



Financing for Local Development: Issues, Prospects & Opportunities

Gil S. Beltran
Undersecretary and Chief Economist
Department of Finance

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BLGF's Mandate



- Assist in formulating policies on local government revenue administration and fund management
- Exercise administrative, technical supervision and coordination over local treasury and assessment operations
- Oversee appointments, designations, and personnel action of all local treasurers and assistant treasurers
- Develop, implement and monitor plans and programs for the improvement of resource management system, collection enforcement mechanisms and availment of credit financing
- Provide consultative services and technical assistance on local taxation, real property assessment and other related matters
- Supervise the 15 Regional Offices

FINANCING OPTIONS FOR LGUs



Financing Options for LGUs



The DOF thru the Bureau of Local Government Finance (BLGF) offers:

Assessment Loan Revolving Fund (ALRF)

- ❖ created under PD 1002 on 22 September 1976, appropriated sum of ₱50 Million to be loaned to LGUs without interest, for purposes of undertaking Tax Mapping Projects, periodic revision of Real Property Assessments, and other Real Property Assessment programs in order to accelerate an effective Real Property Tax Administration System designed to maximize revenues from real property taxation. The actual amount released by the Bureau of the Treasury for the ALRF was ₱30 Million.

Local Government Finance Support Program (LGFSP)

- ❖ a medium to long term program regarded by the BLGF and MDFO as a sustainable intervention that will allow LGUs to improve financial position to generate local revenues through a systematic conduct of Real Property Tax Administration (RPTAP) and Business Tax Enhancement Program (BTEP), initial fund is ₱210M from MDF-Second Generation Fund.

Financing Options for LGUs



The DOF thru the Municipal Development Fund Office (MDFO) provides concessional financing and free technical assistance to LGUs nationwide. MDF-SGF Financing Windows available for Cities are:

- ❖ Disaster Management Assistance Fund (DMAF)
- ❖ Municipal Development Fund Project (MDFP)
- ❖ Project Technical Assistance and Contingency Fund (PTACF)
- ❖ Public-Private Partnership Fund (PPP)

MDFO loan packages have:

- ❖ Concessional interest rates ranging from 0% - 5.5%;
 - ❖ Fixed interest rates for the duration of the term;
 - ❖ Longer repayment period; and
 - ❖ Grace period on the payment of the principal for at least the first 3 years of the loan
- **Brochures are downloadable at www.mdfo.gov.ph**

Financing Options for LGUs



Municipal
Development
Fund
Office

**GFIs with Universal Bank license and
BSP CAMELS Rating of at least “3”**
(DOF Circular 001-2015 dated 01 June 2015)



LANDBANK

Other GFIs & FIs



Assessment
Loan
Revolving
Fund
(ALRF)

Local
Government
Finance
Support
Program
(LGFSP)



LGUGC
LGU Guarantee Corporation



**PROPOSED
INCOME
CLASSIFICATION BILL**
DOF PRIORITY LEGISLATIVE MEASURE



Proposed Income Classification Bill

BACKGROUND

- **Executive Order No. 249, s. 1987**
 - ❖ LGUs are classified into 6 income classes based on the average annual income for the last 4 years immediately preceding the reclassification. Cities of Manila and Quezon are Special Class and exempt from these classification.
 - ❖ Sets the income thresholds for each level of LGU which had been periodically revised by the Secretary of Finance.
 - ❖ Section 9 provides that the Secretary of Finance has the authority to review the income ranges at least once every 4 years and may recommend appropriate changes to the proper authority on the income classification of LGUs
- **LGU Income Classification serve as basis for determination of the LGUs financial capability to provide the funding requirements of developmental projects and priority needs within the locality**

Proposed Income Classification Bill

LEGAL ISSUE

- The BLGF thru the DOF requested for a legal opinion on whether or not the Secretary of Finance has the authority **not only to reclassify all LGUs (except Special Class) once every 4 years, but also to readjust/revise the income ranges/benchmarks** stated under EO 249.
 - DOF Secretary's authority: Revising/modifying such schedule of income ranges only extends to recommending such appropriate changes or revision to the proper authority.

