if development is to have a tangible impact on local communities is well beyond the capacity of the province to finance. The analysis described above suggests that unless LGUs are able to significantly improve their own-source revenue effort relative to pre-Code levels and/or to successfully tap non-traditional sources of revenue, many LGUs (especially amongst provinces and municipalities) will remain dependent on their Local Development Fund for financing their development plans.

322. Another way of appreciating the financial constraint faced by provinces is by comparing the amount of investment required to improve provincial roads and bridges with the size of the PDF of the our sample provinces.²⁹ Amongst the 5 case studies, the paved roads ratio ranges from a low of 3% in Zamboanga del Norte to a high of 52% in Batangas.³⁰ Given the unit cost (P8-10 million) of road concreting, it is estimated that it would take anywhere from 14 to 61 years to pave all of the provincial roads in these provinces even if all of their Provincial Development Fund (PDF) were spent on road construction during this period (Table 6.9).

Table 6.9: Number of years it would take to pave all provincial roads if province spends all of PDF on roads

	2002 PDF (million pesos)	No. of Years
Mountain Province	40	56
Batangas	135	18
Antique	61	14
Zamboanga del Norte	102	44
South Cotabato	78	61

323. Still another way of looking at the fiscal gap is by comparing the size of the PDIP with their PDF.³¹ For instance, the projected average annual cost of PDIP projects in Antique in 2002-2004 is P516 million, 9 times the size of its PDF. Similarly, the projected average annual cost of PDIP projects in South Cotabato in 2003-2005 is P192 million, more than

²⁹ The focus on roads and bridges here may be justified for a number of reasons. On the one hand, only 20% of all provincial roads in the country are paved. On the other hand, roads and bridges rank high in citizens' preferences. For instance, in 17 (85%) out of 20 provinces surveyed in the Azfar et al. (2000), roads and bridges is one of the top 2 priority of households with respect to government resource allocation

³⁰ In comparison, the paved roads ratio is 7% in South Cotabato and 13%-14% in Mountain Province and Antique.

³¹ This approach, however, is rather tenuous for two reasons. One, precisely because local officials intend to use the PDIP for their fund sourcing activities, some provinces include more projects in their PDIPs than what they could conceivably fund given available financial resources (e.g., Antique). Meanwhile, other provinces either have smaller expenditure needs or are simply more conservative in formulating their PDIPs (e.g., Batangas). The difficulty, however, lies in attempting to differentiate between these types of provinces. Two, the PDIP of many provinces does not include a medium-term projection of their financial resource flows (e.g., Antique and South Cotabato). Moreover, not all of those that do so explicitly establish the connection between the projected funding sources with the PDIP's total cost estimate (e.g., Batangas).

twice the size of its PDF. In contrast, the average annual cost of Batangas' PDIP projects in 1999-2003 (P68 million) is less than its total PDF (P95 million).

324. *Untapped local taxes.* There is a general consensus that many LGUs do not fully utilize their revenue raising powers. Many observers blame this development on the resistance on the part of either the local chief executive or the local Sanggunian (or both) to increase local tax rates for fear of a backlash from their constituents during election. This development may be explained by the negative incentives on local tax effort that is prompted by the existence of the fiscal gap as discussed above.

325. Only a few LGUs have revised their local tax codes since 1992 despite the fact that the rates of some local taxes are not indexed to inflation. Of the 5 provinces included in this study, only Batangas and Mountain Province did. Consequently, revenues from these taxes are continually being eroded in real terms.

326. At the same time, not many LGUs have imposed the idle land tax. Tagaytay City is the one of few known LGUs which have imposed said tax. To date, there is also no known example of a province which has imposed a benefit levy, a tax which an LGU could charge to recover the cost of infrastructure investments directly from beneficiaries.³²

327. Moreover, many provinces undertook a general revision of the schedule of market values of real property only once since 1991, thus, resulting in declining collections in real terms.³³ Of the 5 case studies, it is notable that only Zamboanga del Norte and Antique revised their schedule of values twice since the implementation of the Local Government Code. In this regard, many experts have pointed to the need to de-politicize the general revision of schedule of market value by shifting the responsibility for this function to a technical body lodged at the central government (as manifested in proposed amendments to the Local Government Code under the so-called Candazo bill of 1997). This is in line with international practice where property assessments are geared towards the automatic adjustment to fair market value.

328. Many provinces have to contend with certain structural problems in administering the RPT. For instance, Antique and South Cotabato have difficulty collecting the RPT from lands subject to land reform. On the other hand, Mountain Province has problems collecting the RPT from untitled properties in the uplands, users/ occupants of which may or may be holding tenurial instruments of one form or the other.

329. To make matters worse, tax administration is weak in many LGUs. Table 6.10 vividly illustrates this point. It shows that the RPT collection efficiency of all LGUs in the aggregate

³² Other analysts have suggested that provinces levy a tax on use of public land. However, it should be noted that the RPT is also applicable to timberland and mineral land (both of which are public lands). Still others recommend that provinces impose a land development permit fee and a land reclassification tax. One problem with this proposal stems from the fact that they may be more appropriately assigned to cities/ municipalities which are vested with the corresponding regulatory function related land reclassification and land use/ zoning. On another level, it should be pointed out that the reclassification of land from agricultural to say residential or commercial already implies a corresponding increase in the applicable RPT assessment level and may therefore not necessitate the imposition of another tax.

³³ The Code mandates that LGUs to conduct a general revision of market values once every three years with the first one taking effect in 1994.

suffered a slight deterioration from 58% in 1989-1991 to 55% in 1992-2000. On the average, the collection efficiency of provinces is consistently lower than that of cities in both periods. However, these averages mask wide variations across individual LGUs. For instance, the RPT collection efficiency of the 5 provinces included in this study ranged from a low of 24% (Mountain Province) to a high of 63% (Batangas) in 2000 (Table 6.11).

Table 6.10: RPT Collection Rate of Current Year for Basic RPT, 1983-1999

	All LGUs	Provinces	Cities
1991	58.9	54.1	65.1
1994	60.7	54.0	66.3
1999	54.1	52.4	54.9
2000	54.6	44.7	57.1
<i>Average</i>			
1989-1991	58.2	54.4	63.1
1992-2000	55.4	49.0	59.7

Table 6.11 RPT Collection Efficiency of Selected Provinces, 1992-2000

	Mountain Province	Batangas	Antique	Zamboanga del Norte	South Cotabato
1992	19.9	44.8	28.8	32.7	39.5
1994	19.0	69.0	17.6	28.1	58.8
1996	20.2	59.7	19.5	28.8	48.8
1998	23.9	46.6	25.0	35.1	46.6
2000	23.8	62.5	28.6	33.7	46.5
<i>Average</i>					
1992-2000	18.9	47.7	21.9	27.5	41.2

330. At the same time, local tax administration is weighed down by inadequate technical capacity. Very few provinces have certified public accountants in their rolls, thereby impairing their audit capability. This point is particularly relevant to provinces with respect to the problems they encounter when they try to collect the franchise tax. Moreover, weak links with other government agencies hamper the collection efforts of provincial governments. In particular, the collection of the real property transfer tax can be greatly enhanced if the province makes use of information coming from the Register of Deeds. In like manner, data from the municipal/ city engineer's offices would help the province in updating their RPT records for new improvements. Box 1 describes some of the specific strategies provinces may adopt to improve their RPT collection efficiency.

Box 1. What can be done to improve RPT collection effort even under difficult conditions

The experience of Nueva Vizcaya highlights how seemingly simple yet effective strategies can go a long way in improving RPT performance. Eighty percent of the province is mountainous and many of its barangays are not only poor economically but also difficult to reach. Prior to reform, the cost of administering the RPT is even greater than the revenues it generates. It costs P1.39 to collect every P1 of revenue. There is a high incidence of tax delinquency and tax resistance especially amongst occupants of Integrated Social Forestry (ISF) and Community-Based Forest Management (CBFM) areas. Moreover, valuation of real property for tax purposes is unduly low.

With assistance from the Governance and Local Democracy (GOLD) Project, the province adopted a number of processes and strategies to address their problems with the RPT.

- ⌘ Engage with the stakeholders/ beneficiaries of the RPT system (like barangay officials, heads of the Integrated Social Forestry and Community-Based Social Management areas, and members of the Local School Board) to get them involved in tax administration in terms of identification of occupants, assistance in the distribution of assessment notices, assistance in field collection, and raising tax consciousness amongst students and parents
- ⌘ adoption of “door-to-door” service for taxpayers in remote barangays whereby property assessments from the filing of the tax declaration, appraisal and collection is done in the field on the spot by roving assessment teams composed of the
- ⌘ delegation to Municipal Assessors the authority of the Provincial Assessor to approve/ sign transactions
- ⌘ greater coordination between the assessor and the treasurer in the collection of the RPT
- ⌘ redesign of assessment forms and tax records to eliminate redundancies and reduce the cost of general revision of schedule of market values
- ⌘ updating of the schedule of fair market values to reflect increase in prices
- ⌘ computerization of RPT records

As a result of these interventions,

- ⌘ number of forms used was reduced from 7 to 4
- ⌘ structure of office was improved and manpower requirement was cut from 28 to 18
- ⌘ tax delinquency is reduced as occupants/ beneficiaries of ISF/ CBFM programs began paying their RPT dues
- ⌘ RPT collection efficiency went up from 42% to 54%
- ⌘ cost of administering the RPT was cut such that it now only takes P0.87 to collect every P1 of revenue

331. With this background, it is not surprising that the own-source revenue effort of all provinces combined was stagnant at 0.2% of GNP in 1985-2002 (Annex H). This development stands in sharp contrast with the substantial increase in total own-source revenue effort for all LGUs in the aggregate from 0.8% of GNP in the pre-Code period to 1.2% in the post-Code period.

332. Similarly, RPT effort of provinces showed no improvement in 1985-2002. They suffer in comparison with all LGUs in the aggregate whose RPT effort rose from 0.3% of GNP in 1985-1991 to 0.5% in 1992-2002 (Annex I).

333. An analysis of the potential revenue that could be generated in the 5 sample provinces if they apply a 50% adjustment on their schedule of market values of real property and simultaneously improve their RPT collection efficiency to 50% suggests that these measures may not yield significant amount of revenues in some of these LGUs. This appears to be the case in provinces like Mountain Province and Zamboanga del Norte which have small real property tax bases to start with. In the said provinces, these two measures combined will yield less than P500,000 in additional RPT collections per year. In comparison, the same measures will generate additional revenues equal to P2.1 million and P3.7 million, respectively, in South Cotabato and Antique. Meanwhile, Batangas would be able to raise P45 million more in RPT revenues.

334. This development may explain why an increasing number of LGUs are exploring economic enterprise as a possible source of revenue. However, this trend should be viewed with some caution. One, it appears that LGUs are being pushed to go into business. Is there an appropriate role for government? Two, for economic enterprise to yield additional revenues, LGUs should be ready to charge prices that will allow them to recover their cost. However, this may not be compatible with the “dole-out” culture in many LGUs.

335. *Non-traditional sources.* Prior to 1991, LGUs were restricted from contracting loans to finance their capital requirements. The passage of the Local Government Code allowed LGUs greater flexibility in tapping various sources of credit financing – bank credit, bonds and build-operate-transfer arrangements.

336. LGU access to private capital remains to be limited despite some gains achieved in terms of PSP schemes and bond market development. As of March 2002, a total of 9 LGU BOT projects have been documented (WB/ ADB 2003). Also, the creation of the LGU Guarantee Corporation (LGUGC) effectively provided some impetus to the LGU bond market. Six LGUs have successfully issued bonds worth P1.4 billion with the help of the LGUGC. However, important constraints continue to hamper the development of the LGU bond market, namely: higher costs associated with bond flotation compared with direct bank borrowing, lack of reliable information about LGUs, uncertainty about management capacity at the LGU level, lack of a market for secondary trading, and lack of access to IRA as a security for GU obligations (WB/ ADB 2003).

