

Data-Driven Devolution: Empowering Philippine LGUs for Effective Service Delivery

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ABSTRACT

This paper assesses the challenges posed by Executive Order 138 (EO 138) in devolving functions from national government agencies (NGAs) to Local Government Units (LGUs) in the Philippines. Emphasizing the need for a paradigm shift in perceiving LGUs as crucial partners in nation-building, this study presents data-driven evidence of the fiscal inadequacy of LGUs in assuming additional responsibilities. Such inadequacies are reflected in the data pertaining to the average increase due to the Mandana-Garcia Ruling per level of LGU, the increase in spending by LGUs following the downloading of additional funds, and the variation in fund balances across LGUs. Proposing a service delivery-focused approach, this study advocates identifying “universal” services to be delivered by LGUs and “targeted” services based on local needs. A mathematical framework is suggested to determine LGU financial capability, emphasizing the subsidiarity and decentralization principles. This paper calls for the issuance of an Executive Order focusing on this shift in perspective and repealing EO 138, s. 2021, and the formulation of a National Strategic Framework for Local Government Empowerment.

Background and Context

Decentralization in the Philippines has a long and complex history. Before the 1991 Local Government Code, local governance followed a centralized model. While local governments held some autonomy, overall control rested with the national government, consequently limiting the resources and decision-making power available to local government units (LGUs).

Section 6, Article X of the 1987 Philippine Constitution stipulates that “local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.” This principle was echoed in Section 284 of the Local Government Code of 1991 (Republic Act No. 7160), which granted LGUs a 40% share of the “national internal revenue taxes” (NIRT).

However, the landmark 2019 Supreme Court decision in the “Mandanas-Garcia Case” challenged this interpretation. The Court ruled that the just share of LGUs from the national taxes is not limited to “national internal revenue taxes” collected by the Bureau of Internal Revenue but includes collections (customs duties) of the Bureau of Customs and other tax collecting agencies. This has expanded the tax base for LGU funding. In 2022, LGUs received a total of PhP 959.04 Billion from the National Government in NTA shares, which is an increase of PhP 263.55 Billion (or about 38% increase) from the previous year. However, in truth, only about 27% of the 38% increase could be attributed to the Mandanas-Garcia Ruling; LGUs would have received an increase of approximately 11% even without the Mandanas-Garcia

Data-Driven Devolution: Empowering Philippine LGUs for Effective Service Delivery

Ralfhee Blake Barrios

Ruling based on the average increase in NTA pre-Mandanas (from to 2014-2021). In 2023, NTA shares decreased by 16% compared to FY 2022 due to lower tax collections in 2020 as a result of the COVID-19 pandemic. Despite the decrease in NTA shares in 2023, it should be noted that this is still higher than the average IRA share from 2016 to 2021 of only PhP 559.69 Billion.

It is important to note that LGUs in the Philippines continue to depend significantly on NTAs as their primary source of revenue. In 2021, NTA constituted more than 60% of the overall revenue generated by LGUs.

While the ruling provided a positive development for LGUs, certain challenges have surfaced, particularly regarding the implementation of the ruling by the Executive Department. As part of its fiscal management response, the executive branch signed and issued Executive Order No. 138, series of 2021 (EO 138), mandating the full devolution of certain functions of the executive branch to local governments, among others. Per said EO, the functions, services, and facilities that shall include those indicated under Section 17 of RA No. 7160 and other existing laws that subsequently devolved functions of the NG to the LGUs should be fully devolved from the NG to the LGUs between FY 2022 and not later than the end of 2024.

The NGAs concerned and all LGUs were directed to prepare and implement their respective devolution transition plans (DTP) to ensure smooth implementation of the full devolution of basic services and facilities.

