RISING TIDE

Understanding the Fiscal Capacity of 75 Philippine Local Government Units
for Sustainable Coastal Fisheries Financing

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Preface

More than 1.8 million Filipinos rely on fishing for their livelihood, and fish and fish products comprise almost 12% of the average Filipino diet, a proportion that is significantly higher than meat and chicken. Unfortunately, the fish catch necessary to provide for Filipino families have been steadily declining since the 1970s and has resulted in a vicious cycle of overfishing and other unsustainable fishing practices. If left unaddressed, a collapse in fisheries resource is inevitable, posing a serious threat to both the livelihoods of coastal communities and food security of the nation. The huge disparity that exists in terms of the financial resources needed versus what is provided for the Philippine fishing sector has further exacerbated the vulnerability of both the natural ecosystem and of coastal communities.

The Department of Finance- Bureau of Local Government Finance (DOF-BLGF) and Rare have agreed to work together to help strengthen the fishing sector of coastal local government units (LGUs), through activities that are consistent with their individual and collective mandates. Pursuant to Executive Order No. 127, the DOF-BLGF is mandated to assist in the formulation and implementation of policies on local government revenue administration and fund management. This includes the development of plans and programs for the improvement of resource management systems, collection enforcement mechanisms, and credit utilizations schemes of LGUs. On the other hand, Rare is an international non–governmental organization specializing in the use of behavior change to address environmental challenges, that works with local governments and other partners to implement programs for marine resource and fisheries management to improve the ecological and social resilience of coastal communities.

To guide more effective interventions, DOF-BLGF and Rare jointly conducted a study to facilitate better understanding of the current fiscal capacity including borrowing capacity, regulatory fee structure and ability to manage loans of 75 coastal LGUs in the Philippines. This report has been prepared solely for informational purposes, with data gathered from 2011-2018 Statement of Receipts and Expenditures (SRE) reports, complemented by responses from municipal treasurers to a survey, without any independent verification. As such the report does not guarantee or warrant the accuracy, reliability, adequacy and completeness of the information. Some of the information may also be superseded by political and economic conditions beyond 2018.

DOF-BLGF and Rare would like to thank the LGUs who have participated in the data gathering process. LGU-related data presented in this report are shared not to pit LGUs against each other or discriminate LGUs based on their performance related to the financial indicators considered in the study. The financial and survey data gathered from the study will instead be used as basis for identifying opportunities for capacity building, fiscal growth and inter-LGU cooperation which are essential to breaking down barriers that impede the flow of financing to the fisheries sector.

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Executive Summary

This report compares the financial performance of 75 local government units (LGUs) with coastal and fishing communities in the Philippines. The report uses financial indicators compiled from Statement of Receipts and Expenditures (SRE) reports as well as responses from municipal treasurers to a survey conducted via the Department of Finance Bureau of Local Government Finance (DOF BLGF). This report is part of a feasibility analysis aimed at better understanding the capacity of coastal LGUs to raise and manage financing for their fisheries programs. Data collection and analysis was conducted by Rare, in cooperation with BLGF. Rare is an international conservation NGO that works in the Philippines with fishing villages and LGUs to build and strengthen community-based coastal fisheries management of municipal waters, and is now developing innovative blended finance structures to expand solutions to meet the scale of the challenge.

With fishing and farming as their main source of livelihood, all 75 LGUs have the internal revenue allotment (IRA) from the national government as their main revenue source. This allocation is currently determined by the Local Government Code and expected to increase by 2022. However, a steadily increasing trend emerged for their self-income ratios alongside increasing trends in revenue growth rates and revenues per household. Wide variation is seen in all revenue indicators though, including in their mix of tax and non-tax revenue. Similar variation is noticeable in all spending indicators but most LGUs reported increasing cash balance ratios. Where DOF had set benchmarks, most LGUs achieved favorable marks.

Most LGUs have credit financing experience, but there is wide disparity in loan amounts. Most of these loans funded traditional projects such as government buildings and equipment. A few LGUs expressed disinterest in credit financing and even fewer were familiar with other financing modalities, such as joint venture agreements and public private partnerships. There is greater interest in grants, but among those that had grant financing, these went mostly to traditional projects also.

Most LGUs have existing ordinances for coastal and fisheries resource management (CFRM) but many have yet to update their comprehensive land use plans and their local revenue codes to integrate CFRM plans. Most LGUs have done projects for their fisheries sector, such as livelihood development initiatives that were funded by the national government. They have also engaged local stakeholders and cooperated with other LGUs to advance their CFRM plans. There is not enough data, however, as regards outcomes and impact of said projects.