337. Government financial institutions (GFIs) and the Municipal Development Fund Office (MDFO) continues to be the dominant source of LGU financing, accounting for 76% and 7%, respectively, of total LGU borrowing in 2000. LGUs have been unable to access private bank lending to date.

338. The inability of private banks to become depository banks for LGUs appears to be the main impediment to the entry of private financial institutions into the LGU credit market. Together with their access to ODA funds, the depository bank privilege of GFIS has also allowed them to maintain a competitive advantage over PFIs (WB/ ADB 2003). Moreover, the graduation policy enunciated under the LGU financing framework of 1996 has not been realized.³⁴ The Land Bank of the Philippines (LBP) and the Development Bank of the

³⁴ The LGU Financing Framework (developed by the Department of Finance in 1996) envisions the greater participation of the private capital market in local government financing. It calls for the segmentation of the

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Philippines (DBP) appear to be reluctant to relinquish their monopoly over the more creditworthy LGUs as this segment of the market has emerged to be a profitable part of their portfolios.³⁵

339. Meanwhile, the MDFO is burdened by lack of personnel, resources and capacity, thereby, impeding its performance in moving funds for on lending to LGUs. At the same time, the lower effective rate of interest charged by the MDFO (because of the bundling of the grant with the loan component of on-lent funds from ODA sources) acts as a disincentive for even the more creditworthy LGUs to access funds from the private capital market. Thus, a revisit of policies on matching grants, development of policy-based loans/grants, its evolution into a second-tier funding entity for LGUs and a bond-pooling agency is in order to make the MDFO a more effective institution for LGU financing (WB/ ADB 2003).

340. Nonetheless, borrowings of provincial rose steadily from P325 million in 1991 to a peak of P1.9 billion in 2001. Thus, the share of borrowing in total receipts of provincial governments rose from an average of 1% in 1985-1991 to 5% in 2001 (Table 6.12).

Table 6.12: LGU Borrowings, 1985-2002

(In Million Pesos)	Average		1991	1995	1999	2001	2002
	1985-1991	1992-2002					
ALL LGUs	110	3,538	448	2,493	5,949	6,109	4,219
ALL PROVINCES	57	806	325	593	771	1,943	1,482
Ratio to Total	Average						
Income (%)	1985-1991	1992-2002	1991	1995	1999	2001	2002
ALL LGUs	0.79	3.75	1.88	3.67	4.94	4.10	2.62
ALL PROVINCES	1.48	3.49	5.22	3.47	2.71	5.07	3.72

341. However, not many LGUs are able to borrow from banks because not all are creditworthy. Overall, cities are better positioned to access credit financing. Thus, cities account for the bulk (53%) of total LGU borrowing in 2000-2001 while the provinces account for 26% and municipalities 21%. Nonetheless, 16 provinces were able to access loans from various sources in 2001. Of this number, 14 belong to the first income class.

LGU financing with lower-income LGUs accessing the MDF/ MDFO, middle-income LGUs accessing the GFIs and upper-income LGUs accessing PFIs. To bring this into effect, the framework promotes the establishment of a “graduation program” that will induce creditworthy LGUs to shift from GFIs to the private capital market. It also recommended the strengthening of LGU capacity to generate own-source revenue, restructuring of the MDFO, the re-orientation of the role of GFIs in LGU financing, the improvement of LGU access to private banks, the promotion of PSP mechanisms (including BOT schemes), and development of the LGU bond market.

³⁵ In 2003, LBP’s outstanding loans to LGUs amount to some P12 billion while that of the DBP is P1.8 billion.

342. All of the 5 sample provinces in this study borrowed from GFIs in the recent past and are still amortizing their indebtedness to date. On the other hand, Zamboanga del Norte and Antique used their loans for the acquisition of heavy equipment.

343. If LGUs are creditworthy, they are able to raise substantial amounts from the credit market, thereby allowing them to fast track local development. Table 6.13 shows the borrowing capacity³⁶ of each of the 5 sample provinces. It suggests that access to the credit market will allow these provinces to make a big impact in meeting unmet infrastructure needs. Because LGUs should be able to raise additional revenues from other sources (either through cost recovery from income generating projects or from additional taxes from a larger tax base) in the future to service their debt, LGU borrowing is said to also provide an alternative accountability mechanism that comes when local officials have to raise own-source revenues at the margin (and to justify their doing so to their constituents) in order to cover local expenditures.

Table 6.13: Borrowing Capacity Based on 2002 Income Levels of Selected Provinces (million pesos)

	Borrowing capacity	% of remaining unpaved prov. roads that can be paved
Mountain Province	997	45
Batangas	3895	160
Antique	1625	192
Zamboanga del Norte	3460	77
South Cotabato	2100	44

344. *Large allocations for PS and MOOE.* The salary structure applicable to mandatory LGU positions is set by the Compensation and Position Classification Act (CPCA) of 1989. The CPCA in tandem with the Codal provisions on mandatory positions tend to restrict LGUs' ability to re-align their outlays for personal services in consonance with their specific needs and circumstances. In some cases, these restrictions impose a heavy fiscal burden on LGUs (particularly in the case of provinces and municipalities), and thus, effectively putting a squeeze on ability of these LGUs' to fund maintenance and capital outlays. In other cases, they make it difficult for low income class LGUs to retain personnel, particularly in the health sector.

345. Although the LGC imposes a ceiling on personal services (PS) spending of LGUs (45%-55% of total regular income depending on LGU's income class), many exemptions are allowed in reckoning compliance to this mandate. Thus, aggregate spending of provincial governments on personal services was 58% of total LGU regular income in the previous year in 1992-2001 (Annex J).

³⁶ The Local Government Code provides that LGUs should limit their debt service obligations in any given year to 20% of their regular income. The computation shown in Table 7.11 is based on an interest rate of 10% and loan tenor of 7 years. Borrowing capacity is inversely related to the interest rate and positively related to the loan tenor.

346. Furthermore, personal services expenditure as recorded in the financial statements of LGUs tends to underestimate the amounts that LGUs actually spend on compensation of personnel because of the practice of charging the salaries and wages of contractual employees hired under so-called “job orders” or “service contracts” against MOOE or CO (for development projects). While some LGUs report that this practice is no longer allowed under new government accounting system (NGAS), other LGUs say that this practice is still in effect. For instance, a number of LGUs report that 15%-20% of their MOOE is actually used to pay for contractual personnel. Still other LGUs charge some of their “excess” personal services against the accounts of public enterprises like public markets.

347. Although the share of PS in total LGU expenditure for all LGUs in the aggregate remained stable all throughout 1985-2002, a rise in the share of PS spending of provinces is evident in the post-Code period. Consequently, there is a squeeze on MOOE and capital outlays of provinces in 1992-2002. The share of MOOE in total spending of provincial governments contracted from 37% in the pre-Code period to 25% in the post-Code period while the share of capital outlays in their total spending declined from 19% to 17%. In the 5 sample provinces, the share of capital outlays in total LGU expenditure in 2002 varies from less than 1% in Zamboanga del Norte to 16% in Mountain Province (Table 6.14).

Table 6.14: Distribution of LGU Expenditure By Economic Category (%)

	PS	MOOE	CO	Total
Mountain Province	75.3	8.5	16.1	100.0
Batangas	57.0	33.9	9.1	100.0
Antique	77.5	14.2	8.3	100.0
Zamboanga del Norte	40.5	58.9	0.6	100.0
South Cotabato	47.5	39.3	13.2	100.0

D. Summary of Issues and Recommendations

348. *Issues.* The AIP is at the core of the planning-budgeting linkage. Under present arrangements, only found in the AIP are able to secure funding from the LDF. However, the identification of projects for the AIP is done quite independently of the PDP/ PDIP and only a small proportion (4%-35%) of AIP projects are found in the PDP.

349. A “divide by N” syndrome pervades the allocation process for the PDF such that pork-barrel like allocations for municipal mayors and members of the Sanggunian are all too common. Thus, the LDF tends to be dissipated in tiny projects that lack strategic focus. This has also meant that large portions of the LDF are set aside for lumpsum appropriations for generic projects (with specific projects identified in the course of the budget year). This shortens the planning horizon as planning is made to coincide with budget execution.

350. The poor incentive structure for planning and budgeting is driven by (1) the short political tenure of local elected officials; (2) the lack of clear mandate supporting the linkage between the PDP, the AIP and the local budget; (3) the mismatch between the revenue means and expenditure needs of LGUs, especially provinces; and (3) the preponderance of large allocations in the central government budget for the pork barrel of Congressmen and Senators.

351. The existence of the fiscal gap in many provinces implies that unless these LGUs are able to significantly improve their own-source revenue effort relative to pre-Code levels and/or to successfully tap non-traditional sources of revenue, many of them will remain dependent on their 20% Development Fund to finance their development plans. However, their ability to do so is hampered by weak tax administration, large allocations for personal services and MOOE, the existing constraints in the LGU credit and capital financing framework, and the poor incentives that also perversely affect planning and budgeting.

352. *Recommendations.* The mismatch between the revenue and the expenditure assignment under the Code does not provide strong incentives for a long-term view in local planning internally. Thus, it is important to look at other mechanisms for accountability. First, greater upward accountability can be enhanced by clarifying the mandate supporting the link between the PDP, the AIP and the local budget. In this regard, it would be helpful if the DBM, the DILG and the NEDA work together to strengthen the planning-budgeting linkage by mandating that the LDF be used only for projects that are found in the PDP/ PDIP (rather than the AIP as done at present). Alternatively, if the present practice of requiring that the LDF be used for projects found in the AIP is retained, then the planning/ budget review process should strengthen the link between the AIP and the PDP. The second approach would then require a review process (not existent at the moment) that checks for the consistency of the AIP and the PDP.

353. Second, greater downward accountability should also be promoted. The experience of the GOLD project (USAID) and the LGSP (CIDA) in strengthening the local planning process suggests that key to the success of these interventions are (1) the early engagement of local elected officials in the plan preparation process so as to promote their commitment to the plans that are formulated (thus, the emphasis on the drafting of an Executive Agenda), and (2) the meaningful participation of a broad-based multi-sectoral group in the exercise so as to give local communities greater voice in the process and to promote greater accountability on the part of local officials. In this context, the multi-sectoral planning group includes representatives not just from the local community (LGU officials, NGOs and the wider population) but also from national government agencies that are operating in the local area in order to re-establish a link between the local plans and the national plans and, more importantly, to generate external funding for local projects. While the quality of the guidance provided in the Executive Agenda Manual with respect to the technical aspects of planning may not be the best, the manner by which the EA process is able to engage local chief executives (thereby, to promote LGU officials' ownership of the plans) appears to have worked. These success stories should be replicated. Prospectively, the linkage between the PDP and the AIP may be strengthened (1) by educating/ reorienting local elected officials (both local chief executives and members of the Sanggunian) on the importance of medium term planning and (2) by promoting the early engagement of local elected officials in the planning process following the Executive Agenda process.

354. Other schemes that may improve the planning-budgeting linkage include: (1) promoting the passage of the PDIP by the Sanggunian as a multi-year appropriation ordinance (analogous to the Public Works Act at the national level), and (2) requiring that

Congressmen refer to the AIP/ PDP when they identify projects that will be funded out of their pork barrel allocation. Both of these schemes do not require legislative action. However, an appropriate amendment of the Local Government Code will surely go a long way to putting the first one into effect.

355. To the extent that easing the fiscal constraint would encourage better linkage between the PDP/ PDIP and the AIP by enabling LGUs to undertake more lumpy investments, the reform of the LGU credit market in the direction of greater LGU access is in order. So would interventions aimed at helping LGUs increase the own-source revenue effort of LGUs.

356. The use of performance-based incentives (with performance being measured in terms of improved PDIP/ AIP linkage) may also be explored. It should be emphasized, however, that this approach may have little impact on poorer provinces. Moreover, the severe fiscal constraints that the central government is facing at present may seriously limit its ability to provide positive incentives of a financial nature.

