



Technical Assistance Report

Project Number: 44253-014
Capacity Development Technical Assistance (CDTA)
December 2015

Republic of the Philippines: Support to Local Government Accountability Systems

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 December 2015)

Currency unit	–	peso/s (₱)
₱1.00	=	\$0.0211
\$1.00	=	₱47.375

ABBREVIATIONS

ADB	–	Asian Development Bank
BLGF	–	Bureau of Local Government Finance
DBM	–	Department of Budget and Management
DILG	–	Department of the Interior and Local Government
IT	–	information technology
LGC	–	local government code
LGPMS	–	local government performance measurement system
LGU	–	local government unit
SGLG	–	seal of good local governance
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 44253-014	
Project Name	Support to Local Government Accountability Systems	Department /Division	SERD/SEPF
Country	Philippines	Executing Agency	Department of Interior and Local Government
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Decentralization		0.25
	Public expenditure and fiscal management		0.25
		Total	0.50
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Civil society participation Institutional development Institutional systems and political economy Organizational development Public financial governance	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities		
Partnerships (PAR)	Civil society organizations Implementation International finance institutions (IFI) Private Sector		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Capacity development technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

I. INTRODUCTION

1. The Government of the Philippines has requested the Asian Development Bank (ADB) to provide technical assistance (TA) to improve local government accountability and financial management reporting systems, with a view to ensuring high-quality, efficient, accessible, and nondiscriminatory delivery of public services. The TA is in line with ADB's country partnership strategy, 2011–2016 for the Philippines,¹ and is included in ADB's country operations business plan, 2015–2017 for the Philippines.² ADB conducted a fact-finding mission on 1–21 September 2015, which agreed with the government on the TA's objectives, scope, implementation arrangements, and financing plan. The design and monitoring framework is in Appendix 1.³

II. ISSUES

2. **Inefficient performance accountability systems for local governments.** Local government units (LGUs) account for about 25% of total public expenditure (after debt amortization), the equivalent of about 4% of gross domestic product (GDP). Mindful of the need to measure LGUs' service delivery performance, and the impact of such services on constituents, the Department of the Interior and Local Government (DILG) designed the first local government performance measurement system (LGPMS) in 2003. The LGPMS introduced the concept and practice of performance management among LGUs, which included good governance parameters and indicators aimed at increasing the use of performance information in policy development, planning, budgeting, and operational management. While the LGPMS was groundbreaking when first implemented, and despite some improvements since 2003, the system fell short in some important areas and requires a significant upgrade. Flaws include the LGPMS's lack of analytical capacity to inform budget and planning decisions of local governments, and the absence of an adequate interface with the public, which limits LGUs' accountability to constituents.

3. Since 2010, LGU performance monitoring systems have been proliferating, which led to increasingly burdensome reporting demands on both DILG and the LGUs, and underlined the need for stronger interagency coordination. Recent initiatives include, on the demand side, the citizen's satisfaction index and, on the supply side, the seal of good local governance (SGLG). Although the initiatives have the potential to add substantial value to the evaluation of LGUs' performance and the quality and coverage of services they provide, they were launched in a piecemeal manner and do not yet reflect a coordinated government approach. Hence, capacity development is urgently needed to help consolidate the various initiatives into a coherent and strategic framework of local performance accountability in the Philippines.

4. Efforts in the reform and capacity development of local performance measurement systems must be guided, first, by the need to improve system performance. This requires streamlining the set of indicators currently used to measure LGU performance, and ensuring that the information collected across systems is collected in a coordinated manner, reducing reporting demands on LGUs. Information system upgrades must additionally facilitate the integration of DILG's supply-side monitoring systems (i.e., the LGPMS and the SGLG) and strengthen links to performance incentives (i.e., through the Performance Challenge Fund).⁴ Second, the performance measurement systems need to respond to increasing demands and expectations from the public at large (e.g., citizens, businesses, civil society organizations) for

¹ ADB. 2011. *Country Partnership Strategy: Philippines, 2011–2016*. Manila.

² ADB. 2014. *Country Operations Business Plan: Philippines, 2015–2017*. Manila.

³ The TA first appeared in the business opportunities section of ADB's website on 9 October 2015.