Certain LGUs are better able to balance their budgets, generate revenue, and manage expenses. Some LGUs have also prioritized the fisheries sector more highly than others, and this has led to different inputs and activities being downloaded to their constituents. Several opportunities for building capacity and digging deeper were therefore raised: for generating revenue and managing expenses, for external financing, for regulatory best practices, for generating evidence, for clustering similarly situated LGUs, and for creative confidence and design thinking. Facilitating regular dialogue across local leaders will generate insights that will help lift constituents out of subsistence fishing and into more sustainable jobs. Despite climate risks and other constraints, struggling LGUs have similarly situated counterparts that can help them chart paths out of poverty for their citizens.

CHAPTER 1

GOVERNMENT REVENUE

To understand the financial profile of select coastal cities and municipalities, this report draws from the Statement of Receipts and Expenditures (SRE) reports by the 75 LGUs from the years 2011 to 2018. The 75 LGUs comprised of 8 cities and 67 municipalities. The DOF further classifies municipalities into income class levels depending on their average annual income from the previous four years, seen in Table 1. This report also draws from a survey conducted by the DOF BLGF that were sent to the municipal treasurers of these LGUs. As of September 2019, 72 of the 75 LGUs responded to the survey.

The BLGF survey responses reveal that 65% of LGUs surveyed considered fishing as their main source of livelihood. All 72 respondents did report that they had constituents engaging in fishing. On average, 22.5% of households engaged in fishing, and 15% engaged in subsistence fishing. The Municipalities of Malimono, Concepcion, and Libertad were in the extreme in that at least two thirds of their households engaged in fishing. Meanwhile, farming was considered as the other major source of livelihood for 96% of LGUs (69 of 72). Other major sources of livelihood mentioned were mining and quarrying, logging, manufacturing, mat weaving, trading, tourism, and construction services.

TABLE 01: Distribution of LGUs in Sample

	Out of 75
Cities: Income > Php100M	08
1st Class Municipalities: Income > Php55M	11
2nd Class Municipalities: Income > Php45M	14
3rd Class Municipalities: Income > Php35M	12
4th Class Municipalities: Income > Php25M	14
5th Class Municipalities: Income > Php15M	14
6th Class Municipalities: Income < Php15M	02

IRA remains as the primary revenue source for LGUs

The Local Government Code of 1991 (LGC) formally transferred the principal responsibility for providing and financing a longer list of public services from the National Government to LGUs. Municipalities and cities were assigned the primary responsibility for the frontline delivery of local public services. However, to this day, municipalities and cities do not have equal access to the same range of taxing tools, as seen in Table 2. Provinces and cities have more taxing tools at their disposal and can impose their own rates within certain parameters prescribed in the LGC. For example, Section 151 of the LGC states that: "The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes." Further, some LGUs are better able to tap the funds of national government agencies because of their mayor's personal connections to national officials or through more aggressive lobbying efforts. These have resulted in disparities in locally sourced and total income, and a high dependence on the internal revenue allotment (IRA).

TABLE 02: Taxes that different LGUs can collect

Local Tax	Provinces	Cities	Municipalities	Barangays
On real property transfers	√	√		
On business of printing and publication	√	√		
On franchises	√	√		
On sand, gravel, and other quarry resources	√	√	*	*
On amusement places	√	√	*	
On professionals	√	√		
On delivery vans and trucks	√	√		
On real property	√	√	*	*
On idle lands	√	√		
On businesses		√	√	√
On community tax		√	√	

**Share in the proceeds of levy of province*

TABLE 03: IRA Distribution under the LGC

First Stage: Among LGUs (number as of June 2019)	
	Share
Provinces (81)	23%
Cities (145)	23%
Municipalities (1,489)	34%
Barangays (42, 045)	20%
Second Stage: Weighted Criteria	
Population	50%
Land Area	25%
Equal Sharing	25%

The IRA is currently 40% of the Bureau of Internal Revenue (BIR) collection and is distributed to LGUs following a formula from the LGC: first according to LGU type and then according to a predetermined set of criteria.

In its latest summary of financial performance for fiscal year 2018, the DOF finds that cities are generally self-sufficient with only 42% of their income contributed by the IRA. Meanwhile, the IRA contributed 74% of the income of municipalities. A recent Supreme Court ruling though will change these IRA allocations. In 2018, the Court ruled that the just share of LGUs should be based on all national taxes, and not just from the BIR, starting in the 2022 budget cycle. This will increase the amount of IRA each LGU will be collecting and augment their budgets.