357. In the medium term, increasing the tax autonomy of LGUs (by re-aligning the existing tax assignment and giving provinces more taxing powers commensurate with their expenditure responsibilities) would enhance the accountability of local officials to local communities. Provinces would not only have their own source of revenues, they would also have the power to control the amount of revenues they receive at the margin so as to be able to fund the level of services they prefer. In this way, “subnational governments would have to face the full marginal tax price of the spending decisions for which they are responsible”. It may also help mitigate the political nature of the prevailing AIP formulation process. This track, though, would require an amendment of the Local Government Code.

SECTION 7: CONCLUSIONS AND RECOMMENDATIONS

358. The Terms of Reference of the preparatory work essentially called for the investigation of issues and problems associated with the preparation and implementation of the PDP. It became clear in the course of the preparatory work, however, that the PDP can not be examined in isolation, i.e., the issues and problems can best be investigated in the context of the entire provincial planning system. A major finding of the study is precisely the fact that the PDP has little or no linkage not only to other plans at the provincial level, but also to plans at higher (regional and national) and lower (city/municipal) levels. Such linkages must be strengthened if the PDP is to have an impact on provincial development.

359. In this context, the recommendations of the preparatory work pertain not only to the PDP but to the provincial planning system as a whole. Given the preparatory nature of the study, the recommendations take the form of further work to be done in the Technical Assistance proper, including additional studies that need to be conducted on issues uncovered in the preparatory work. The recommendations outlined below also define the nature and major objectives of the proposed Technical Assistance on Strengthening Provincial Planning.

A. Key Issue

360. In the view of the study team, the key issue to be addressed is the fact that the PDP has virtually no influence on project implementation. The PDP preparation process is not integral to the political process. Thus, the PDP is mainly a technical, not a policy document. A related finding is that it is the AIP that defines the projects to be implemented. The projects identified in the AIP, however, are short-term, lack strategic focus and, as a whole, are not responsive to the major development needs and priorities of the province. Thus, even if the PDP is improved – by improving planning capability or through a set of new planning guidelines – it will have minimal impact on the development of the province unless it is linked to the AIP. In other words, the influence of the PDP on project implementation must first be established before new planning guidelines and capacity-building programs could make a difference.

B. Hierarchy of Recommendations and Objectives

361. The foregoing analysis suggests a hierarchy of recommendations and objectives that could form the basis for a future Terms of Reference (TOR) for the proposed Technical Assistance on Strengthening Provincial Planning. This hierarchy implies an order of priority in the actions to be taken, i.e., higher level objectives must first be achieved to maximize the impact of actions to be taken in achieving lower level objectives.

First Tier Objective: Improving PDP-AIP Linkage

362. The foremost objective is to strengthen the PDP-AIP linkage, i.e., ensuring that only projects (or, at least, a substantial proportion of projects) that are derived from a technically sound planning process involving at least a medium term perspective and an appropriate prioritization process, are included in the AIP. Several mechanisms could be explored in the

TA proper to bring this about:

- €# Legally mandating, through legislative/executive issuances, the linkage between planning on one hand, and investment programming and budgeting, on the other. This can be supported with the use of corresponding performance-based incentives (with performance being measured in terms of improved PDIP-AIP linkage). The feasibility of instituting such incentives should be discussed with NEDA, DBM and the DILG.
- €# Having the PDIP passed by the SP as a multi-year appropriation ordinance analogous to the Public Works Act at the national level). This approach does not require legislative action. In the long term, an amendment to the LGC to this effect will surely help in its promotion.
- €# Educating/reorienting local elected officials (both local chief executives and members of the Sanggunian) on the importance of, and the benefits to be derived from, medium term planning. The experience of the GOLD project (USAID) and the LGSP (CIDA) in the strengthening the local planning process suggests that the key to the success of these interventions are the commitment of local officials in the plans that are formulated and the participation of broad-based multi-sectoral groups in the exercise. Advocacy among provincial government officials on the importance of medium-term strategic planning must be sustained. The lessons that can be learned from experiences in “term-based planning” of some provinces in Mindanao, as well as from similar programs in Latin American countries should also be examined.

363. It may usefully be noted that the improved linkage between the PDP and the AIP would transform the PDP from being simply a compliance, technical document, to a policy document. A strengthened PDP-AIP linkage would also be a compelling reason for key political actors to participate in the preparation of the PDP. Consequently, the status of the PDC will likewise be enhanced as a forum for participation of various sectors of society in planning and decision making.

Second Tier Objective: Appropriate Provincial Plan Document

364. The second tier objective is to ensure that plan documents used to derive projects are appropriate documents given internal (provincial) as well external planning considerations. In this regard, efforts must be exerted in moving towards the merger of the PDP and PFPF and in the production of a single plan document for the province. There are no conceptual and pragmatic reasons to maintain two plan documents (PDP and PFPF) especially if they are not linked to each other. There are also no pragmatic and conceptual reasons for separate initiatives for other sectors and concerns (plan for children, poverty alleviation, gender issues, etc.). Indeed, having too many documents only complicates plan preparation and implementation.

365. Both NRO and PPDO personnel, in principle, have no objections to the merger of the PDP and PFPF. In the view of the field respondents, the main obstacle to the production of a

merged plan document has to do with differences in planning horizons: the PDP is short or medium term, while the PFP is a long term framework plan. In conceptual terms, and even for pragmatic reasons, this obstacle is not insurmountable, i.e., conceptually, it is possible to prepare a long-term physical framework plan with a medium term “slice.”

366. Such a slice within a long term physical framework plan would not only detail and identify priority projects by sector, but more importantly, identify the locations where priority development projects would take place in the medium term. In other words, the key to the integration of development plans and physical plans is in the co-mingling in the short and medium term of sectoral priorities and spatial priorities. It should also be noted that, ideally, national sectoral concerns and land use plans should likewise be integrated into this merged document.

367. There are other pragmatic reasons for moving towards a single plan document. For one, it will reduce the workload of the PPDO staff who are already overwhelmed with the production of a proliferation of plan documents. For another, it will “compel” the PPDO staff to link sectoral and spatial considerations in provincial plan preparation – a linkage that is not apparent in existing PDPs and PFPs.

368. It is noteworthy that the merger of the PDP and the PFP will have vertical implications, as well. At the lower level, it will dovetail with current city/municipal practice where the CLUP now serves as the only comprehensive plan document. The merger may not be necessary and urgent at the regional and national levels, but should probably be considered in the long term. Noteworthy is the fact that the merger would also entail strengthened institutional coordination among NEDA, DILG and HLURB.

Third Tier Objective: New Planning Guidelines

369. The third tier objective is to ensure that new appropriate planning guidelines that are responsive to provincial development needs are utilized to derive the appropriate provincial plan document. As implied in the hierarchy of objectives, the preparation of the new planning guidelines assumes that the issue of the merger of the PDP and the PFP has already been resolved.

370. Detailing the scope and components of this new guidelines will obviously be done by an appropriate institution in the TA proper. Suffice to mention at this point that, assuming the PDP-PFP merger is acceptable, the new guidelines should replace all other guidelines for provincial planning. The new guidelines should simplify the planning process and must be suited to the requirements of a single provincial plan document. More specifically, the new guidelines should:

☞ Identify the major components and dimensions of the single provincial plan document;

☞ Define the logical steps in plan preparation; and

- €# Specify the methods for integrating spatial and sectoral priorities as well as for incorporating special concerns (poverty alleviation, gender issues, etc.).

Fourth Tier Objective: Improving Capabilities and Resources

371. Finally, the fourth tier objective is to ensure that planning capabilities and logistical requirements match the requirements of the guidelines. Based on the quick survey of training institutions undertaken by the study team, an institution or a consortium of institutions could be designated to undertake the capability building programs. These capability-building programs should both be general (to improve skills in the field of local planning) and specific to the requirements and use of the planning guidelines. Some of the specific programs to be considered are the following:

- €# Study grants and scholarships for qualified staff: to further increase exposure to formal planning methods, and to promote the professional nature of planning.
- €# Refresher courses with emphasis on the logic of the planning process: The key objective of these courses is make planners understand the rationale of each step of the planning process so that appropriate alternatives and modifications are derived in the event of deviations (caused by the lack of data for example) from textbook situations.
- €# Training on project evaluation and prioritization: This is important if provincial plans are to effectively guide implementation considering that resources will always fall short of those required by desired or intended projects. (It is also likely that this will be part of new planning guidelines.)
- €# Improving databases: This will require the participation of national and regional offices involved in deriving, managing, and disseminating data relevant to provincial planning. As noted earlier, the lack of economic and related data at the provincial and sub-provincial levels are major obstacles to effective local planning. This program will require the identification and prioritization of local data requirements and implementing the measures to make these available to local planners (e.g. modifying national surveys and providing national survey institutions the necessary resources).

372. Improving local revenues to provide more resources for project implementation should form part of this objective. In the short-term, the tapping of non-traditional source of revenues as well as the streamlining of MOOE allocations should be explored. In the medium-term, efforts must also be exerted in increasing the tax autonomy of LGUs (by re-aligning the existing tax assignment and giving provinces more taxing powers commensurate with their expenditure responsibilities) would enhance the accountability of local officials to local communities. Provinces would not only have their own source of revenues, but also the power to control the amount of revenues they receive at the margin to enable them to fund the level of services and programs that would make an impact on provincial development.

C. Concluding Observations

373. The above hierarchy of objectives is intended to serve as a framework of priority for the objectives and activities of the TOR of the Technical Assistance proper. As illustrated, for example, training and other logistic improvements that result in improved training capabilities (fourth tier objective) are best implemented when appropriate planning guidelines are already in place. In this manner, staff training is better suited to the requirements of the planning guidelines. To cite another example, increasing local revenues to provide more resources for plan implementation is a fourth tier objective in the sense that such potential resources are likely to be used inefficiently if higher tier objectives are not addressed.

374. Similarly, improving the planning guidelines is best implemented when the most appropriate plan document has already been defined (second tier objective). In particular, the issue of whether the PDP and the PFP should be merged should already be resolved before the guidelines for the resulting plan document are drafted. Finally, and most importantly, defining the plan document for the purpose of guiding provincial development should be done, ideally, only when the PDP-AIP linkage issue has been addressed--wherein the political process takes full consideration of the technical aspects of the plan.

375. The aforementioned hierarchy does not necessarily mean that the objectives have to be accomplished according to the prescribed sequence. Obviously, the sequence is ideal but is not necessary. Training activities can take place any time and these will serve to improve staff planning capabilities even when planning guidelines have not been updated. Likewise, an increase in local revenues is welcome any time regardless of the planning structure that is in place. The hierarchy, however, suggests priority, in the interest of efficiency, among the actions that can be taken to strengthen provincial planning.

376. In terms of institutional arrangements, the NEDA, in coordination with the DILG, and the DBM, must take the lead in the provision of technical assistance to provinces and in the achievement of the aforementioned hierarchy of objectives. The TA proper must identify mechanisms to strengthen the collaborative arrangement among these agencies especially since the technical assistance proper would have as its primary objective the linking of the planning, investment programming and budgeting processes. Given its recognized expertise in planning, NEDA through its regional offices, must also reorient its role towards giving more emphasis in serving on a sustained basis as an important resource institution for the provinces, especially in ensuring the use of the new planning guidelines, and in the actual preparation of the new set of provincial plans.

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**TECHNICAL ASSISTANCE FOR STRENGTHENING PROVINCIAL PLANNING AND
EXPENDITURE MANAGEMENT**

DRAFT TERMS OF REFERENCE

TECHNICAL ASSISTANCE FOR STRENGTHENING PROVINCIAL PLANNING AND EXPENDITURE MANAGEMENT

Draft Terms of Reference

I. INTRODUCTION

1. The National Economic and Development Authority (NEDA), through funds from the Asian Development Bank (ADB), recently commissioned a preparatory study for a proposed Technical Assistance (TA) on Strengthening Provincial Planning and Expenditure Management. The study was designed to further investigate observed weaknesses in provincial planning through a national survey of provincial planning development coordinators (PPDCs), case studies of selected provinces, review of plan documents at various levels, as well as interviews with key informants at the national, regional, provincial and municipal levels. Results of the study served as the basis for recommendations on the nature and scope of this proposed TA on provincial planning.
2. A number of critical issues were identified in the course of undertaking the preparatory work. These issues will be briefly summarized to provide context to the proposed technical assistance.