⁴ A competitive performance grant available to local governments that meet a set of good governance requirements.

transparent and accurate LGU information. Third, the systems require greater analytical and feedback capacity to allow informed decisions about setting planning and budgetary priorities, and thus improve service delivery in the presence of financial constraints.

5. **Fragmented and burdensome financial reporting requirements.** The current LGU financial reporting regime is plagued by duplication and, as is the case with performance measurement systems for LGUs, responsibilities for financial reporting are scattered across several oversight agencies—DILG, Department of Budget and Management (DBM), and Bureau of Local Government Finance (BLGF). The multiplication of reporting requirements has led to high compliance costs for LGUs, and high system transaction costs as a result of unclear roles and responsibilities of the different agencies. Further, while the oversight agencies have increasingly provided online access to LGU financial information (e.g., BLGF’s statement of receipts and expenditures, DILG’s full disclosure policy portal, and DBM’s public financial management assessment tool), it is unclear whether the public is sufficiently aware of the available data. Importantly, anecdotal evidence suggests that local stakeholders and constituents generally have weak capacity to analyze public financial data, and the proliferation of data sources may exacerbate the risk of confusion among end users about the utilization of various LGU financial reports. In addition to the long-standing financial reporting systems, new online reporting platforms linked to flagship government programs have come into place. These include the open bottom-up budget projects, and financial reporting under the Performance Challenge Fund. Core financial reporting systems need to be integrated with initiatives focused on subproject monitoring, and eventually with the broader open government data system that has been established by the Office of the President.

6. **Outdated, inequitable regulatory framework for intergovernmental fiscal system.** Under the current local government finance and fiscal decentralization, the government has completed a comprehensive review of the fiscal provisions of the Local Government Code (LGC) of 1991. The review incorporates very substantive proposals for amendment of the LGC, which has not been comprehensively examined for 25 years. Areas for amendment include service delivery assignments to LGUs, tax and nontax revenue sources, fiscal transfers, borrowing powers, financial management systems, and new LGU formation. The proposals, in their base-case scenario, have the capacity to increase revenue collection by LGUs by close to ₱100 billion per year (including, for instance, the proposed valuation act). It is essential to improve the capacity of the national and local government agencies to process these proposals, design implementation plans, and assist in the drafting of code amendments. The assessment of the proposals must include the different committees at the Senate and House of Representatives, including congressional research departments. Policy dialogue should continue also to include all stakeholders that assisted in the preparation of the proposals, including the private sector, civil society and academia, as well as leagues of LGUs. The analysis of the design flaws of the LGC and the evaluation of the proposals for its amendment need to feed into the preparation of the next Philippine development plan.

7. **ADB value added and lessons learned.** The TA will sustain ADB support to local government finance reforms in the Philippines, currently articulated under the Local Government Finance and Fiscal Decentralization Reform Program (2012–2016).⁵ The program has lent support to recent local government reforms concerned with performance-based management, public financial management systems, and the implementation of new sources of finance for LGUs, including the bottom-up budget initiative and the Performance Challenge Fund. Lessons

⁵ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan to the Republic of the Philippines for Subprogram 1 of the Local Government Finance and Fiscal Decentralization Reform Program*. Manila.

from this support include, first, ensuring a good level of consultation and coordination among stakeholders in the formulation and implementation of reforms, using established forums, is needed. Second, anchoring reform proposals on the government's policy priorities increases the possibilities of success (e.g., Association of Southeast Asian Nations integration, public-private partnership program, comprehensive tax reform package). Third, ensuring reform initiatives are ready for discussion by the time the legislative priorities are being formulated is needed to improve their chances of finding legislative champions. Finally, deepening local accountability systems is essential in widening the constituency for local reforms.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The impact will align with the Philippine Development Plan 2011–2016 objectives of ensuring high-quality, effective, efficient, transparent, accountable, economically and physically accessible, and nondiscriminatory delivery of public services.⁶ The outcome will be that the systems for local government accountability and financial management reporting are improved.