However, it is now 2024 and it is apparent that these devolution transition plans are nearly implementable within the year. Of the 20 national government agencies, only three (3) have approved DTPs: the Commission on Population and Development, the Department of Health, and the Department of Finance. Meanwhile, of the more than 43 thousand local government units, there are only 2.6 thousand LGUs, mostly barangays, that have not yet submitted their DTPs per DILG's DTP Repository. Provinces, cities, and municipalities submitted their DTPs completely.

There are two points of view for EO 138. On the one hand, we have the national government asking itself how it can ensure that there would not be any corresponding diminution in the delivery of public services or even ensure improved service delivery, even as its spending on its own account is reduced. On the other hand, LGUs are baffled at how their LGU can undertake all the functions relegated to them by about 27 national government agencies, and still be able to improve service delivery for their constituents.

First, it is imperative to undergo a profound paradigm shift in our approach to LGUs, transitioning away from perceiving them as inferior entities that merely delegate tasks by higher-level governments. Instead, we must adopt a perspective that recognizes LGUs as indispensable partners in the collaborative endeavor of nation building, where their roles are important and complementary to the broader objectives of the national government. This collaboration between national and local governments is underscored in the Philippine Development Plan 2023-2028, which envisions bringing local governments into equal partners in the development agenda of the country. It recognizes the role of LGUs in explaining the differences between regional development and stagnation. The same vision was highlighted by President H.E.. Ferdinand R. Marcos, Jr., on several occasions.

Second, there is reason for LGUs to be concerned when assuming functions enumerated by NGAs in compliance with EO 138. In reality, when the increase in NTA in 2022, considering only the amount attributable to the Mandanas-Garcia Ruling, is broken down based only on the % of share per LGU level and by the number of LGUs, the increase for barangays is only at about 0.9 Million, 43 Million for municipalities, 297 Million for cities and 537 million for provinces. This is a back-of-the-envelope straight-

line computation that does not yet consider the population, land area, and equalization formula, but provides a preview of the increments per LGU level versus the costs of functions to be devolved.

As an illustration, based on Annex A of the Implementing Rules and Regulations of Executive Order No. 138, s. 2021, municipalities are expected to establish local infrastructure services such as school buildings and other facilities for public elementary and secondary schools because they received additional funds of about PhP 43 Million. The total cost of the School Building Package per classroom is about 2.0 Million and there is a requirement of 110,954 classrooms or a total fund requirement of PhP 222 billion nationwide or on the average PhP 149 million per LGU. To put more context into this example, the average operating income of each municipality was only PhP 237.49 million in 2022. This is merely an illustration, but the Department of Education has yet to have an approved DTP, and, according to current discussions, there is reason to believe that it is not inclined to devolve the same.

Considering the breakdown in increments of each level of LGU following the Mandanas-Garcia Ruling, will these averages sufficiently cover the functions enumerated by the NGAs in their DTPs? Will LGUs afford the equivalent manpower complement to carry out these functions? Will they have the requisite technical skills required by NGAs asking them to undertake select functions? The implementation of EO 138 is rife with baffle questions.

Additionally, local government spending will increase by 15% in 2022, following a 38% increase in the NTA. This is higher than the average annual increase in spending on LGUs pre-COVID-19 by 9% and 2021 spending of only 4%. This indicates that LGUs are already actively utilizing these increased resources to fund existing local programs or previously laid out plans, or generally to improve service delivery within their jurisdictions. Note, however, that this 15% increase in spending is reflective only for the first year of implementation of the ruling and is expected to increase in the succeeding years. Hence, instead of viewing LGU funds from the Mandanas-Garcia Ruling as “free money” for assuming devolved functions, the national government should recognize that LGUs are already using their increased funds based on their own priorities as laid out in the Comprehensive Development Plans (CDPs), Local Development Investment Plans (LDIPs), and the more than 30 other local planning tools. Imposing additional functions without considering these plans may disrupt existing programs and hinder long-term development goals.

The concern of LGUs on EO 138 is also evident in the 2022 fund balances of LGUs, wherein 775 LGUs, representing 45% of the total 1,715 LGUs, have fund balances below 100 million, suggesting that even in the absence of additional devolved functions, their total income merely covers their existing total expenditures and provides a limited surplus.

