



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT

**EXECUTIVE SUMMARY OF THE
DEVOLUTION TRANSITION PLAN (DTP) OF THE
DEPARTMENT OF FINANCE (DOF)
AS REVIEWED AND APPROVED BY THE DBM**

Introduction

This document contains the Executive Summary of the DOF DTP, which was originally submitted on 13 September 2021, and resubmitted on 05 November 2021 and 22 June 2022, up to its final submission on 10 November 2022, in compliance with Executive Order (EO) No. 138 dated 1 June 2021.¹

The DOF highlights that the functions for devolution under its jurisdiction have long been devolved to and already being performed by the local government units (LGUs), and the Department's role relative to these devolved functions is primarily supervisory and coordinative in nature. As such, the DOF DTP focuses on further improving the capacity of LGUs for them to properly manage their fiscal resources for their full assumption of functions and services devolved to them under the Local Government Code of 1991 (Republic Act [RA] No. 7160).

On the Strategic Directions and Shifts

The DOF commits to maintain and ensure fiscal balance while simultaneously upholding the intent and spirit of devolution, in line with the implementation of EO No. 138.

In view of the implementation of the Supreme Court (SC) ruling on the Mandanas-Garcia Case starting FY 2022, which effectively broadened the tax base on which the share of LGUs from the national taxes will be determined, the expenditure assignments provided under RA No. 7160 should be fully observed by both the national and local governments to ensure fiscal sustainability, and to guarantee that fiscal resources shall be managed efficiently towards the delivery of priority development programs and projects of the government.

Accordingly, the DOF takes on the challenge to further capacitate the LGUs in order for the latter to properly manage their fiscal resources for their full assumption of devolved services and functions, and, through the Bureau of Local Government Finance (BLGF), remains steadfast in providing quality supervision of local fiscal operations through proper regulation and capacity development programs on local public financial management (PFM) to support the DTPs of LGUs.

¹ Full Devolution of Certain Functions of the Executive Branch to Local Governments, Creation of a Committee on Devolution, and for Other Purposes

On the Assignment of Functions, Services and Facilities to Each Level of Government

At the outset, it is to be noted that the following functions and services assigned to the LGUs under RA No. 7160 are already fully devolved to LGUs:

- ❖ Upgrading and modernization of tax information and collection services through the use of computer hardware and software and other means **(for provinces)**
- ❖ Information services which include tax and marketing information systems **(for municipalities)**
- ❖ All the services and facilities of the municipality and province **(for cities)**

Specifically, the role of the DOF, through the BLGF, relative to the aforesaid functions and services are generally supervisory and coordinative in nature, particularly on local fiscal and financial management, treasury and assessment matters, appointment of treasurers, resource mobilization, credit financing, and capacity building, among others.

It is further clarified that the DOF does not engage in collection services of, or for, the LGUs, as local generation and collection activities, as well as maintenance of tax information systems, are already fully devolved and directly being performed by the LGUs through the local treasurers. Instead, the DOF primarily issues policies, prescribes manuals, undertakes compliance monitoring through evaluations and electronic reporting, conducts fiscal performance review, and designs and implements pilot systems related to local resource mobilization, which are usually supported by technical assistance grants.

The DOF highlights that these mandated functions and responsibilities of the Department are aimed towards strengthening the foundations of effective fiscal decentralization, where the role of the national government remains vital to improve public service delivery, and that the exercise of said functions is done in collaboration with other oversight agencies, such as the DBM, Department of the Interior and Local Government (DILG), and National Economic and Development Authority (NEDA), and in consultation with stakeholders, e.g., Leagues of LGUs and the business sector, to ensure convergence and alignment of policies and effective implementation at the local level.

As such, the DOF intends to focus on the capacity development strategies for LGUs, and monitoring and evaluation (M&E) of LGU performance and compliance with regard to local fiscal management and revenue mobilization. The DOF likewise included consultations with the LGUs, and the roll-out of capacity building and technical assistance to LGUs, relative to the implementation of EO No. 138 itself. Said strategies and activities identified by the Department are the same per phase throughout the full devolution transition period from FYs 2022 to 2024.

On the Service Delivery Standards

In addition to the *Local Treasury Operations Manual (LTOM) [2nd Edition]* provided under DOF Department Order (DO) No. 085.2019 dated 03 December 2019, and *DILG-NEDA-DBM-DOF JMC No. 1, s. 2016* dated 18 November 2016 on the updated guidelines on the harmonization of local planning, investment programming, resource mobilization, budgeting, expenditure management, and performance monitoring and coordination in

fiscal oversight, the Department enumerated pertinent DOF and BLGF issuances related to service delivery standards and monitoring systems, as follows:

DOF/BLGF Issuance	Brief Description
DOF Department Order (DO) No. 08-2011 dated 11 February 2011: <i>Adoption of the Statement of Receipts and Expenditures (SRE) as the Official Reporting System on Local Government Fiscal and Financial Operations and Providing Rules and Regulations Therefor</i>	Provided the guidelines, procedures and instructions on the submission of Statement of Receipts and Expenditures (SRE) report of the local treasurers in the electronic SRE (eSRE) system
DOF DO No. 059.2015 dated 28 May 2015: <i>Electronic Submission of the Quarterly Report on Real Property Assessments (QRRPA)</i>	Provided the guidelines in the official submission of the QRRPA by the local assessors, as part a part of their duties and function, in the eSRE system
DOF DO No. 053.2016 dated 20 October 2016: <i>Establishing the SEAL Program</i>	Established and institutionalized the Standardized Examination and Assessment for Local Treasury Services (SEAL) program for the effective and efficient discharge of local treasury duties and functions, through a three-level competency certification classified as basic, intermediate, and advanced, with a corresponding examination for each level
Local Assessment Regulations (LAR) No. 1-04 dated 01 October 2004: <i>Manual on Real Property Appraisal and Assessment Operations (MRPAAO)</i>	Provided guidelines on the adoption of a uniform system of real property appraisal and assessment for taxation purposes
BLGF Memorandum Circular (MC) No. 08-01-2017 dated 31 August 2017: <i>Adoption of the LGU Integrated Financial Tools (LIFT) System for the Submission of the eSRE Report</i>	Issued to inform all concerned in the adoption of the LIFT System, as embodied under the DILG-NEDA-DBM-DOF JMC No. 1, s. 2016, for the submission of eSRE reports of provinces, cities and municipalities, and to inform of the enhancement of the system
BLGF MC No. 16-2015 dated 19 June 2015: <i>Local Public Financial Management Tools for the Electronic Statement of Receipts and Expenditures (2015)</i>	Issued for the implementation of the Manual for the Local PFM Tools for the eSRE

With regard to the recommended organizational structure and staffing complement for the LGUs, the DOF prescribes the same for local treasury and assessment offices pursuant to the **LTOM under DOF DO No. 085.2019** (pages 15-46) and the **MRPAAO under LAR No. 1-04** (pages 12-30).

On the NGA and LGU Capacity Development Strategy

For its NGA capacity development Strategy, the DOF aims to further strengthen the technical capacities of their officials and personnel to enhance the issuance of sound policies, provide better service delivery standards and trainings to LGUs, and enhance M&E systems.

Relative to this, the current level of performance of the DOF and BLGF office/units concerned shall be assessed through training needs assessment in order to gauge their capacity and identify the development interventions necessary for the personnel concerned.

The capacity gaps initially identified are mainly on policy evaluation, cascading of policies, enhancement of M&E systems, competency profiling, and designing of trainings, which are intended to be addressed through the corresponding capacity development actions, activities, and/or interventions to be undertaken from the first to third quarter of 2022. Likewise, the progress indicator and measurement tool for these capacity development interventions were provided.

For its capacity development strategy for the LGUs, the DOF highlights that the development and implementation of capacity development programs on local PFM, and the setting of competency standards therefor, particularly for local treasury and assessment services, are inherent to the DOF's mandate to supervise and oversee the revenue operations of all LGUs. As mentioned earlier, the DOF, through the BLGF, regularly conducts and offers capacity building activities and trainings in the area of local treasury and assessment services.

The Department particularly noted the issuance of DOF DO No. 053.2016 establishing the *SEAL*, which is a flagship program implemented by the BLGF in cooperation with the Civil Service Commission, to promote the continuous professional development of the local treasury service and to develop a corps of competent and qualified local treasury officials.

Furthermore, the BLGF developed a *Competency Framework for Local Treasury Service* to further support and sustain the aforesaid program, in order to achieve responsive capacity building programs on LGU treasury services, and commenced the *Local Governance Reform Project*, which will further support the professionalization of local assessors and seeks to improve local public service delivery and strengthen local governance by focusing on improvements to the real property tax (RPT) administration and management reforms.

Lastly, it is highlighted that the DOF, through the BLGF and in coordination with the Philippine Tax Academy, will continuously enhance its programs on capacitating the LGUs in the areas of resource mobilization, revenue administration, and in the adoption of digital technologies in order to improve their revenue collection, among others.

On the Performance Monitoring and Assessment Framework

There are various PFM systems that allow the DOF and the BLGF to monitor and evaluate the revenue and assessment operations of LGUs. The Department identified the following existing performance evaluation systems/mechanisms, which are all handled and implemented by the BLGF:

- ❖ **LIFT System** - An eSRE built-in performance monitoring system for fiscal and financial indicators covering revenue generation, expenditure management, debt and investment management, and overall financial management, wherein the indicators can be clustered and used for measuring the creditworthiness of LGUs.
- ❖ **LGU Fiscal Sustainability Scorecard (FSS)** - The regular evaluation and assessment tool for LGUs in order to: (1) regularly assess individual LGU fiscal and financial performance; (2) provide comprehensive metrics and data analytics on local

finance; (3) support credit financing assessment; (4) assist in local and national policy formulation; and (5) encourage the development of appropriate rewards system; and

- ❖ **Local Government Financial Performance Monitoring System (LGFPMs)** - A web-based system that serves as a portal for the three (3) major LGU financial and governance applications: the eSRE, the LGFPMs, and the Local Fees and Charges Estimation System.

The DOF also emphasized the issuance of **DOF DO No. 034.2014 dated 26 May 2014** which provides that the failure of the local treasurers to submit timely and/or accurate eSRE reports shall constitute sufficient grounds for filing a complaint, in accordance with the Revised Rules on Administrative Cases on the Civil Service (RRACCS).

On the Organization Effectiveness Proposal

The DOF proposed the abolition of 27 positions and the creation of 21 positions, which mostly comprise of technical positions in the BLGF Central Office and one (1) technical position in each of the Bureau's Regional Offices. As noted, the positions proposed for creation are vital in implementing the core functions of the BLGF being an oversight agency for the fiscal operations of LGUs.

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