II. ISSUES

3. The priority issue to be addressed is the fact that while the practice of provincial development planning is more widespread today than before the approval of the 1991 Local Government Code (LGC), the provincial development plan (PDP) has virtually no influence on provincial investment decisions, budgeting and project implementation. The PDP is essentially a technical document that is not integral to the political process. Likewise the PDP is not the main source of project ideas for the annual investment program (AIP) which is at the core of political power play and effectively serves as the operational plan for the province. There is an apparent need to enhance the linkage of the PDP to the AIP and the provincial budget, if the former is to serve as an important tool in charting the course of provincial development.
4. Outdated guidelines issued by various agencies and institutions are being used in PDP preparation. This has allowed for a variety of plan documents in terms of format and contents but has, at the same time, complicated the PDP preparation process. It is noteworthy that some of these guidelines were issued before 1991 and are not attuned to the reforms introduced by the Local Government Code. More importantly, the issuance of numerous guidelines also reflects the absence of a coherent system to coordinate the preparation of the PDPs. There is an obvious need to streamline administrative procedures and arrangements, as well to prepare an integrated set of guidelines to strengthen provincial planning and expenditure management.
5. Provincial planning capacity is generally low. Although Provincial Planning Development Coordinators appear to be qualified, a major constraint is that a majority of PPDO technical personnel lack formal training and expertise, especially among plantilla staff (less than 2 percent have any formal planning degree). PPDO productivity is also hampered by additional tasks and assignments that are unrelated to its planning mandate. Moreover, plans other than the PDP appear to have priority mainly because these are mandated by a national agency or by an international donor institution.
6. The quality of the provincial plan documents is uneven. Overall, however, there is substantial room for improving the quality of the plans to make them more responsive to the development needs of the provinces. Key areas for improvement include giving more dynamic dimension to situation analyses by increasing consideration for projections, trends and growth rates; strengthening the linkages between analysis on one hand, and the identification of objectives, strategies, programs, and projects on the other; and prioritizing identified problems and issues, as well as proposed programs and projects. Other areas for improvement involve greater consideration for external linkage, demand and market/competitive

conditions, the role of the private sector, and opportunities for local economic development and poverty reduction.

7. The envisioned linkages among the network of plans at various levels are non-existent. At the provincial level, the relationship between the PDP and the Provincial Physical framework plan (PPFP) is not very evident. In particular, there is no clear linkage between the sectoral priorities identified in the PDP on one hand, and the spatial priorities delineated in the PPFP, on the other. Linkage is likewise not very evident between provincial plans, on one hand, and plans at higher (national and regional) and lower (city/municipal) levels of administration on the other. As well, integration of national sectoral concerns and other planning frameworks (e.g., the plan for children, the poverty reduction plan, etc.) in provincial plan documents is not apparent.

8. Heavy reliance on the internal revenue allotment (IRA) and the local development fund (LDF) reinforces the non-implementation of the PDP. In this connection, a “divide by N” syndrome pervades the allocation process for the LDF such that pork barrel like allocations for members of the Sanggunian and municipal mayors are all too common. Thus, the LDF tends to be dissipated in small projects that lack strategic focus. This has also meant that a large portion of the LDF is set aside for lump sum appropriations for generic projects (with specific projects identified in the course of the budget year. Planning and budgeting thus become concurrent activities.

9. Unless provinces are able to significantly improve their own-source revenue effort and/or tap non-traditional sources of financing, they will remain dependent on their LDF to finance provincial development funds. The ability of the provinces to do this is hampered by the poor incentives that contribute to the poor linkage between planning and budgeting, weak tax administration, large allocations for personnel services and MOOE, and constraints in LGU credit/ capital financing framework

III. TECHNICAL ASSISTANCE

A. Objectives and Major Components

10. The long-term goal of ADB’s assistance is to enhance capacity of national and local governments to improve performance, service delivery and development. The TA will assist the Government in strengthening provincial planning and expenditure management as tools for development.

11. The TA consists of four interrelated sets of activities and components: a) conduct of activities and development of instruments designed to enhance the planning-investment programming-budgeting linkage; b) preparation of planning-budgeting guidelines; c) capacity-building for PPDO personnel and other officials; and d) formulation of proposals to strengthen administrative arrangements to enhance the fiscal capacity and autonomy of provinces.

B. Methodology and Key Activities

Strengthening the PDP-AIP-Budget Linkage

12. The first set of activities pertain to the strengthening of the PDP-AIP-budget linkage, i.e., ensuring that only projects (or, at least, a substantial proportion of projects) are derived from a technically sound planning process involving at least a medium term perspective and an appropriate prioritization process, are included in the AIP and subsequently funded for implementation. As previously noted, this is the key issue to be addressed since all other components of the TA (e.g., preparation of the guidelines, capability building, etc.) will have little or no impact on provincial development unless the PDP is linked to the AIP and the budget. It should also be stressed that strengthening the PDP-AIP linkage would largely entail ensuring that the plan preparation process becomes integral to the political process.

13. To address the above problem, advocacy activities, along with legal instruments and issuances, as well as performance incentives for provinces are needed. Early in the TA program, a **consultation**

workshop for governors and other provincial officials will be conducted to inform them of the objectives and activities of the TA with a view towards impressing upon them the benefits that could be derived from strategic and medium-term development planning. Also to be discussed during the consultation workshop are three concepts/proposals that will subsequently be developed by the consultants:

≠# A proposal to have the provincial development investment program (PDIP passed by the Sanggunian as a multi-year appropriation ordinance.

≠# A proposal for performance-based incentives that will be given to provinces that are able to achieve improved PDP-AIP-Budget linkage.

≠# A proposal for a single provincial plan document, merging the PDP and the PFP, and incorporating other sectoral concerns and planning frameworks (e.g., plan for children, poverty alleviation, etc.).

14. Based on feedback during the consultation workshop, details of the proposals and a report on linkage strategies will be prepared and discussed in a series of consultation meetings with representatives of NEDA, DILG and DBM. Should the proposals be found acceptable and feasible, corresponding legal issuances will be drafted for approval. NEDA, DILG, DBM and other agencies identified in the proposals and as ascertained in the workshop are expected to be part of an advocacy campaign to promote the proposals.

Preparation of New Planning Guidelines.

15. Another set of activities pertain to the preparation of a new set of planning guidelines to ensure that provincial plans are responsive to provincial development needs. This set of guidelines will be suited to the requirements of a single provincial plan document and should replace all other guidelines for provincial planning. More specifically, the guidelines should: a) cover the steps involved in the entire planning-programming-budgeting process including alternative approaches that will promote the governor's commitment to the process and its outputs; b) define the various components and dimensions of the single provincial plan document (integrating the PDP and the PFP as well as other sectoral concerns and planning frameworks into the provincial plan); and c) consider existing and potential planning capabilities.

16. The preparation of the guidelines would entail further field consultations with selected provinces and PPDOs. Interviews with key informants from the NEDA, HLURB, DILG and the DBM will likewise be conducted. Prior to finalization, a draft of the guidelines will be provided to the NEDA, DILG, HLURB, DBM, and to selected NROs and PPDOs for review and comments.

Capability-Building

17. Activities for this component of the TA are designed to help ensure that planning capabilities in the province match the requirements of the new set of planning guidelines. For purposes of the TA, the capability program to be conducted will be limited to the training of trainers, and will be specific to the use of the new set of planning guidelines. Three training workshops are expected to be conducted, possibly in different venues to enhance nationwide participation. The participants to this training program will be recruited by NEDA from selected NROs. The trainers are expected to replicate the program for PPDO personnel throughout the country.

18. Beyond the training of trainers on the use of the planning guidelines, other training programs will be identified and outlined for future implementation to address capability building needs of the PPDOs identified during the preparatory work for the TA. The detailed design and implementation of these programs will, however, be beyond

the scope of the TA and will have to be carried out by appropriate agencies in the future. Some of the specific programs that may be considered are the following:

- €# Refresher courses with emphasis on the logic of the planning process. The key objective of these courses is to make planners understand the rationale of each step in the planning process so that appropriate alternatives and modifications are derived in the event of deviations (caused by the lack of data, for example) from textbook situations.
- €# Training on project evaluation and prioritization. This is important if provincial plans are to effectively guide implementation considering that resources will always fall short of those required by desired or intended projects. (It is also likely that this will be part of the new planning guidelines).
- €# Improving databases for provincial planning. This will require the participation of national and regional offices involved in deriving, managing and disseminating data relevant to provincial planning. As noted earlier, the lack of economic and related data at the provincial and sub-provincial levels are major obstacles to effective planning. This program will require the identification and prioritization of local data requirements and implementing the measures to make these available to local planners (e.g., modifying national surveys and providing national survey institutions the necessary resources).

Improving Administrative Arrangements and Resources

19. Studies and activities under this component of the TA are designed to ensure that administrative arrangements and resources match the requirements of the planning guidelines and legal issuances. The proposals that are to be carried out in the TA have definite implications on existing institutional arrangements for the preparation review, monitoring and financing of plans. The idea of a single provincial plan document, for instance, may have implications on the role and function of the hierarchy of land use committees, as well as on the delineation of responsibilities among various agencies. Legal mandates may also have to be reviewed to ensure the linkage of the planning-programming and budgeting processes.

20. Similarly, there is a need to firm up proposals to improve the financial status and autonomy of provinces. These proposals will be drawn mainly from the results of existing studies. Interviews with key personnel of the DOF and DBM will likewise be conducted.

Expected Impacts

21. The proposed Technical Assistance on Strengthening Provincial Planning are expected to result in the following:

Improved appreciation and understanding among provincial government officials of the importance of medium term planning and its impacts on provincial development;

Greater influence of the PDP on project implementation through improved PDP-AIP linkage;

New set of planning guidelines that are suitable to the requirements of a single provincial plan document;

Improved capacities of the PPDOs for provincial plan preparation through capability-building programs on the use of the planning guidelines;

Proposals to improve administrative arrangements and financial resources of the province for plan preparation, investment programming and budgeting.

Implementing Arrangements

22. The NEDA in coordination with DILG and DBM, shall be the lead agency in the implementation of the Technical Assistance program. It shall enlist the services of a team of consultants and/or institutions in carrying out the various tasks and activities envisioned in the proposed TA.