B. Methodology and Key Activities

9. The TA will provide support to the development of capacities in policy reform, performance monitoring, and local governments' fiscal transparency. The TA will contribute to these objectives through the review and improvement of performance monitoring and financial reporting systems. It will provide training, and access to best practices, to the personnel and stakeholders that implement and benefit from improved performance audit systems. The TA will provide advisory support to national and local government agencies, Congress representatives, civil servants, business sector, and civil society organizations to foster the policy dialogue on local government reforms. Expected beneficiaries of the TA include (i) the public, through the provision of timely and accurate performance and financial information from their local governments; (ii) LGUs, through the provision of capacity development via system implementation and its associated training, and also through more efficient reporting mechanisms that reduce compliance costs; and (iii) national government agencies, through the provision of training, reporting system upgrades, and advisory assistance for the road map for reform of the system of intergovernmental fiscal relations.

10. **Output 1: LGU performance monitoring mechanisms improved.** To assist improvements to the performance audit systems of local governments, the TA will build on current analytical work being conducted under the Local Government Finance and Fiscal Decentralization Reform Program. The TA will help implement a redesigned LGPMS to (i) articulate the integration of the LGPMS with the SGLG, the citizens' satisfaction index, and the fiscal *iskor* (score); (ii) streamline and update the system indicators, with a view to reducing compliance costs by LGUs, improving performance measurement, and assisting local planning and budgeting; and (iii) give the public at large access to accurate and relevant information on the comparative performance of LGUs. Activities under this output will include (i) expansion and finalization of current analytical work on LGPMS redesign, with a view to its integration with all other relevant LGU performance measurement systems; (ii) development of a final concept note for redesign, including the detailed terms of reference for an information technology (IT) firm; (iii) software development and implementation; (iv) system testing; (v) regional and local rollout to selected locations; and (vi) training of relevant personnel of national and local government

⁶ Government of the Philippines, National Economic and Development Authority. 2011. *Philippine Development Plan, 2011–2016*. Manila.

agencies. Under the TA, outreach activities, structured around the development of a communications strategy, will additionally be conducted with civil society organizations and the citizenry at large to disseminate the objectives of the system, explain the functionalities of the applications designed, and encourage the use by constituents.

11. Output 2: Financial management reporting systems' efficiency enhanced. The TA will produce, under the guidance of the oversight national government agencies (DILG, DBM, and BLGF), a comprehensive assessment of the existing LGU financial reporting regime, leading to the development of a road map for systematically integrating the regime's various reporting mechanisms (e.g., statement of receipts and expenditures, full disclosure portal, project-related systems such as the open bottom-up budget, and the Performance Challenge Fund). The assessment and associated proposals will have the following long-term goals: (i) simplify financial reporting and reduce compliance costs for LGUs, (ii) harmonize and streamline the roles of the national government oversight agencies with regard to LGU financial reporting, and (iii) facilitate and improve public access to comprehensive and consistent LGU financial data. Activities under this output will include (i) the development of a concept paper and terms of reference for the assessment, to be widely discussed with government agencies and LGUs; (ii) sustained policy dialogue with all stakeholders through the concept development and drafting phases of the assessment; (iii) drafting of the assessment, including recommendations on financial reporting aspects and IT requirements for implementation; and (iv) dissemination of and consultations on the recommendations, leading to a full-fledged proposal for the consideration of the upcoming administration.

12. Output 3: Proposals for amendment of the local government code drafted and disseminated. Building upon the results of the consultative process led by the government for the review of the 1991 LGC, the TA will assist the public debate of the proposals for amendment of the code. Activities under this output will include (i) disseminating the results of the consultative process on the 1991 LGC to all stakeholders; (ii) drafting an engagement note for the new administration, describing the current status of local government reforms, outlining options and priorities for reforms, and assessing options for the sustainability of current project initiatives with great impact, such as the bottom-up budget or the Performance Challenge Fund; and (iii) drafting bills, for consideration by relevant government agencies and Congress representatives, that incorporate the proposals for amendment of the LGC.