Proper authority:

Senate and House of Representatives



- There should have been another reclassification in 2012 but was held abeyance in view of the legal issue. The reclassification was already overdue deemed necessary to propose the LGU Income Classification bill for urgent consideration in the 17th Congress.

Proposed Income Classification Bill

DOF Proposal

- The proposal will enable the DOF to effectively and systematically determine the LGU financial capability and fiscal position that are reflective of the economy and the state of local development.

Proposed reforms:

- a) Grant clear authority to the Secretary of Finance to set income targets and undertake the periodic income reclassification of LGUs
- b) Conduct the reclassification by DOF every 3 years to synchronize with the term of local elective officials
- c) The use of the DOF-BLGF's Statement of Receipts and Expenditures for setting the income ranges for the purpose of LGU income reclassification

Proposed Income Classification Bill

INCOME BRACKETS OF LGUs Per EO 249 and DOF Department Orders (in million PhP)

Income Class by LGU level	Minimum Income Requirements by Year of Classification					
	1991	1995	1997	2001	2005	2008
	Per EO 249 (July 1, 1991)	Per DO 35-95 (May 25, 1995)	Per DO 24-97 (Mar. 26, 1997)	Per DO 32-01 (Nov. 20, 2001)	Per DO 20-05 (July 29, 2005)	Per DO 23-08 (July 29, 2008)
1 st	>30	>75	>120	>205	>300	>400
2 nd	20	50	90	155	240	320
3 rd	15	30	60	100	180	240
4 th	10	20	40	70	120	160
5 th	5	10	20	35	60	80
6 th	<5	<10	<20	<35	<70	<80

For Cities

PROPOSED VALUATION REFORM ACT

DOF PRIORITY LEGISLATIVE MEASURE



Legislative Proposal



REAL PROPERTY VALUATION REFORM BILL

- Aims to **develop and adopt international standards** for use by government and private sector
- Will **adopt a single valuation base**: Schedule of Market Values (SMV) as basis for local and national taxes, and as reference for other purposes such as for lease, expropriation/ROW, socialized housing, etc.
- Seeks to **depoliticize and recentralize the approval of SMVs** from the Sanggunian to the Secretary of Finance (upon review by BLGF and BIR); updating of SMV every 3-5 years
- Support the **professionalization of the valuation practice** (Real Estate Service Act or RA 9646)
- Estimated annual incremental revenues for LGUs: **Php8.03B**

Multiple, Overlapping Valuations

- 23 national government agencies; 1,712 local government units doing valuations
- Each agency using own systems and methodologies:
 - i. wide disparities between the zonal values (ZV), schedule of market values (SMV), and private appraisers' values
 - ii. varying values for the same piece of property
 - iii. lack of confidence in the land valuation system
- Notable disparities noted in 19 sample Cities:
 - i. $SMV < ZV$ by 13% - 94%
 - ii. $ZV < \text{Private Valuation}$ by 5%-930%
 - iii. $SMV < \text{Private Valuation}$ by 187% -7,474%

NEW REGULATIONS and UPDATES



DOF Order 49-2016



Inclusion of Environment and Natural Resources Data in the Electronic Statement of Receipts and Expenditures System for Local Treasurers

- Reports on the payment made by extractive industries and detailed account of the shares submitted by Treasurers shall form part of the quarterly SRE reports;
- The eSRE system shall include ENRDMT to report the following direct and non-direct payments:
 1. Local taxes, fees and other charges;
 2. Receipts of shares from national wealth w/in the LGUs jurisdiction;
 3. Expenditures of LGUs coming from receipts/collections from the extractive industries and shares from national wealth; and
 4. Such other monetary and non-monetary benefits received by LGUs from extractive industries and shares from national wealth.