Project Outputs and Schedule

23. Following its objectives and methodologies, the project will result in the following outputs:

- €# Report on the strengthening of the PDP-AIP Linkage
- €# Planning-Budgeting Guidelines
- €# Training design and materials for training of trainors workshops
- €# Report on the improvement of administrative arrangements and resources

The project is expected to be conducted according to the following schedule:

Project Schedule

End of Month:	1	2	3	4	5	6	7	8
Detail project schedule	█							
Draft outlines of PDP-AIP linkage improvement proposals and Guidelines*	█							
Initial consultation, workshop preparation	█							
Consultation workshop		█						
Draft PDP-AIP Linkage report (1)		█	█	█	█	█	█	█
Draft Planning-Budgeting Guidelines (2)		█	█	█	█	█	█	█
Consultations: Re Linkage/Guidelines (1, 2)			█	█	█	█	█	█
Revise Linkage report and Guidelines (1, 2)					█	█	█	█
Draft Training materials/design (3), Workshop preparation					█	█	█	█
Trainers training workshops						█	█	█
Draft Report on improvement of administrative arrangements and resources (4)						█	█	█
Review final drafts of Outputs (1, 2, 3, 4)*							█	█

*Outputs:

1. Report on strengthening PDP-AIP Linkage
2. Planning-budgeting guidelines
3. Training design and materials for training of trainers workshops
4. Report on the improvement of administrative arrangements and resources

ANNEXES

**TERMS OF REFERENCE OF PREPARATORY WORK FOR THE
PROPOSED NEDA TECHNICAL ASSISTANCE ON STRENGTHENING
PROVINCIAL PLANNING AND EXPENDITURE MANAGEMENT**

I. Background/Rationale for Preparatory Work

1. Under the Local Government Code (LGC) of 1991, the provincial governor is directed to formulate provincial development plans (PDP) with the assistance of the provincial development council (PDC). In view of the important role that provinces play in achieving the country's development objectives, the PDP is supposed to be an important tool which will help/ guide the province in planning/ charting the course of provincial development effectively.
2. However, it has been observed that not all provinces have PDPs, implying that some provinces have still to comply with the LGC requirement. Plan outputs of provinces have also been observed to be very uneven in quality. Previous studies have noted that what is referred to as "plans" by provinces are really simple socio-economic profiles and basically a "list of projects" that are prepared for compliance purposes. The quality of the PDPs, which reflect the capacity of the provinces to prepare development plans shows that capabilities in provincial planning vary widely across provinces. There is also a dispersion of efforts of the provinces, as they are required to prepare several plans and frameworks under numerous guidelines that are often too complex for provincial officials to follow. There is a lack of integrated, simplified and updated guidelines that will provide provinces with a holistic perspective in development planning. The current NEDA provincial planning guidelines is already outdated and no longer useful in relation to the current situation.
3. The joint ADB-WB-Government Public Expenditure, Procurement and Financial Management Review (PEPFMR) Study³⁷ cites an observed break between provincial and regional planning indicating the need for a more formal linkage between the LGU and national planning chains. This shows the lack of vertical linkages between the PDP and the corresponding plans at higher levels and even at lower levels with the municipal and city development plans.
4. There are also problems on the implementation side of the plan in view of the observation that PDPs do not get to be implemented for various reasons such as the poor quality of the plans, i.e., the programs and projects identified in the plan do not effectively address the development challenges in the province. Deviations from the plan could also be attributed to the lack of financial resources. There is also no sustainability of implementation in view of the political factor.

³⁷ World Bank and Asian Development Bank (2003). Philippines – Improving Government Performance: Discipline, Efficiency and Equity in Managing Public Resources – A Public Expenditure, Procurement and Financial Management Review. GOP, WB and ADB: Manila, Philippines.

5. To validate the abovementioned weaknesses of provincial planning and to be able to have a full picture of the situation of provincial planning and the needs of the provinces in this area, a systematic investigation of the situation is needed in order to provide useful inputs for the design of the TA on Strengthening Provincial Planning. The preparatory work will identify the issues to be resolved concerning provincial planning in the context of the decentralized environment. It will also solicit the views of the provincial government, and other concerned institutions involved in local development work. It will provide a set of recommendations concerning the scope, activities and other assistance to be provided under the TA on Strengthening Provincial Planning. These could include a proposal for new and improved guidelines for provincial planning, capacity-building programs for the planning staff and provincial government officials.

6. Provinces have been explicitly identified in the study because of their important role in regional development. Provinces serve as the link between national government and local government units because of its strategic location in the structure of governance. In addition, provinces can take advantage of scale economies which redound to more efficient and less costly service delivery.

7. *The preparatory work will be conducted by ADB in coordination with NEDA as part of the ongoing Decentralization and Service Delivery Study (DSDS) that also requires further study on local planning, especially on integration of the local development plan into the national development plan. The NEDA TA proposal will be revised based on the findings of the preparatory work.*

II. Objective

8. To provide recommendations on the nature and scope of the assistance to be provided under the TA on strengthening provincial planning expenditure management.

III. Scope of Work and Methodology

9. **Assessment of the current state of provincial planning including provincial capacities for planning.** This will cover the following activities:

- a. **Assessment of responsiveness of existing PDPs.** Ideally, the PDP should be able to address the priority development needs of the province, i.e., there has to be a “match” or congruence between projects and programs envisioned in the PDP, on one hand, and the pressing concerns and problems of the province, on the other. Given projected levels of resources and capacities, is the PDP responsive to provincial development objectives? Also, the PDPs’ likely impact on the state of development of the province is a critical issue which the study should be able to address. Did the provinces with good PDPs achieve their development objectives than those without PDPs or with poor

quality PDPs? If not, then what factors have contributed to the achievement of the desired state of development of the province? This may entail the identification of the provinces with and without PDPs and the formulation of a set of indicators of progress for the provinces to see if there is any correlation between the two. It is also important to examine whether the PDPs are internally-consistent. This requires evaluating whether strategies, programs and projects in the PDP address the challenges and needs discussed in the situational analysis. The study should also investigate whether PDPs are able to link with national development objectives such as pro-poor economic growth.

- b. **Investigating linkages between national, regional, provincial and local planning systems and outputs.** The recently completed PEPFMR, assisted by the World Bank and the Asian Development Bank, noted that there is a break between national and local planning, particularly “between regional and provincial levels. This indicates that there is a need for more formal vertical linkage between LGUs and national planning chains” taking into consideration the autonomy of LGUs. Horizontal linkages among plans at the provincial level with corresponding plans at lower levels (city and municipal development plans) should also be assessed. The preparatory activity should seek to examine existing inter-relationships among the different plans at the vertical and horizontal levels and provide a unifying framework in these areas. It would also be helpful to know whether the difference in the planning period covered of the PDP (3 years) and the national plans (6 years) because of the term of officials hinders or enhances the linkage among these plans. Other questions that should be answered include the following: Is the RDP being used as a framework in PDP formulation? How do municipal and city development plans input to the PDP? What inputs from the PDP reach the RDP?
- c. **Investigating the planning process.** It is in the interest of the national government that existing planning frameworks (i.e., sustainable development, population and development, poverty, children, gender, etc.) are integrated into the PDPs. The study should determine whether provincial planners are able to integrate these concerns into the planning process and identify problems encountered in their effort to comply with national government requirements. On the other hand, the study should also address observations made in previous studies that the numerous guidelines that were provided to LGUs have made the planning process complicated and too complex for LGU officials to follow. Aside from the several planning frameworks, provinces have to prepare several plans as well. On top of the PPFPP, the PDP and the PDIP, provinces also prepare sectoral/special plans such as the Executive Agenda, the Local Plan of Action for Children and the Local Poverty Action Plan, among others. Some of these plans are ODA-sponsored. Consequently, many LGUs have adopted their own “process” which is often undocumented. This may include the employment of prioritization mechanisms to simplify the

process. The study team should document the planning process, if any, adopted by the province. Other important questions that must be answered should include the following:

- c.1 To what extent has the process been participatory and consultative? Were the major stakeholders in society consulted? What were the mechanisms for consultation?
 - c.2 What was the actual role played by the PDC? To what extent has the PDC been active in plan formulation?
 - c.3 What was the role played by the other local planning boards? Have these boards been convened for planning purposes?
 - c.4 Was there sufficient interface between the provincial planning staff and the political leaders of the province? Who involves in the PDP preparation?
 - c.5 Was there sufficient interface with the Regional Development Council/NEDA Regional Office? With other national government agencies?
 - c.6 What is the average length of time that provinces devote to plan preparation? When is the right time for provinces and LGUs to undertake planning activities (before, simultaneous to or after the national and regional planning periods)?
- d. **Review of existing provincial development guidelines.** This will entail an evaluation of whether current prescribed guidelines for provincial planning are still relevant and useful in relation to current developments, and whether the guidelines are user friendly.
- e. **Plan Utilization and Implementation.** Gaps between plan formulation and plan implementation have been observed and the reasons for such gaps must be identified. Specific questions that must be answered in this aspect of the study could include the following:
- e.1 What are the specific constraints and obstacles to plan implementation? What exactly is the nature of these constraints and obstacles? Political? Administrative? Financial?
 - e.2 How is provincial planning linked to investment programming and budgeting?

- e.3 How useful is the plan document in guiding major investment decisions in the province? Are government officials aware of the existence of the plan?
 - e.4 Is there a fiscal gap? If so, is there a resource generation plan to bridge this fiscal gap?
 - e.5 To what extent has the province relied on local sources of funds to finance capital expenditures? To what extent have they relied on non-traditional sources of funds (e.g., loans, bonds, etc.). Are provincial officials aware of their resource generation powers under the LGC?
 - e.6 What are the expenditure patterns of provinces? For the overall budget? For the 20% development fund?
- f. **Capacity for Planning.** Studies in the early 1990's have revealed that the capacity for provincial planning is low and needs to be upgraded, a fact that probably explains the poor quality of plans. Planning capacities should likewise be assessed although these may have improved in recent years. Specific questions that need to be addressed include the following:
- f.1 Do provinces have the resources (manpower, skills, funding) to undertake effective planning? What are the current levels of capability, for example, in terms of skills, funding, and planning infrastructure? What is the size and manpower complement of the provincial planning staff? How adequate is this manpower complement?
 - f.2 What are the qualifications of the current Provincial Planning Development Coordinators and the provincial planning staff? What are their specific capacity building needs?
 - f.3 To what extent has the province relied on external consultants for provincial planning? For which specific tasks were these consultants hired?
 - f.4 What is the level of appreciation and understanding of planning and related concepts among provincial government officials? What are their training and orientation needs?

- f.5 Is there a regular capacity building program to upgrade skills and competencies of PPDCs and PPDO staff on planning? If yes, what agencies are implementing these? If no, who should initiate such?
- f.6 What role has NEDA, DILG and HLURB played in assisting provinces in planning? What has been the extent of contribution of these agencies? If provinces were to choose, what kind of partnership with national line agencies would they prefer?

10. **Methodology.** To obtain information from the provincial side, two major types of activities will be carried out. The first is through survey questionnaires designed to gather information on the status of provincial plans, the dynamics of the planning process, capacities for provincial planning, financial resources, problems encountered and suggestions for improvement. The respondents could include the provincial governor and other provincial government officials, the provincial planner and staff of the Planning and Development Office, and selected members of the PDC. The questionnaires will be disseminated and collected through the NEDA regional offices. In addition, field visits to and consultations with selected provinces (4 or 5 provinces) will also be undertaken. The League of Provinces, the DILG, NEDA-RDCS and NEDA Regional Offices will also be consulted. The selection of the provinces to be visited will be agreed upon between NEDA and the ADB. The provinces to be visited shall be representative of the full range of provincial planning conditions—from the most advanced to the least equipped.

11. **Expected Results.** The study should recommend improvements in terms of the following: (a) improvements in the planning process, (b) improvements in the quality of the PDPs, (c) improvements on the implementation side of the plan and (d) types of intervention or assistance needed by the provinces in order to improve capacities for provincial planning, including strategic prioritization and investment programming, and (e) role of PDPs in promoting local and regional development and in facilitating service delivery of national and provincial governments. The study should also recommend the scope, activities and nature of assistance to be provided under the TA for strengthening provincial planning as well as develop the framework for the proposed TA.

IV. Implementation Arrangements

12. The preparatory work will be conducted by a team of consultants composed of a Team Leader and two experts (on local/regional planning, spatial/environmental planning, local finance and budget planning etc.). The team, in close coordination with the NEDA-RDCS shall be responsible for the design of the survey questionnaire. The team shall also visit the selected provinces and concerned government agencies for data collection and consultations.

13. The study team shall be under the supervision of ADB's PHI Country Economist who will coordinate closely with NEDA-RDCS regarding the progress of the work of the study team.

V. Cost

14. The cost to be incurred for this study will include professional fees of the team leader and expert-members, travel expenses of study team members, meeting expenses, supplies, and contingency.

VI. Duration of Study

15. The study will cover a period of 5 months, starting from November 2003.

METHODOLOGY AND RESEARCH ACTIVITIES

The preparatory work entailed the following data-gathering and research activities:

A. Interviews with National Officials

The study team interviewed officials of the following national agencies and organizations:

- § The Regional Development Coordination Staff (RDCS) of the National Economic and Development Authority;
- § The Department of Budget and Management (DBM);
- § The Housing and Land Use Regulatory Board (HLURB);
- § Local Government Academy (LGA) of the Department of Interior and Local Government (DILG);
- § The Asian Institute of Management (AIM);
- § The Development Academy of the Philippines (DAP)
- § The U.P. School of Urban and Regional Planning;
- § League of Governors; and
- § The Association of Provincial Planning Development Coordinators (PPDCs).