13. Challenges to sustainability of local governance reforms. The election in 2016 represents a potential risk and also an opportunity for the advancement of local government reforms. The TA will aim to facilitate the work of the new Congress and administration with demand-driven analytical work and well-developed proposals that can inform the legislative agenda from the start. To that extent, a flexible approach in the provision of technical advice, guided by the demands of the new nation's representatives, will be necessary to cater to those demands swiftly and substantively. Assistance is also required in institutionalizing the relevant components of various recent reform initiatives—such as SGLG and bottom-up budget—that were created under departmental or executive order of the current administration and have already shown great impact on the system of intergovernmental fiscal relations. The leadership role of the Coordinating Committee on Decentralization will mitigate potential implementation risks since it includes all major stakeholders.

C. Cost and Financing

14. The TA is estimated to cost \$600,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will

provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial assistance, domestic transportation, and other in-kind contributions.

D. Implementation Arrangements

15. DILG will be the executing agency for the TA. DBM and BLGF will be the implementing agencies. These three agencies share responsibilities in the implementation of performance audit and financial management reporting systems of LGUs, and also directly and regularly interact with Congress representatives. The TA will coordinate closely with the Coordinating Committee on Decentralization and the relevant technical support departments of the Senate and the House of Representatives. The implementation of all TA activities will be firmly anchored on close coordination with LGUs through their designated representatives from the Union of Local Authorities of the Philippines and individual LGU leagues, and with representatives from civil society and academia. Coordination with development partners will be conducted under the Philippines Development Forum's technical working group on decentralization.

16. The TA will provide a mix of individual and firm-based consulting inputs to deliver the activities outlined, amounting to 11 person-months of international and 53 person-months of national input. The consultants will be engaged by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). A team leader will provide specialized technical input to all activities, coordinate the different consultants, and serve as counterpart to the different agencies. For output 1, a monitoring and evaluation expert will provide TA on the redesign of the LGPMS and its integration with other tools, thus guiding software and system development. An IT firm will be engaged, using fixed-budget selection, to develop the software packages for the LGPMS redesign (core system functionalities and additional modules). Maintenance of the system and all rollout activities will be supported by DILG. Lump-sum, output-based contracts will be used as a preferred option. Proceeds of the TA will be disbursed in line with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Purchase of equipment will be done in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). All equipment will be turned over to the executing agency upon completion of activities.

17. The drafting of a road map for the integration of the various financial reporting systems for LGUs under output 2 will be led by the team leader and a senior national local public financial management expert, who will produce a technical assessment of current systems and develop proposals for simplification and improvement. Finally, the team leader will steer the preparation of all activities under output 3, assisted by a pool of national and international decentralization experts that will provide on-demand support to the dissemination of the proposals for amendment of the code, the drafting of bills, and inputs to the drafting of an engagement note on local government reforms for the next administration. Dissemination activities will include presentations to Congress and stakeholders, and the publication of knowledge products.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of the Philippines for Support to Local Government Accountability Systems, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with			
The objectives of the Philippine Development Plan, 2011–2016 to ensure high-quality, effective, efficient, transparent, accountable, economically and physically accessible, and nondiscriminatory delivery of public services ^a			
	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Systems for local government accountability and financial management reporting improved	By 2019: a. At least 90% of all LGUs covered under the redesigned LGPMS (Baseline: not applicable) b. Basic data and analytical statistics of the redesigned LGPMS made available to the public at large (Baseline: not applicable) c. Proposal for the integration of LGU financial management reporting systems submitted for consideration by the CCD (2015 baseline: 0)	a. DILG reports on the LGPMS b. LGPMS website c. CCD minutes prepared by DILG	Electoral cycle may prevent the consideration of reform proposals and decision making from the national government agencies. Long-standing political economy issues between legislative and subnational executive branches may limit the opportunities for the amendment of the LGC.
Outputs 1. LGU performance monitoring mechanisms improved 2. Financial management reporting systems' efficiency enhanced	By 2018: 1a. Software packages for the redesign of the LGPMS produced (2015 baseline: 0) 1b. System tested at the national level, and at least three rollout workshops at the regional level organized (2015 baseline: 0) 2a. Road map for the integration of financial management information systems drafted (2015 baseline: 0) 2b. At least two national workshops organized with national and local government agencies and stakeholders to disseminate the	1a. IT firm reports, TA review missions, DILG reports 1b. IT firm and DILG reports 2a. Consultants' reports 2b. Bureau of Local Government Finance and Department of Budget and Management reports	Proliferation of initiatives in local government monitoring raises costs of agency coordination and LGU system compliance, rendering information provided ineffective Resistance of national government agencies to lead efforts in the integration of reporting systems that have become flagship projects