DILG-NEDA-DBM-DOF

Joint Memo Circular 01-2016



Updated Guidelines on the Harmonization of Local Planning, Investment Programming, Resource Mobilization, Budgeting, Expenditure Management, and Performance Monitoring and Coordination of Fiscal Oversight

- Establish the formal structure and mechanism for convergence of Oversight Agencies;
- Strengthens the linkages of local government processes for better fiscal oversight;
- Clearly identifies and delineates the roles and responsibilities of OA as well as LGUs; and
- Improved public financial management policies, systems and tools within the context of interdependencies and areas of complementation and integration.

DOF Order 06-2015



Professionalization of Treasurers

- **Performance Standards of Local Treasurers and Assistant Treasurers**
 - Sets the operational and competency benchmarks to institutionalize performance-based culture in local treasury operations
 - Performance appraisal system for local treasurers/assistants
 - Basis for personnel action
- DOF-BLGF in partnership with the Civil Service Commission
- Provision of focused trainings by BLGF; partnership with HEIs

Weight	Indicators
70%	Local collection efficiency
	Stable and reliable local revenue growth
	Optimum fund management
	Institution of administrative and judicial remedies
	Reportorial compliance with DOF requirements
	Compliance with COA rules and regulations
	Cost effective local revenue collection
30%	Code of conduct and ethical standards
	Capacity building and professional development
	Professional recognitions and achievements
	Office management tools and support system/s
	Use of non-traditional collection strategies

DOF Order 53-2016



Establishing the Standardized Examination and Assessment for Local Treasury Service (SEAL) Program

- Promotes the continuous professional development of the local treasury service and develop a corps of competent and qualifies local treasury officials who demonstrate and perform their functions with the highest degree of excellence, integrity and professionalism;
- The Three-Level SEAL Program:
 - SEAL 1 Certification: Basic Competencies on Local Treasury
 - SEAL 2 Certification: Intermediate Competencies on Local Treasury
 - SEAL 3 Certification: Advance Competencies on Local Treasury
- Incumbent appointed Local Treasurers and Assistant Treasurers, who enjoy the security of tenure are encouraged to obtain the SEAL 1 (BCLTE) certification

DOF Order 54-2016



Streamlined Certification of Net Debt Service Ceiling and Borrowing Capacity (NBSC BC) of LGUs

- In compliance to the President's SONA directive to streamline documentary requirements;
- Updated and streamlined BLGF guidelines governing the issuance of NBSC BC as to:
 - i. documentary requirements;
 - ii. computational parameters; and
 - iii. reportorial requirements for loans involving local and foreign-assisted projects;
- Previous BLGF requirement of 12 is down to 4.

Ongoing Update of Local Finance Manuals



- Local Treasury Operations Manual (LTOM) – 2016 Edition
- Manual on Real Property Appraisal and Assessment Operations (MRPAAO) – 2016 Edition
- Local Resource Mobilization Manual
- Manual for the Preparation of the Statement of Receipts and Expenditures for LGUs – 2016 Edition

Anti-Red Tape Drive





Simplifying Transactions

- Ease of Doing Business (EODB)—cuts number of steps. Already piloted in Quezon City: From 32 to 8 steps. Moving Forward: Replicate success in interested LGUs.
- Proposed Philippine Business Databank—a component of the Anti-Red Tape Program that seeks to reduce documentary requirements for businesses and discourages submission of fraudulent documents to government agencies
- Will need full cooperation of LGUs in submitting to the Databank basic data on local business permits

LGUs and Private Resource Mobilization



LGUs and Market-Based Private Resource Mobilization: The case of micro-insurance



- Micro-insurance as affordable social protection scheme for the poor (PHP250.00 can buy PHP5-10,000 worth of 1-year insurance for oneself or as a gift to another)
- LGUs as the “eyes and ears” of the Insurance Commission
- Post-Yolanda experience: More than PHP500 million in claims paid to more than 100,000 survivors within the 10-day regulatory period
- Current micro-insurance products include *Bahay-Buhay-Kabuhayan* coverage



www.dof.gov.ph



www.blgf.gov.ph

Thank you!