These interviews were designed primarily to determine existing resources for capability-building programs for provincial officials and planning staffs, as well as to gain a better understanding of the various processes involved in the review and approval of provincial plan documents. Suggestions were also sought from the informants on possible areas for technical assistance in provincial planning.

B National Survey of PPDCs

The survey team, with the concurrence of NEDA and ADB, formulated and administered a mailed survey questionnaire to all the 79 provinces in the Philippines, with the Provincial Planning and Development Coordinators (PPDCs) as respondents. The survey questionnaire (see Annex C) sought information on the following:

- § The profile of the PPDCs, particularly their current and previous work experiences, educational attainment and training programs attended;
- § The size and composition of the PPDOs and the qualifications of the planning staff;
- § The processes involved in the preparation of the PDP, PFP and PDIP;

- § The usefulness of the planning guidelines in plan preparation;
- § The major users of the plan documents;
- § Basic provincial profile and finance indicators; and
- § The current status of the Provincial Development Councils.

The survey team collected the survey responses through mail (using a self-addressed envelope enclosed in the mailed questionnaire), facsimile or e-mails. Of the 79 provinces that were administered the questionnaire, 48 (61 percent) responded within the period January 12 to February 16, 2004 (the cut-off date set for the preparation of the draft consolidated report). The respondents are distributed across all regions in the Philippines in varying proportions (Table B.1).

Table B.1: Distribution of Respondents by Province and Region

Region	No. of PPDCs Surveyed	No. of Provinces in the Region	% Respondents Per Region
I	4	4	100%
II	3	5	60%
III	5	7	71%
IV-A	4	5	80%
IV-B	4	5	80%
V	6	6	100%
VI	5	6	83%
VII	2	4	50%
VIII	6	6	100%
IX	3	3	100%
X	4	5	80%
XI	4	4	100%
XII	3	4	75%
XIII	2	4	50%
CAR	6	6	100%
ARMM	1	5	20%
Total	62	79	78.5%

Likewise, all provincial income classes are represented in varying degrees (Table B.2).

Table B.2: Distribution of Provinces by Income Class

Income Class	No. of Provinces	Percentage of Total
1	26	42%
2	19	31%
3	9	15%
4	6	10%
Unknown	2	3%
Total Provinces	62	100%

The survey data were processed using frequency analysis, percentages and measures of central tendency.

C. The Field Visits

To obtain more in-depth information on the PDP and the planning process, the study team conducted field visits and consultations with five provinces representative of the full range of socio-economic characteristics and provincial planning conditions. In consultation with NEDA-RDCS, the following provinces were selected:

- § Mountain Province, CAR
- § Batangas, Region IV-A
- § South Cotabato, Region XII
- § Antique, Region VI
- § Zamboanga del Norte, Region IX

The varying characteristics of the five provinces, with comparative figures for the National Capital Region (NCR) and the country as a whole, are summarized in Table B.3.

In terms of the various measures of welfare presented in Table B.3, Batangas appears to be the most developed among the provinces, while the Mountain Province is the least advanced. South Cotabato ranks second to Batangas in terms of the same indicators of welfare, while Zamboanga del Norte and Antique occupy intermediate positions.

In each province, the key informants included the PPDCs, Provincial Administrator, City Planner, Provincial Accountant, Provincial Budget Officer, Provincial Treasurer, Chairperson of the Sangguniang Panlalawigan Committee on Appropriations, and representatives of NGOs/POs/civil society sitting in the Provincial Development Council. The key informant interviews aimed to complement the data gathered in the national survey of PPDCs and collected more in-depth evidence on the “dynamics” of provincial plan preparation. The views of the respondents were also sought in regard to the congruence between long-term provincial development plans and priority development needs; the usefulness of provincial development planning guidelines; the gaps between plan formulation and plan implementation; as well as on existing capacities, resources, needs and constraints in provincial planning.

To enrich and validate the information gathered from the key informants, provincial plan documents were likewise reviewed. These documents include the Provincial Development Plan (PDP), the Provincial Physical Framework Plan (PPFP), Provincial Development Investment Plan (PDIP), Annual Investment Plans (AIP) within the period covered by the PDP/PPFP/PDIP, organizational structure of the provincial government and the PPDO, financial statements for FY 2002 and 2003, and other related reports. These documents were reviewed to determine the quality of existing

provincial plans, interrelationship between/among various provincial plan documents, linkage of provincial planning with investment programming and budgeting, responsiveness of provincial plans to priority development needs, as well as the profile of the province in terms of income and other resources.

Table B.3: Characteristics of Case Provinces

Area/ Province	DEMOGRAPHIC				POVERTY/INCOME				INFRA			URBAN	
	Pop 2000	AGR 95-00	Avg HH Size	Dependancy Ratio	Poverty Incidence (%)	Poverty Threshold (pesos)	Avg Fam Income (pesos)	HH w/ Elect (%)	HH w/ Faucet (%)	Urban Pop (%)	Urban Pop (%)	Pop Density	
	Philippines	76,504,077	2.36	5.00	69	28.4	11,605	144,039	68.21%	27.34%	48.05%	255	
NCR	9,932,560	1.06	4.63	53	5.7	15,678	300,304	92.67%	50.78%	100.00%	15,684		
Batangas	1,905,348	3.02	5.08	66	20.9	15,305	149,838	88.23%	47.10%	44.35%	596		
S Cotabato	1,102,550	2.3	4.88	73	37.3	11,353	140,100	68.17%	18.13%	48.81%	169		
Mt. Province	140,631	1.54	5.10	79	49.0	15,285	98,369	54.94%	46.74%	9.08%	70		
Antique	472,822	1.97	5.07	78	35.1	10,924	94,917	48.84%	12.55%	19.46%	191		
Zam Norte	823,130	1.42	5.14	76	45.6	9,090	87,107	34.44%	11.89%	18.29%	113		

Sources: Census 2000, FIES 2000, NSCB; except for AGR (Annual Growth Rate) data, which is 1995-2000 data, all other data is for year 2000.

Provincial Planning Questionnaire

Province: _____ Date: _____

Instructions: Please answer this form as candidly as you can. You may attach additional sheets if necessary. Your answers will be held confidential.

BLOCK A: PROFILE OF THE CURRENT HEAD OF THE PPDO

Name: _____ Sex: _____
 Current position: _____ Marital Status: _____
 Year appointed/designated as PPDO Head: _____
 Date of Birth: _____
 Place of Birth (city/municipality and province): _____
 Highest educational attainment: Degree _____
 School _____
 Year completed _____

Training Programs Attended (last 5 years)

Training Programs Attended	Training Institution	Inclusive Dates

Work Experience

Previous Jobs/Occupation	Agency/Institution	Inclusive Dates

BLOCK B: PLAN PREPARATION

Plan	1. What year was plan last prepared/updated?	2. How long (in months) did it take to prepare/update plan?	3. What is the period covered (specific years) by the plan?	4. How many public hearings were conducted?	5. Please indicate sectors consulted during the public hearings.	6. Did you use external consultants during preparation of plan? If yes, identify consultant and the nature of his/ her inputs (e.g. mapping). If no, proceed to question 7.	7. Were any guidelines used in preparing/ updating the plan? If yes, indicate the guidelines used and then proceed to Block C. If no, proceed to Block C.
PDP							
PPFP							
PDIP							

Please enumerate other plans prepared, if any. Use a separate sheet if necessary.

BLOCK C: PLANNING GUIDELINES

Plan	How useful were the guidelines? Please check your rating below:	How user-friendly were the guidelines? Please check your rating below:	If you found the guidelines useful, in what way were they useful? Please specify.	State any suggestions you might have on how to improve the planning guidelines.
PDP	1 not useful, need to replace entirely 2 useful, but needs some revision 3 very useful, mini-mal revision needed	1 difficult to use 2 not easy or difficult 3 easy to use		
PPFP	1 not useful, need to replace entirely 2 useful, but needs some revision 3 very useful, mini-mal revision needed	1 difficult to use 2 not easy or difficult 3 easy to use		
PDIP	1 not useful, need to replace entirely 2 useful, but needs some revision 3 very useful, mini-mal revision needed	1 difficult to use 2 not easy or difficult 3 easy to use		

BLOCK D: INPUTS FROM PLANS

Instructions. For each plan listed in column A, identify a maximum of three plans (from among those listed in columns B-L) that provided substantial inputs during the preparation of the plan listed in column A. Identify the input plans by checking the appropriate boxes below. If you want to include a plan not listed below, please indicate in column M.

A Plan	B City/Municipal	C CLUP	D LDIP	E		F		G	H	I		J	K		L	M
				PDP	PPFP	PPFP	RDP			RDP	RDP		RDP	MTPDP		
PDP																
PPFP																
PDIP																

BLOCK E: INPUTS FROM OFFICES/AGENCIES/ORGANIZATIONS

Instructions. For each plan listed in column A, rate the extent of inputs or participation from the offices/organizations listed below, during the preparation of the plan. Please check your rating in the appropriate boxes. If you want to include an office/organization not listed below, please indicate in column F. (Note: inputs or participation refer to data, information, analysis, plan, policy, technical and other contributions to the preparation of the plan.)

A Plan	B City/Municipal P D O	C		D NEDA Regional Office	E DILG	F HLURB	G NGO/Other Private Sector	H Others
		Provincial Development Council	Provincial Office					
PDP	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input Specify name of organization
PPFP	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input Specify name of organization
PDIP	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input	1 no/minimal input 2 some input 3 important input Specify name of organization

BLOCK F: USE OF THE PLAN

Instructions: For each plan listed in column A, identify a maximum of three offices/agencies/organizations (whether public, private, at city/municipal, provincial, regional, or national level) that you think substantially use the plan concerned. (For this purpose, substantial use of the plan means using the plan as input in preparing/formulating/designing other plans, policies, legislation, regulatory instruments, development activities, programs, projects.)

A	1	2	3
Plan	Office/Agency/Organization	Office/Agency/Organization	Office/Agency/Organization
PDP			
PPFP			
PDIP			

BLOCK G: SUGGESTIONS TO IMPROVE THE PLAN

Plan	Suggestion/s to improve the content/format of the Plan to make it more useful/relevant
PDP	
PPFP	
PDIP	

Do you find these plans overlapping?

Yes No

If yes, which of these plans are overlapping?

Do you see the need to merge the plans you mentioned?

Yes No

Please explain your answer.

Please check your rating of whether the current PPDO staff structure/organization is suited to perform its functions and responsibilities.

- 1 Not suited to perform 2 Adequately suited to perform 3 Very well suited to perform

Please check your rating of whether the qualifications/capabilities of PPDO staff are suited to perform their functions and responsibilities.

- 1 Not suited to perform 2 Adequately suited to perform 3 Very well suited to perform

What are your recommendations, if any, to improve the performance of your office?

What assistance do you need to improve provincial planning processes and capabilities?

From which agencies/organizations/individuals do you plan to seek such assistance?