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Proposals for amendment of the LGC drafted and disseminated	<p>recommendations and strategy under the road map (2015 baseline: 0)</p> <p>3a. Engagement note on local government reforms for the 2016–2022 administration prepared and submitted</p> <p>3b. At least five draft bills prepared and disseminated to stakeholders on the priority recommendations for amendment of the LGC (2015 baseline: 0)</p>	<p>3a. Consultants' reports, submission to DILG</p> <p>3b. Consultants' reports, submission to CCD for consideration</p>	Activities under the CCD may be limited in light of preparations for the turnover to the next administration

Key Activities with Milestones

1. LGU performance monitoring mechanisms improved

- 1.1 Expand and finalize current analytical work on LGPMS redesign, with a view to its integration with all other relevant LGU performance measurement systems (March 2016)
- 1.2 Approve final concept note for LGPMS redesign, including the detailed terms of reference for an IT firm (April 2016)
- 1.3 Develop software, including core LGPMS system capabilities and additional modules (October 2016)
- 1.4 Redesign system testing (December 2016)
- 1.5 Undertake regional and local rollout to selected locations, and train relevant personnel of national and local government agencies (March 2017)
- 1.6 Conduct outreach activities (e.g., workshops, demos) with civil society organizations and the citizenry at large (June 2017)

2. Financial management reporting systems' efficiency enhanced

- 2.1 Draft and discuss concept paper and terms of reference for assessment with government agencies and LGUs (March 2016)
- 2.2 Prepare and submit draft road map for the integration of financial management reporting systems for government comments (July 2016)
- 2.3 Conduct policy dialogue and consultations on the recommendations, leading to the finalization of a full-fledged proposal for consideration by the upcoming administration (September 2016)

3. Proposals for amendment of the LGC drafted and disseminated

- 3.1 Disseminate the results of the consultative process on the 1991 LGC to all relevant stakeholders (March 2016)
- 3.2 Draft engagement note on local government reforms for the new administration (May 2016)
- 3.3 Draft bills for the consideration of relevant government agencies and Congress representatives, incorporating the proposals of amendment of the LGC (June 2016).
- 3.4 Provide advisory and capacity development assistance to relevant agencies on the proposed amendments (June 2017).

Inputs

Asian Development Bank: \$500,000

Note: The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial assistance, domestic transportation, and other in-kind contributions.

Assumptions for Partner Financing

Not applicable.

CCD = Coordination Committee on Decentralization, DILG = Department of the Interior and Local Government, IT = information technology, LGU = local government unit, LGPMS = local government performance measurement system, LGC = local government code, TA = technical assistance.

^a Government of the Philippines, National Economic and Development Authority. 2011. *Philippine Development Plan, 2011–2016*. Manila.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	152.0
ii. National consultants	212.0
b. International and local travel	30.4
c. Reports and communications	5.0
2. Equipment ^b	15.0
3. Training, seminars, and conferences ^c	35.0
4. Miscellaneous administration and support costs ^d	10.6
5. Contingencies	40.0
Total	500.0

Note: The technical assistance is estimated to cost \$600,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial assistance, domestic transportation, and other in-kind contributions. The value of government contribution is estimated to account for 16.7% of the total technical assistance cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Equipment will include two new servers and two laptop computers.

^c Training budgets will be incorporated into the consultants' allocations and defined in the detailed terms of reference.