Examining the disaggregated fund balances of LGUs reveals a stark reality: for the majority of LGUs, their total income is sufficient to meet current total expenditures. Notably, this analysis underscores the significant variation in fund balances across LGUs and highlights the concentration of these fund balances among higher-income LGUs. These variations and concentrations can be obtained from the following data:

High Fund Balance (Over PhP 1 billion)¹:

- Total LGUs: 154
 - First-Class Cities: 39
 - First-Class Municipalities: 9

¹ The categorization of LGUs into high, mid, and low fund balance tiers is solely for the purposes of this study. These classifications are not universally accepted standards but are used here to facilitate a clearer analysis and comparison among different LGUs. As such, these categories should be interpreted within the context of this specific research and not necessarily applied to other studies or evaluations.

Data-Driven Devolution: Empowering Philippine LGUs for Effective Service Delivery

Ralfhee Blake Barrios

- First-Class Provinces: 40
- Second-Class Cities and Below: 66

Mid-Fund Balance (Between PhP 500-999 million)

- Total LGUs: 104
 - First-Class Cities: 4
 - First-Class Municipalities: 32
 - First-Class Provinces: 2
 - Second-Class Cities and Below: 66

Low Fund Balance (Below PhP 500 million)

- Total LGUs: 1,457
 - Cities: 31
 - Municipalities: 1,420
 - Provinces: 6
- Sub-Categorization by Fund Balance Range
 - Between PhP 250-499 million: 204 (12%²)
 - Between PhP 100-249 million: 478 (28%)
 - Below PhP 100 million: 775 (45%)

While the total fund balance is PhP 738.72 billion, 85% of LGUs have fund balances below 500 million. This indicates a financial imbalance because high fund balances are primarily concentrated in first-class cities, municipalities, and provinces. For example, 16 LGUs in Metro Manila alone control 13% of the total fund balance, and only 10 LGUs control 17% of the fund balance, as shown in Tables 1 and 2.

Table 1. Fund Balances of Metro Manila LGU

LGU NAME	LGU TYPE	INCOME CLASS	FUND/ CASH BAL- ANCE, END 2022
Caloocan City	City	1st	6,732.92
Las Piñas City	City	1st	6,073.51
Makati City	City	1st	18,938.55
Malabon City	City	1st	1,449.16
Mandaluyong City	City	1st	2,578.98
Manila City	City	Special	4,311.08
Marikina City	City	1st	1,552.70
Muntinlupa City	City	1st	2,901.21
Navotas City	City	2nd	1,579.00
Parañaque City	City	1st	3,027.28
Pasay City	City	1st	1,043.30
Pasig City	City	1st	10,140.85
Quezon City	City	Special	15,155.44
San Juan City	City	1st	3,032.51
Taguig City	City	1st	16,764.17

² Of the 1,715 LGUs.

Table 2 Top 10 LGUs with Highest Fund Balances

REGION	PROVINCE	LGU NAME	LGU TYPE	INCOME CLASS	FUND/ CASH BALANCE, END 2022
NCR	Metro Manila	Makati City	City	1st	18,938.55
NCR	Metro Manila	Taguig City	City	1st	16,764.17
NCR	Metro Manila	Quezon City	City	Special	15,155.44
Region IV-A	Rizal	Rizal	Province	1st	13,113.53
Region XI	Davao Del Sur	Davao City	City	1st	12,614.10
NCR	Metro Manila	Pasig City	City	1st	10,140.85
Region IV-A	Cavite	Cavite	Province	1st	10,009.44
Region I	Ilocos Sur	Ilocos Sur	Province	1st	9,407.47
Region VII	Cebu	Cebu	Province	1st	8,597.60
Region VII	Cebu	Cebu City	City	1st	8,404.27