Assistance Needed	Agencies/organizations/individuals to provide assistance

BLOCK J. PROVINCIAL PROFILE / FINANCE INFORMATION AND INDICATORS

Population of Province (2000 census): _____
 Land Area (sq. km.): _____
 Income Class: _____
 IRA in 2002: _____
 RPT in 2002: _____
 Total Income (including IRA) in 2002: _____
 Date provincial revenue code originally passed: _____
 Number of times province passed an ordinance to effect a General Revision of Schedule of Market Value of Real Property since 1992: _____
 Years when such General Revision took effect: _____

IRA in 2003: _____
 RPT in 2003: _____
 Total Income (including IRA) in 2003: _____
 Date provincial revenue code last amended (if applicable): _____

Members of the Local Finance Committee (state positions): _____
 Number of times Local Finance Committee met in 2003: _____
 In 2003, was Appropriations Ordinance passed on time? _____
 In 2003, was the Annual Investments Plan passed on time? _____
 In 2003, did province borrow from bank/financial institution? _____ Which bank/financial institution? _____
 Amount of loan? _____ Purpose of loan? _____
 In 2003, did province issue any bond? _____ Purpose of bond issue? _____

BLOCK J: STATUS OF PROVINCIAL DEVELOPMENT COUNCILS (PDC)

Number of members of the Provincial Development Council from the government sector? _____ From NGO sector? _____

Number of times the Provincial Development Council met in 2002: _____

Sub-committees that are active: _____

Sub-committees that are inactive: _____

**LIST OF PROVINCES THAT ACCOMPLISHED THE
SURVEY QUESTIONNAIRE**

Regions	Provinces
1	Pangasinan
1	Ilocos Norte
1	Ilocos Sur
1	La Union
2	Nueva Vizcaya
2	Cagayan
2	Quirino
3	Aurora
3	Bulacan
3	Pampanga
3	Tarlac
3	Zambales
4A	Quezon
4A	Rizal
4A	Cavite
4A	Laguna
4B	Romblon
4B	Marinduque
4B	Palawan
4B	Oriental Mindoro
5	Albay
5	Camarines Norte
5	Camarines Sur
5	Sorsogon
5	Masbate
5	Catanduanes
6	Capiz
6	Antique
6	Aklan
6	Iloilo
6	Guimaras
7	Negros Oriental
7	Bohol
8	Biliran
8	Samar
8	Eastern Samar
8	Leyte
8	Southern Leyte
9	Zamboanga Sibugay
9	Zamboanga del Norte
9	Zamboanga del Sur
10	Bukidnon
10	Camiguin

10	Lanao del Norte
10	Misamis Oriental
11	Compostela Valley
11	Davao del Norte
11	Davao del Sur
11	Davao Oriental
12	S. Cotabato
12	North Cotabato
12	Sultan Kudarat
13	Agusan del Norte
13	Agusan del Sur
13	Surigao del Norte
ARMM	Basilan
CAR	Abra
CAR	Apayao
CAR	Mt. Province
CAR	Ifugao
CAR	Kalinga

LIST OF PERSONS INTERVIEWED*National agencies*

1. Marcelina Bacani
Director
Regional Development Coordination Staff
NEDA
2. Susan Jose
Asst. Director
Regional Development Coordination Staff
NEDA
3. Ver Santos
Regional Director
NEDA, Region IV
4. John Ngalub
Regional Director
NEDA-CAR
5. Leon Dacanay
Asst. Regional Director
NEDA-CAR
6. Stephanie Faculo
Senior Economic Development Specialist
NEDA-CAR
7. Arturo Valero
Asst. Regional Director
NEDA, Region VI
8. Raul Anlocotan
Supervising Economic Development Specialist
NEDA, Region VI
9. Geony Provideo
Senior Economic Development Specialist
NEDA, Region VI
10. Efren Carreon
Asst. Regional Director
NEDA, Region IX
11. MA. Lourdes Lim
Regional Director
NEDA, Region XII
12. Austere Panadero

- Assistant Secretary
Department of Interior and Local Government
13. Francisco Dagnalan
Commissioner for Legal and Administrative Affairs
Housing and Land Use Regulatory Board (HLURB)
 14. Carmencita Delantar
Director IV
Regional Operations and Coordination Service
Department of Budget and Management
 15. Alma Cruz
Division Chief
Regional Operations and Coordination Service
Department of Budget and Management
 16. Orlando Garcia
Director
Region IV, Department of Budget and Management
 17. Norberto Malvar
Director III
Bureau of Local Government Finance
Department of Finance

Local government units

1. Juliana Cepe
OIC, Provincial Planning and Development Office
Antique
2. Romeo Baldevia
Executive Director
Antique Federation of NGOs
3. Florence Bernardio
Provincial Accountant
Antique
4. Hortencia delos Santos
Project Evaluation Officer
Antique
5. Pacifico Galindo, Jr.
Provincial Budget Officer
Antique
6. Aurelia Gonzaga
Planning Officer
Antique
7. Pedro Javier, Jr.
Statistician IV

- Antique
8. Shirlita Mahandog
Provincial Treasurer
Antique
 9. Edgar Navallasca
Administrative Officer
Antique
 10. Conrado Petinglay
Municipal Planning Development Coordinator
San Jose, Antique
 11. Manuel Salazar
Provincial Administrator
Antique
 12. Arsenio Cay
Provincial Planning and Development Coordinator
Batangas
 13. Augusto Clavierra
Provincial Administrator
Batangas
 14. Zosimo Dimaandal
Asst. Provincial Treasurer
Batangas
 15. Januario Godoy
City Planning Development Coordinator
Batangas City
 16. Simplicia Maligaya
Budget Officer
Batangas
 17. Socorro Perez
Staff, Provincial Planning and Development Office
Batangas
 18. Cancid Canromnac
Asst. Provincial Treasurer
Mountain Province
 19. Oliver Culdalad
Asst. Budget Officer
Mountain Province
 20. Nicolas Kimakin
Provincial Assessor
Mountain Province

21. Lily Rose Kollin
Provincial Planning and Development Coordinator
Mountain Province
22. Hon. Sario M. Malinias
Governor, Mountain Province
23. Evelyn Miranda
Provincial Administrator
Mountain Province
24. Omar Bacal
Project Officer
Maguindanaoan Development Foundation, Inc.
South Cotabato
25. Cynthia Barrientos
Provincial Accountant
South Cotabato
26. Alegria Beltran
Provincial Treasurer
South Cotabato
27. Franklin Bona
Chairman, Committee on Appropriation
Sanggunian Panlalawigan
South Cotabato
28. Danilo Supe
Provincial Planning and Development Coordinator
South Cotabato
29. Bernardita Vallar
Provincial Budget Officer
South Cotabato
30. Felipe Uy
Chairman
Provincial Agriculture and Fisheries Council
South Cotabato
31. Editha Cabilin
Provincial Accountant
Zamboanga del Norte
32. Mr. Capili
Chairman
Dipolog Chamber of Commerce
Zamboanga del Norte
33. Eliseo Pajaren

- OIC, Provincial Planning and Development Office
Zamboanga del Norte
34. Orlando Patangan
OIC, Provincial Treasurer's Office
Zamboanga del Norte
35. Praxides Rubia
Chairman, Committee on Appropriation
Sanggunian Panlalawigan
Zamboanga del Norte
36. Venancio Taub
Statistician III
Zamboanga del Norte
37. James Verduguez
Provincial Administrator
Zamboanga del Norte
38. Erlinda Vidal
Budget Officer
Zamboanga del Norte

Annex F

Staff Complement of PPDOs, by Province.

Province	Plantilla Staff	%	Contractual Staff	%	Total Staff	%	Vacant Plantilla
Abra	26	90	3	10	29	100	1
Agusan del Sur	49	54	42	46	91	100	0
Aklan	18	62	11	38	29	100	3
Albay	25	81	6	19	31	100	10
Antique	33	79	9	21	42	100	7
Apayao	26	90	3	10	29	100	1
Aurora	6	46	7	54	13	100	7
Basilan	12	80	3	20	15	100	6
Benguet	24	50	24	50	48	100	1
Biliran	8	67	4	33	12	100	0
Bohol	36	97	1	3	37	100	7
Bukidnon	52	93	4	7	56	100	0
Bulacan	17	74	6	26	23	100	8
Cagayan	37	86	6	14	43	100	5
Camarines Norte	21	95	1	5	22	100	0
Camarines Sur	21	72	8	28	29	100	28
Camiguin	9	64	5	36	14	100	10
Capiz	38	90	4	10	42	100	7
Cantanduanes	18	90	2	10	20	100	0
Davao del Norte	20	91	2	9	22	100	10
Davao del Sur	24	83	5	17	29	100	2
Guimaras	14	61	9	39	23	100	0
Ifugao	11	55	9	45	20	100	9
Ilocos Norte	10	83	2	17	12	100	0
Ilocos Sur	18	62	11	38	29	100	1
Iloilo	38	97	1	3	39	100	0
Kalinga	18	82	4	18	22	100	0
La Union	19	86	3	14	22	100	16
Laguna	5	63	3	37	8	100	7
Leyte	22	88	3	12	25	100	3
Misamis Oriental	26	93	2	7	26	100	2
Negros Oriental	21	95	1	5	22	100	0
North Cotabato	31	89	4	11	35	100	0
Nueva Vizcaya	25	89	3	11	28	100	21
Palawan	32	58	23	42	55	100	2
Pampanga	18	100	0	0	18	100	2
Pangasinan	34	94	2	6	36	100	1
Quezon	23	72	9	28	32	100	1
Romblon	16	67	8	33	24	100	7
Samar	23	100	0	0	23	100	0
Sorsogon	29	67	14	33	43	100	1
Sultan Kudarat	21	64	12	36	33	100	0
Surigao Del Norte	26	87	4	13	30	100	0
Tarlac	37	97	1	3	38	100	8
Zamboanga del Norte	13	48	14	52	27	100	6
Zamboanga del Sur	14	70	6	30	20	100	0
Zamboanga Sibugay	12	80	3	20	15	100	1
Total	1105		319		1424		203
Average	22.6	78.4	6.5	21.6	29.1	100	4.1

Note: Agusan del Norte, Cavite, Compostela Valley, Davao Oriental, Eastern Samar, Lanao del Norte Marinduque, Mt. Province, Oriental Mindoro, Rizal, South Cotabato, and Zambales were not included because of incomplete data.

Source: Provincial Survey, 2004.

PDPs and Provincial Development Indicators

Out of the survey's 48 province-respondents, 41 indicated that the province had a PDP; the balance (seven) indicated the non-availability (or did not indicate the presence) of a PDP.

The table below contains selected indicators related to demographic, income, and poverty characteristics of each of the 48 respondent provinces. (Provinces reported to have no PDP—Agusan del Norte, Romblon, Basilan, Leyte, Davao Oriental, Zamboanga del Norte, and Sultan Kudarat—are in bold font.) While causality obviously cannot be established, it is useful to note that six of the seven provinces without a PDP are in the bottom 40% in terms of average family income; three of the seven are among the lowest 10%. Notably, these provinces are also among those that have the lowest poverty threshold, least access to electricity, and highest dependency ratios. Zamboanga del Norte, in particular, is among the lowest 25% with respect to average family income, poverty incidence, poverty threshold, access to electricity and availability of water faucet, and growth rate.

However, it can also be pointed out that some of the provinces without a PDP have close to average or even relatively low poverty incidence ratios (e.g. Davao Oriental, Leyte). Similar observations can be made with respect to average household size (Romblon, Leyte, Sultan Kudarat) and dependency ratio (Sultan Kudarat, Zamboanga del Norte, Davao Oriental).

A lot more information will be needed to gauge more precisely the contribution of a PDP to the development of a province. For one thing, existing conditions are not sufficient bases of the impact of a PDP, even if such an impact could be measured, if previous pre-PDP conditions are not known. (A high poverty incidence does not necessarily mean that provincial development has been lagging if poverty incidence was even much higher in the past.) And even if provincial development indicators are available historically, linking these to the presence or absence of a PDP is not an easy task. For example, given the impressive performance of a province during a certain period—the PDP could have been poorly crafted and development would have been more impressive without the PDP, or the PDP was of poor quality but it was ignored, or the PDP was a good PDP but it was still ignored, to mention some possibilities.

Ultimately, the relationship between a PDP and provincial development can be modeled and given sufficient data, some description of the relationship between the two can be derived. At this point, however, for the purpose of this study, and notwithstanding the fact that the majority of the provinces without a PDP appear to be disadvantaged in terms of income and other development indicators, this is not possible.