^d Including publishing of reports and brochures and on-demand administrative assistance.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. General Activities

1. **Fiscal Decentralization Expert (Team Leader)** (international, individual, 7 person-months)

1. The expert will be responsible for coordinating all technical assistance (TA) activities and serving as counterpart to the national government authorities, as well as guiding the technical analysis and research on the topics identified as key for the review. More specifically, the expert will:

- (i) guide the preparation and draft, with the support of the public finance expert, a road map for the integration of the financial management reporting systems for local governments in the Philippines.
- (ii) guide, with the assistance of the monitoring and evaluation expert, the concept for the redesign of the local government performance measurement system (LGPMS).
- (iii) jointly with the individual information technology (IT) expert, prepare the terms of reference for the firm that will develop the software for the LGPMS (core system capabilities and additional modules).
- (iv) monitor the work of the IT firm, covering regular monthly reports and midterm implementation reports from the firm.
- (v) lead the drafting of an engagement note on local government reforms for the new administration.
- (vi) guide and consolidate the preparation of draft bills for the implementation of key amendments to the Local Government Code (LGC) 1991.
- (vii) facilitate the dissemination of results from the review of the LGC, through the organization of seminars, workshops, round tables, and policy dialogue events.
- (viii) assist the Asian Development Bank (ADB) program officer in leading the technical and policy dialogue with the representatives of the executive, the legislature, the private sector, civil society organizations, development partners, and other stakeholders as required.
- (ix) prepare, with the assistance of the fiscal decentralization experts, technical notes, presentations, and any other materials that may be required by the Coordinating Committee on Decentralization and its chair.

2. The expert is expected to have at least 8 years of experience in the analysis of intergovernmental fiscal relations in the Philippines, familiarity with stakeholders, excellent knowledge of the available research in the area of fiscal decentralization, and of recent reforms. The expert will hold a graduate degree in economics, public administration, public policy, or a relevant field. The expert will display good research and management capacity, as shown by exposure to national and local government policy review and formulation, and by managing similar TA projects. The expert will be familiar with the legislative and bureaucratic processes in the Philippines, and will hold a solid professional reputation with the relevant stakeholders. The expert will be hired for a period of 12 months, intermittent. The expert will report directly to the ADB program officer and to DILG's undersecretary for local government.

B. Output 1: Local Government Unit Performance Audit Mechanisms Improved

1. Monitoring and Evaluation Expert (national, individual, 2 person-months)

3. Anchored on the assessment of pertinent international practices and a thorough evaluation of the Philippines' LGPMS, the expert will:

- (i) propose alternatives to the redesign of the LGPMS to ensure full alignment with the system of seal of good local governance, the citizen's satisfaction index, and the Bureau of Local Government Finance's fiscal *iskor* (score). This will include the expansion of current analytical work on the simplification of the LGPMS.
- (ii) anchored on ongoing analytical work, assist the drafting of terms of reference for the IT firm that will develop software systems (core capabilities and additional modules).
- (iii) facilitate and guide the work of the IT firm as needed, in particular as it relates to the desired new features and capabilities of the system—e.g., analytical tools, interface with constituents and public at large, feedback for local government units (LGUs) for planning and budgeting purposes, and knowledge sharing platform.
- (iv) assist policy dialogue on the topic with DILG and other government agencies and stakeholders, as needed (including the preparation of presentations on the topic and participation in policy forums).

4. The expert will hold a graduate degree in economics, public policy, or another discipline relevant to the assignment. The expert will have at least 7 years of substantive experience in the analysis of performance measurement systems for central and local governments, and be familiar with the LGPMS and the current state of local government reforms in the Philippines. The expert will display ample consultancy experience, in particular in dealing with government agencies at all levels and with a great variety of stakeholders. A successful record of assignments with the implementing agency will be valued.

2. Information and Technology System Experts (national, firm, 35 person-months, through fixed-budget selection)

5. The firm should make available national experts with postgraduate degrees in IT, information systems, management, and other related fields, and at least 8 years of proven expertise in (i) e-governance information management systems, (ii) electronic (Web-based) platforms for management of public investment projects, and (iii) IT support to government agencies. The consultants will report to DILG and ADB.

6. The firm should provide the right mix of experts to carry out the following indicative tasks:

- (i) review the performance of the LGPMS, including recommendations of annual IT audits, and provide cost-effective advice on enhancing its performance.
- (ii) develop a suitable IT solution, including the redesign of the LGPMS' core capabilities and the development of new modules as required, following the directions of DILG.
- (iii) support operationalization of new analytical modules, simplification of set of indicators, Web-based interface with public at large, and platform for knowledge sharing and local experiences.
- (iv) provide recommendation on hardware needs at the national and local government levels for the efficient functioning of the system.
- (v) lead system-testing at the national and regional levels.