Thus, asking LGUs to undertake specific additional functions with their additional funds from Mandanas Garcia Ruling might have adverse consequences. First, it stifles the ability of LGUs to invest in existing local programs or implement plans to improve service delivery within their jurisdictions. In the same light, it fosters a culture of compliance with innovation, with LGUs scrambling to meet minimum standards instead of focusing on developing locally driven solutions to their unique challenges. Additionally, it might exacerbate the fiscal imbalance among LGUs, with higher-income LGUs being able to assume additional functions almost unscathed and lower-income LGUs struggling to make ends meet only to be able to comply with these additional mandates. Finally, it risks undermining local autonomy by imposing a top-down approach to service delivery, which fails to account for the diverse needs and priorities of different communities.

Optimizing Resource Allocation in Service Delivery

This is why LGUs, their leagues, and the Union of Local Authorities of the Philippines (ULAP) have been adamant about Executive Order 138 (EO 138), which President Ferdinand R. Marcos, Jr. recognized to the point of having the implementation of said EO suspended pending further study of the EO and the issues arising therefrom (Presidential Directive No. PBBM-2023-264-265).

Albeit perhaps coincidentally, this suspension was made on the day ULAP also submitted its proposal to navigate the shift from a devolution-centered response to the Mandanas-Garcia Ruling of the Supreme Court to a service delivery-centered response.

What this proposal effectively means is that instead of asking LGUs to undertake “x” number of functions enumerated by national government agencies, which consequently shocks the system by overwhelming local government capacity, the focus of resources and energy should be on improving service delivery at the local level.

What this really means is “let us all move on from talking about what NGAs will no longer be doing because LGUs now have additional funds” to “now that LGUs have additional funds and consequently (also

Data-Driven Devolution: Empowering Philippine LGUs for Effective Service Delivery

Ralfhee Blake Barrios

possibly) some additional fiscal space for improvement, let us talk about how LGUs and NGAs can work together to improve service delivery.³

To do this, we must first identify the services LGUs have to deliver unequivocally. These have previously been referred to as “essential” services, but they can also be aptly referred to as “indispensable” or “non-negotiable” services. These services are applicable across all LGUs and contribute to the national development agenda, as embodied in the Philippine Development Plan, by providing accessible and affordable primary healthcare services, supporting local food production, facilitating access to nutritious food for all, ensuring clean and accessible drinking water, proper sanitation facilities, and waste management to protect public health and sanitation, among others.

There are then sectoral priorities that certain LGUs must take the lead on, such as the eradication of certain diseases such as HIV, TB, or Malaria, disaster response, or support of small and medium enterprises, among others. The level of relevance of these sectoral priorities varies across the local government units. For instance, LGUs that are more typhoon-prone will need to invest more in DRRM than those in Mindanao, whose services must be geared toward responding to armed conflict situations. Similarly, island and coastal LGUs need to focus on maritime facilities and coastal resource management. LGUs located in agricultural regions may prioritize post-harvest or agro-processing facilities, whereas those in tourist destinations might invest heavily in sustainable tourism practices and cultural preservation initiatives. These should also be factored in when assigning functions to LGUs. This allows for a needs-based, data-driven, and scientific approach wherein additional funds received by LGUs can be utilized based on their unique needs, plans, and aspirations.

However, these services are still general and will need to be unbundled to the degree necessary to apportion the components of broad functions between the government units involved in service provision/production in an exclusive manner (GTZ 2009:16). Unbundling in service delivery involves taking a broad function and dividing it into smaller stand-alone components. This essentially entails disaggregating a service package into its constituent elements, enabling independent analysis, allocation, and management of each component. Providing accessible and affordable primary healthcare services is a broad service that must be unbundled into several components, such as the establishment of healthcare facilities, staffing/human resources, procurement and distribution of medical supplies and pharmaceuticals, implementation of preventive care programs such as vaccination programs, education, awareness campaigns, and budgeting for healthcare services. These components should then be assigned in an exclusive manner to the appropriate level of government based on the principles of subsidiarity and decentralization. The test for unbundling a service package determines whether a component can still be decomposed to a smaller degree that can be assigned to the government level.