Selected Development Indicators, by Province. (Provinces without PDP are in bold font.)												
Province	DEMOGRAPHIC					INCOME			INFRA		URBAN	
	Pop	HH	APGR	Avg	Depen-	Poverty	Poverty	Avg Fam	HH w/	HH w/	Urban	Po
	2000	2000	95-00	HH	dency	Incidence	Threshold	Income	Elect	Faucet	Pop	Dens
			Size	Ratio		(%)	(pesos)	(pesos)	(%)	(%)	(%)	
Philippines	76,504,077	15,278,808	2.36	5.00	69	28.4	11,605	144,039	68.21%	27.34%	48.05%	
NCR	9,932,560	2,132,989	1.06	4.63	53	5.7	15,678	300,304	92.67%	50.78%	100.00%	15.
Rizal	1,707,218	356,578	5.79	4.78	63	8	14,787	246,286	89.99%	30.92%	95.79%	1.
Cavite	2,063,161	428,879	5.45	4.78	75	10.2	14,965	196,401	92.02%	46.28%	86.81%	1.
Bulacan	2,234,088	463,886	4.93	4.80	64	5.4	13,881	179,572	93.82%	40.35%	77.80%	1.
Pampanga	1,882,730	364,214	3.08	5.25	65	14.4	14,713	160,827	90.96%	33.59%	67.43%	
Batangas	1,905,348	374,767	3.02	5.08	66	20.9	15,305	149,838	88.23%	47.10%	44.35%	
Zambales	627,802	134,720	2.32	4.70	66	23.5	12,716	146,214	82.55%	35.31%	56.92%	
Iloilo	1,925,573	370,926	2.10	5.20	70	29.8	12,145	144,675	59.47%	10.84%	29.88%	
Ilocos Norte	514,241	106,939	1.37	4.80	63	18.2	13,096	140,565	88.98%	23.20%	18.99%	
S Cotabato	1,102,550	228,013	2.3	4.88	73	37.3	11,353	140,100	68.17%	18.13%	48.81%	
N Vizcaya	366,962	74,402	1.97	4.90	70	15.9	11,271	126,295	58.29%	15.25%	25.05%	
La Union	657,945	127,579	2.09	5.16	68	33.7	13,121	123,379	82.35%	13.48%	16.62%	
Pangasinan	2,434,086	477,819	2.4	5.09	71	30.9	12,471	115,952	76.24%	16.12%	52.41%	
Kalinga	174,023	30,450	2.63	5.70	78	38.8	11,439	111,790	44.30%	11.88%	25.10%	
Abra	209,491	40,709	1.44	5.10	69	48.8	13,693	111,185	64.79%	24.52%	17.13%	
Aurora	173,797	35,024	1.84	4.96	80	26.6	11,407	110,544	59.66%	18.12%	24.15%	
Cebu	3,356,137	676,041	3.07	5.00	75	28.7	10,485	110,367	69.29%	22.15%	63.43%	
Albay	1,090,907	208,640	1.77	5.22	79	39.6	11,858	110,057	57.62%	24.92%	31.14%	
Quezon	1,679,030	339,923	1.87	4.94	75	34.1	12,746	107,922	68.14%	22.23%	21.96%	
Palawan	755,412	150,995	3.6	4.98	80	27.9	11,700	106,737	37.24%	16.03%	28.73%	
Leyte	1,592,336	322,579	1.13	4.92	80	36.1	9,790	106,567	51.93%	20.08%	24.25%	
Or Mindoro	681,818	134,453	2.46	5.07	82	43.1	14,531	105,971	43.61%	15.50%	21.56%	
Catanduanes	215,356	41,019	1.33	5.25	86	44.7	12,055	105,645	57.36%	23.91%	17.58%	
Lanao Norte	758,123	147,270	1.53	5.25	77	50.8	11,539	101,981	60.09%	25.46%	26.90%	
Aklan	451,314	87,883	2.05	5.12	73	36.3	11,870	99,568	67.17%	15.85%	24.24%	
Capiz	654,156	128,569	1.00	5.08	72	51	12,220	99,313	51.60%	15.33%	28.64%	
Mt Province	140,631	27,756	1.54	5.10	79	49	15,285	98,369	54.94%	46.74%	9.08%	
Cagayan	993,850	191,037	2.26	5.19	75	20.3	10,119	96,386	57.19%	10.95%	17.66%	
Cam Norte	470,654	91,866	1.49	5.12	80	52.7	11,481	94,960	60.95%	26.49%	34.97%	
Antique	472,822	93,298	1.97	5.07	78	35.1	10,924	94,917	48.84%	12.55%	19.46%	
Dav Oriental	446,191	86,569	1.64	5.15	77	34.4	10,155	94,328	42.75%	11.93%	39.39%	
Quirino	148,575	30,581	2.71	4.86	70	31.4	10,665	93,683	51.30%	10.96%	21.93%	
Ag Norte	552,849	103,052	1.42	5.40	79	39.9	10,575	91,821	61.95%	24.36%	25.43%	
Negros Or	1,130,088	227,160	2.11	4.97	76	28.9	8,940	90,459	36.70%	18.26%	20.82%	
Zam Sur	1,935,250	372,773	1.97	5.21	81	37	9,404	88,701	47.59%	22.43%	28.32%	
Camiguin	74,232	14,826	1.88	5.00	76	53.1	12,000	87,442	54.70%	60.35%	38.52%	
Sorsogon	650,535	125,191	2.04	5.19	86	41.4	11,138	87,434	63.75%	25.38%	24.14%	
Zam Norte	823,130	161,512	1.42	5.14	76	45.6	9,090	87,107	34.44%	11.89%	18.29%	
Dav Norte	1,324,055	271,610	2.2	4.92	68	38.9	10,514	86,499	53.35%	17.87%	29.24%	
Ifugao	161,623	31,346	1.67	5.20	81	55.6	11,852	85,245	36.80%	22.99%	9.64%	
Marinduque	217,392	43,921	1.81	4.95	79	45.2	12,115	84,842	55.05%	23.51%	4.80%	
N Cotabato	958,643	188,581	2.30	5.00	69	42.9	10,338	82,098	36.16%	12.67%	23.48%	
Sur Norte	481,416	92,645	1.84	5.19	77	42.4	10,987	80,261	56.85%	25.38%	26.68%	
Bohol	1,139,130	213,215	2.95	5.34	79	47.3	9,125	77,291	58.31%	23.71%	24.15%	
S Kudarat	586,505	114,461	2.52	5.12	76	54.3	11,368	75,756	42.95%	7.23%	21.42%	
Romblon	264,357	53,731	1.67	4.91	85	55.2	11,005	73,396	41.49%	21.28%	19.42%	

Source: Provincial Survey, 2004.

Matching of IRA and LGU Responsibilities, 1995-2001

	Province	Cities	Municipalities	All LGUs
1995				
Aggregate Net Resource	(0.320)	2.692	(0.114)	2.258
Transfer (in billion pesos) ^{a/}				
Number of LGUs with Negative	48	0	983	
Per Capita Net Resource Transfer				
1997				
Aggregate Net Resource	(1.569)	1.501	(2.231)	(2.299)
Transfer (in billion pesos) ^{b/}				
Number of LGUs with Negative	58	12	1,327	
Per Capita Net Resource Transfer				
1998				
Aggregate Net Resource	(2.743)	0.052	(3.029)	(5.720)
Transfer (in billion pesos) ^{c/}				
Number of LGUs with Negative	65	35	1,336	
Per Capita Net Resource Transfer				
1999				
Aggregate Net Resource	(0.745)	2.746	(0.312)	1.689
Transfer (in billion pesos) ^{d/}				
Number of LGUs with Negative	50	28	893	
Per Capita Net Resource Transfer				
2000				
Aggregate Net Resource	0.670	4.105	1.331	6.106
Transfer (in billion pesos) ^{e/}				
Number of LGUs with Negative	33	16	617	
Per Capita Net Resource Transfer				
2001				
Aggregate Net Resource	0.253	3.972	0.975	5.200
Transfer (in billion pesos) ^{f/}				
Number of LGUs with Negative	35	20	644	
Per Capita Net Resource Transfer				
^{a/} LGU cost adjusted for inflation, salary standardization increases (1.42), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. ^{b/} LGU cost adjusted for inflation, salary standardization increases (1.79), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. ^{c/} LGU cost adjusted for inflation, salary standardization increases (2.22), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. ^{d/} LGU cost adjusted for inflation, salary standardization increases (2.5), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. ^{e/} LGU cost adjusted for inflation, salary standardization increases (2.5), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. ^{f/} LGU cost adjusted for inflation, salary standardization increases (2.625), benefits under the Magna Carta for Health Workers, salaries of additional mandatory positions and 3 sectoral representatives and population growth. Source: 1995-1998 results from Manasan (2001), 1999-2000 re-estimated to reflect actual developments in IRA in those years				

Revenue Effort of All Local Governments, (Ratio to GNP in Percent)

ALL LGUS	Average		1991	1993	1995	1997	1999	2002
	1985-1991	1992-2002						
TOTAL OWN-SOURCE REVENUE	0.81	1.18	0.84	1.18	1.15	1.30	1.20	1.16
I. TAX REVENUES	0.53	0.89	0.56	0.91	0.87	0.96	0.91	0.90
Real Property Tax	0.33	0.45	0.34	0.37	0.45	0.50	0.46	0.42
Other Taxes	0.21	0.44	0.21	0.53	0.42	0.46	0.45	0.47
II. Operating & Miscellaneous Revenues	0.25	0.28	0.26	0.27	0.28	0.31	0.29	0.26
III. Capital	0.02	0.01	0.02	0.00	0.00	0.03	0.00	0.00
PROVINCES	Average		1991	1993	1995	1997	1999	2002
	1985-1991	1992-2002						
TOTAL OWN-SOURCE REVENUE	0.16	0.15	0.15	0.16	0.17	0.17	0.15	0.13
I. TAX REVENUES	0.08	0.10	0.07	0.11	0.11	0.10	0.11	0.09
Real Property Tax	0.07	0.07	0.06	0.08	0.08	0.08	0.07	0.06
Other Taxes	0.02	0.03	0.01	0.03	0.04	0.02	0.03	0.03
II. Operating & Miscellaneous Revenues	0.07	0.05	0.08	0.06	0.06	0.06	0.05	0.04
III. Capital	0.01	0.01	0.00	0.00	0.00	0.02	0.00	0.00

Percent Distribution of Local Government Expenditures by Type of Expenditure %)

A. ALL LGU's	Average		1991	1993**	1995	1997	1999	2001
	1985-1991	1992-2001						
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PS	46.5	46.9	44.7	46.6	45.3	47.3	48.1	45.5
MOOE	37.1	34.2	32.8	34.5	33.4	33.0	34.3	35.5
CO	16.4	18.9	22.4	18.9	21.4	19.7	17.5	19.1
Ratio of PS to Reg. Income in Previous Year	63.9	56.8	66.0	72.8	55.4	62.4	57.8	50.1
B. ALL PROVINCES	Average		1991	1993**	1995	1997	1999	2001
	1985-1991	1992-2001						
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PS	44.2	48.4	41.6	49.9	48.4	48.8	50.8	45.1
MOOE	36.9	34.7	35.2	37.3	35.9	33.8	33.9	35.4
CO	18.9	16.9	23.3	12.8	15.6	17.4	15.3	19.6
Ratio of PS to Reg. Income in Previous Year	75.5	58.4	75.9	87.1	58.4	67.5	59.1	48.9
C. ALL MUNICIPALITIES	Average		1991	1993**	1995	1997	1999	2001
	1985-1991	1992-2001						
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PS	45.9	55.3	46.1	51.5	52.6	55.7	57.9	55.3
MOOE	39.2	31.1	33.3	32.4	31.3	30.8	31.0	31.1
CO	14.9	13.6	20.5	16.1	16.1	13.5	11.2	13.6
Ratio of PS to Reg. Income in Previous Year	63.6	64.4	68.4	80.7	62.4	71.8	68.8	57.6
D. ALL CITIES	Average		1991	1993**	1995	1997	1999	2001
	1985-1991	1992-2001						
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PS	49.4	38.2	45.8	37.4	35.9	38.4	38.1	37.5
MOOE	34.6	36.7	30.0	35.1	33.8	34.5	37.6	39.2
CO	16.0	25.1	24.2	27.4	30.3	27.1	24.3	23.4
Ratio of PS to Reg. Income in Previous Year	57.1	48.1	57.1	53.8	45.8	50.5	47.0	43.8