- (vi) provide training to administrators and users at DILG and other implementing agencies.
- (vii) evaluate open system option for software development and make recommendations.
- (viii) evaluate and provide guidance on maintenance of hardware or its components as needed for subscriptions, licenses, certificates, and software; and on risk management (backup, redundancy, and disaster recovery).

7. DILG will finance all necessary hardware for system implementation.

C. Output 2: Financial Management Reporting Systems' Efficiency Enhanced

1. Public Financial Management Expert (national, individual, 4 person-months)

8. The expert will, under the guidance of the team leader:

- (i) prepare a concept paper for the assessment of financial management reporting requirements of LGUs, identifying needs for simplification and opportunities for reducing compliance costs, ways to improve the measurement quality of key financial management dimensions, and how to boost access to data for the public at large.
- (ii) facilitate, under the leadership of the team leader, the dissemination and discussion of the concept paper, obtaining reactions and inputs from all relevant stakeholders, incorporating proposals and suggestions.
- (iii) in coordination with the individual IT expert, and under the guidance of the team leader, draft a road map for the systematic integration of financial management reporting systems of LGUs, including IT requirements.
- (iv) sustain policy dialogue with stakeholders on the draft proposed road map, disseminating the recommendations.
- (v) finalize the draft proposal and facilitate submission to the next administration.

9. The expert will hold a graduate degree in economics, finance and accounting, or another discipline relevant for the assignment. Professional certification such as chartered accountant, certified public accountant, or chartered financial analyst, will be an asset. The consultant will have at least 7 years of substantive experience in the analysis of public financial management systems for central and local governments in the Philippines, and be familiar with the public financial management assessment tool and other financial management reporting systems currently in place, including project-based initiatives. The expert will display ample consultancy experience, in particular in dealing with government agencies at all levels and with a great variety of stakeholders. A successful record of assignments with the implementing agency will be valued.

2. Information and Technology System Expert (national, individual, 2 person-months)

10. The IT expert will, under the guidance of the team leader:

- (i) assist in the preparation of a concept paper for the assessment of financial management reporting requirements of LGUs, identifying needs for simplification, opportunities for reducing compliance costs, ways to improve the measurement quality of key financial management dimensions, and how to boost access to data for the public at large.

- (ii) facilitate, under the leadership of the team leader, the dissemination and discussion of the concept paper, obtaining reactions and inputs from all relevant stakeholders, incorporating proposals and suggestions.
- (iii) in coordination with the individual public finance management expert, and under the guidance of the team leader, draft a road map for the systematic integration of financial management reporting systems of LGUs, specifically identifying IT requirements.
- (iv) assist policy dialogue with stakeholders on the draft proposed road map, disseminating the recommendations, and explaining IT system requirements and their value added.
- (v) support the team leader in the supervision of the IT firm for output 1.

11. The IT expert will hold a graduate degree in computer sciences, programming, or another discipline relevant for the assignment. The consultant will have at least 7 years of substantive experience in the design and implementation of IT solutions for national or local government agencies, and be familiar with LGU financial management reporting systems currently in place, including project-based initiatives. The expert will display ample consultancy experience, particularly in dealing with government agencies at all levels and with a great variety of stakeholders. A successful record of assignments with the implementing agency will be valued.

D. Output 3: Proposals for the Amendment of the Local Government Code

- 1. Fiscal Decentralization Experts** (4 person-months, individual, international; 10 person-months, individual, national)

12. With the assistance of the team leader, and under the guidance of DILG and the implementing agencies, on-demand TA will be provided to meet research gaps encountered in the preparation of the engagement note on local government reforms for the new administration in 2016. In addition, national consultants will be engaged for the preparation of draft bills on selected recommendations out of the review of the LGC, upon consultation with relevant stakeholders.

13. The consultants will have at least 10 years of experience in local government finance and fiscal decentralization reforms, be familiar with the Philippines' system of intergovernmental fiscal relations, and display an excellent record in the provision of policy advice. The consultants will have a graduate degree in economics, public policy, or a related discipline. A good record of work done with the executing and implementing agencies will be highly valued.