Central to this approach is having the cost data of the services to be determined per capita to enable the government to determine the financial capability of each LGU, or the lack thereof, to undertake: (1) identified “indispensable” or “non-negotiable” services and (2) sectoral priorities. For consistency with the terminologies already in use by the Department of Interior and Local Government, we will refer to the “indispensable” services as universal services and sectoral priorities as targeted services at this point in the discussion.

³ Improving local service delivery means LGUs are able to address both the basic and unique needs of their communities through effective planning and resource allocation.

Data-Driven Framework

Considering these factors, and in order not to shock the system (by overwhelming local government capacity), the NGA must be able to determine the financial capability of each LGU. The following framework can be considered.

LGU Financial Capability = Total Income - Cost of Local Services

Cost of Local Services = [(per capita costs of universal services) + Σ (per capita cost of targeted services $\times \alpha$)...] $\times$ LGU population

Where:

per capita costs of universal services = cost per person of each identified universal service such as Σ [(e.g. per capita cost of water supply) + (e.g. per capita cost of sanitation) + (e.g. per capita cost of healthcare) + ...];

Per capita costs of targeted services = cost per person for each prioritized service within a specific sector; α (or the sectoral target coefficient) is the weight factor of each priority based on the relative position of the index/matrix value for each priority compared to the mean (proportional weighting).

LGU population = total number of people residing in the LGU.

As an illustration, the sample computation of the financial capability of provinces to deliver universal and targeted health services is presented. However, it must be noted that the illustration below merely shows the operationalization of the function: the scope of universal and targeted services was established through desk review for this research, and the cost data were extracted from the extant, albeit scant, resources.

Cost of Local Services = [Σ per capita costs of universal health services) + Σ (cost per targeted health services per capita $\times \alpha$)...] $\times$ LGU population

Σ per capita costs of universal health services = Σ (basic_health-services_cost) + (provincial_health_office_costs) + (establishment_of_tertiary_hospitals) + (ps_&_mooe_of_hospitals) + (disease_surveillance)/ population

Σ (costs per targeted services per capita $\times \alpha$)... = Σ (hypertensive_drugs $\times$ (%_of_hypertensive_population)) + (hepatitis_sreening $\times$ (prevalence_of_hepatitis_in_the_province)) + (HIV_screening $\times$ (prevalence_of_HIV)) + (deworming_of_pregnant_woment $\times$ (deworming_factor)) + (amoxicilin_drops_and_suspension_procurement $\times$ (prevalence_of_infectious_diseases)) + (STI_treatment $\times$ (prevalence_of_STI)).../ population

Cost of Local Health Services Per Capita = [349.74, 377.10]

Then we compute for:

LGU Financial Capability = Health Spending Allocation of LGU - Cost of Local Health Services

Based on this framework and the data used for the illustration, 47 (58%) provinces have the financial capability to assume the identified universal and targeted services and 34 (42%) provinces are unable to deliver these services based on their fund allocation for health, as reflected in their mean spending over the last two years. The fiscal space for each LGU, net of these costs of local health services, can be presented as disaggregated data to reflect the individual capacities of the LGUs. However, this is just an illustration, and although attempts have been made to source the most accurate cost data, the cost data used may not be as accurate as the data of concerned NGAs or LGUs.

Data-Driven Devolution: Empowering Philippine LGUs for Effective Service Delivery

Ralfhee Blake Barrios

From this framework, we will be able to determine the services that LGUs are able and unable to carry out, the sectoral priorities that each LGU can or are unable to address, the available fiscal space of local government units, and areas where higher-level governments can extend support. This also allows us to disaggregate data on the performance of each LGU across priority sectors. Moving one step further, a correlation analysis could be undertaken between financial capacity and LGU performance to determine whether the poor performance of an LGU in a certain sector can be correlated to its lack of fiscal capacity. However, as previously mentioned, there is a need for data on the following:

- List of “indispensable” services and their costs
- List of priorities per sector and their costs

Meanwhile, the sectoral target coefficient or the weight factor of each priority can be obtained, directly or indirectly, from available disaggregated data, such as whether an LGU is agricultural or otherwise (direct), or the risk to or frequency of natural disasters (indirect). Acquiring sector-specific target coefficients of LGUs will also facilitate performance analysis based on data-driven insights.

These data must first be obtained with the highest degree of accuracy to operationalize the framework.

This approach essentially ensures that LGUs can carry out the universal services required as well as target priorities, particularly in areas that need them the most data-wise. At the same time, it will allow the government to determine where complementary or supplementary support is required. Complementary support refers to the collaboration and coordination between different levels of government and stakeholders to ensure that essential services are delivered efficiently and effectively. For example, in solid waste management, cities and municipalities can collaborate with provinces to ensure proper waste disposal and management at landfill sites. This approach ensures that the responsibilities of the different levels of government are complementary and distinct.

On the other hand, supplementary support refers to the provision of additional resources or support from higher levels of government to lower levels of government to ensure the delivery of essential services. For instance, higher levels of government can provide financial support or resources to lower levels of government to improve their capacity to provide solid-waste management services. This approach ensures that the responsibilities of different levels of government are clearly defined and the necessary support is provided to ensure effective service delivery.

When determining supplementary support, higher-level governments can develop programs that directly support the efforts of the LGU, especially in carrying services on sectoral priorities. This can be in the form of financial assistance to LGUs or capital investment to carry out local service delivery.

Currently, there are already national government programs that provide supplementary support to LGUs on certain sectoral priorities, such as the Department of Public Works and Highways’ Local Infrastructure Program and the Department of Agriculture’s Farm-to-Market Road Program. However, such programs in support of LGUs can also be institutionalized by institutionalizing this approach.

In addition to enabling complementary and supplementary support mechanisms, this approach will also allow LGUs to appropriate whatever remaining funds they have (or the funds net of the expenses for universal and targeted services) to other expenditures based on their preferred investments and individual plans and aspirations for their constituents.

Operationalization

To operationalize this approach, a course of action could be the issuance of an Executive Order (EO) from the president, repealing EO 138, and instituting a new approach geared towards service delivery.

The new EO should focus on improving service delivery at the local level, not only in light of the additional fiscal space brought about by Mandanas-Garcia Ruling but also because it is necessary, beneficial, and practicable. This is reflected in stark data, such as the human development index (HDI), which grew only from 0.60 in 1991 to 0.70 in 2021, with the Philippines lagging behind its regional peers, Singapore, Malaysia, Vietnam, and Thailand, and the Gini index, which decreased by only 6% in 32 years. Likewise, poverty indices have not improved to the expected level in the country, with only an 11% decrease in the incidence of poverty in the last 32 years.

EO should lay the foundation for determining indispensable universal services as well as targeted services and their corresponding costs. Likewise, the applicability of these services must be based on factors, such as needs or local contexts.

In determining the “universal” services the test should be “whether or not the service is essential for the well-being and development of the community, irrespective of its geographic location or economic status.” This ensures that fundamental services are uniformly provided to all LGUs regardless of their specific circumstances.

Simultaneously, the identification of targeted services should involve a thorough assessment of the local needs, vulnerabilities, and priorities. This requires a nuanced approach that considers the unique characteristics of each LGU, recognizing that a one-size-fits-all solution may not be effective.

Furthermore, EO should mandate the collaboration of national government agencies, LGUs, and relevant stakeholders in defining the cost components for each service. This collaborative effort contributes to the accuracy and relevance of the cost data, ensuring that it reflects the actual requirements for service delivery.

To do this, guiding principles such as subsidiarity, aligning functional responsibilities and expenditure assignments, aligning local and national development goals, improving intergovernmental collaboration, data-driven governance, and the entire government approach should be implemented.

To sustainably operationalize the framework for determining LGU’s financial capability, the EO should establish a dedicated body or commission responsible for periodically updating and validating the list of universal and targeted services along with their corresponding costs. This body could involve representatives from the Department of the Interior and Local Government (DILG), the National Economic Development Authority (NEDA), the Union of Local Authorities of the Philippines (ULAP), other relevant agencies, and experts in various fields.

Implementation of the framework should also include capacity-building initiatives for LGUs, focusing on enhancing their ability to plan, budget, and manage resources effectively. This empowers LGUs to take on additional responsibilities while maintaining high standards of service delivery.

To address the current financial imbalances among LGUs, EO should explore mechanisms for redistributing resources based on need. This could involve the creation of a fund dedicated to supporting LGUs with limited financial capacity, ensuring that they have the resources required to deliver the essential services. Another funding mechanism that could be put in place is the allocation of NGAs to funds to support LGUs’ implementation of the identified sectoral priorities.

National Strategic Framework for Local Government Empowerment

While there are many efforts geared toward improving fiscal decentralization, there is a notable absence of a strategic framework to guide both national and local governments in fulfilling this crucial objective, consistent with the Philippine Development Plan's aspiration to bring local governments into national development partners.

For instance, while the PDP aims for strong local governments that raise more than 30 percent of their total revenue from local sources, there should be a clear roadmap to determine how this objective could be achieved and the actions needed to undertake the same. As a status quo, there are only two provinces, 55 cities, and 79 municipalities that have raised more than 30 percent of their total revenues from local sources as of 2021.

Such a strategic framework should encompass not only the delineation of roles for LGUs in attaining local and national developments, but must also incorporate, among other essential elements, the desired outcomes, strategic objectives, priority initiatives, and the necessary enabling mechanisms such as the improvement of non-tax revenues, local tax revenues, and generally, local source revenues. This holistic approach is vital for creating a comprehensive strategy that empowers LGUs to effectively contribute to the national development agenda.

As such, this study recommends the development of a National Strategy for Local Government Empowerment: Fiscal Decentralization, Enhanced Service Delivery, and Interlocal Collaboration, which will provide a roadmap for LGUs to become equal partners in nation-building.

Conclusion

This study critically examines the challenges posed by EO 138 in devolving functions from NGAs to LGUs in the Philippines. Through an in-depth analysis of fiscal inadequacy and the implementation of EO 138, it is evident that a paradigm shift is necessary in our approach to LGUs.

The data-driven evidence presented highlights the financial challenges faced by LGUs in assuming additional responsibilities in the context of EO 138. While a positive development, the increase in NTA shares does not necessarily align with the financial capability of LGUs to fulfill devolved functions. Moreover, the disparity in fund balances among LGUs further underscores the complexity and urgency of this situation.

The paper advocates for a service delivery-focused approach, emphasizing the need to identify “universal” and “targeted” services based on local needs. The proposed mathematical framework for determining LGU financial capability rooted in subsidiarity and decentralization principles provides a structured method for assessing LGUs' capacity to deliver essential services.

The critique of EO 138 highlights the practical challenges faced by both the national government and LGUs in ensuring effective service delivery amid the devolution process. The call for the repeal of EO 138 and the formulation of a National Strategic Framework for Local Government Empowerment align with the broader vision of bringing LGUs as equal partners in the development agenda of the country.

The proposed National Strategic Framework for Local Government Empowerment, encompassing the delineation of roles, strategic objectives, and priority initiatives, addresses the existing gap in guiding fiscal decentralization efforts.

In conclusion, this study advocates for a comprehensive and strategic approach to local government empowerment, recognizing LGUs as crucial partners in nation-building. The proposed framework and

recommendations underscore the importance of collaborative efforts, data-driven governance, and a whole-of-government approach to ensure sustainable and effective decentralization, ultimately enhancing service delivery at the local level.

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