Revenue per household and average revenue growth generally improved

All LGUs in the sample had higher revenue per household for 2018 than their average for 2011 to 2018, except for Bayawan City and Hamtic, and because we do not have 2018 data for Bindoy. This indicates that overall, locally sourced income per household had been increasing in recent years, and especially so for those at the top: Claver, Moalboal, San Carlos City, Bogo City, and Tagana-an. This reflects a similar trend in financial performance among all LGUs in the Philippines with an average revenue growth rate of 10% from 2012 to 2018, according to the DOF.

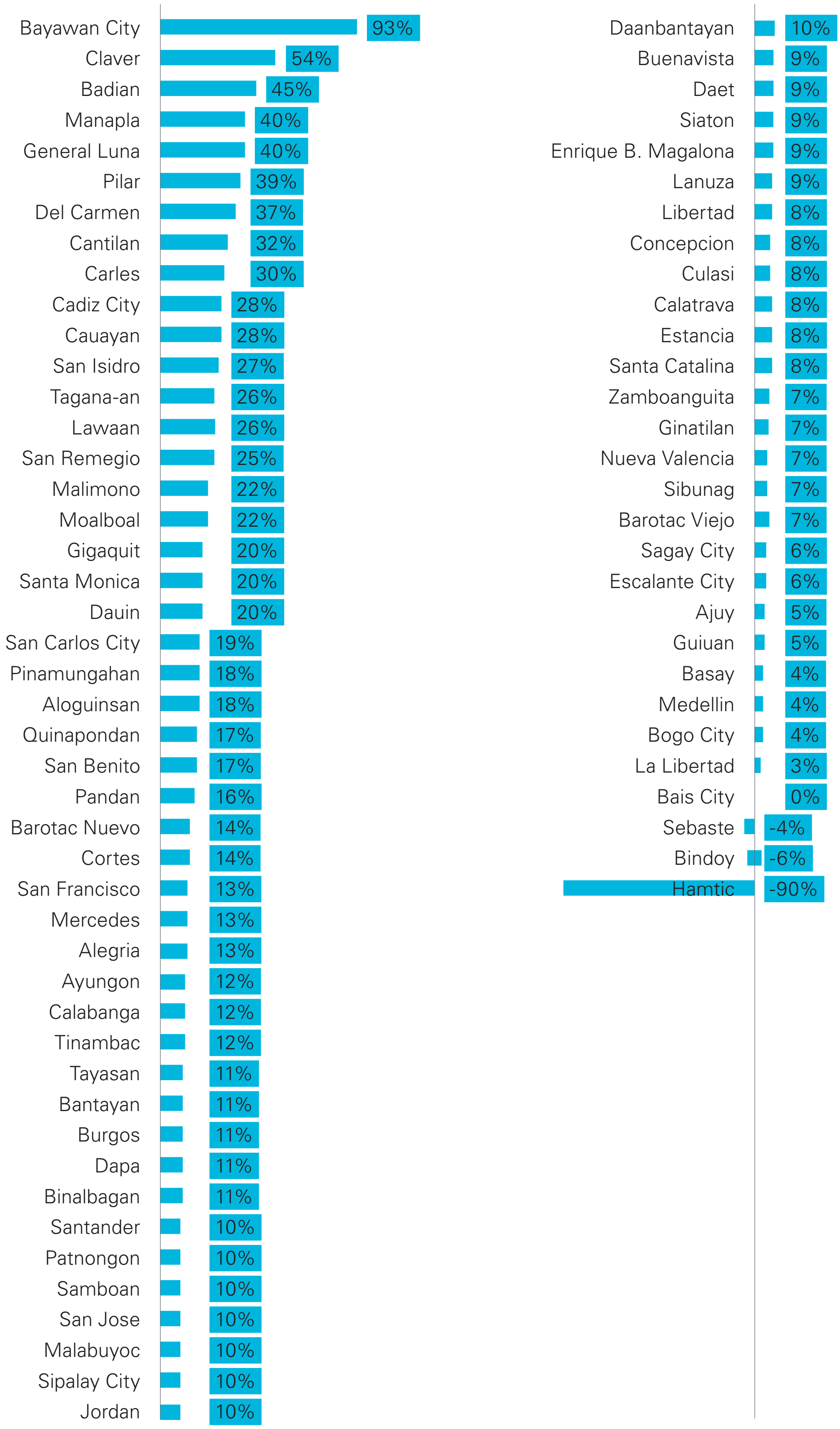
Beyond the top five, the following LGUs also have significantly higher revenues per household among their income class level: San Jose, Daet, and Bantayan among the first-class municipalities; Cantilan and Manapla among the second-class municipalities; Badian among the third-class municipalities; Dauin among the fourth-class municipalities; and General Luna among the fifth-class municipalities. A closer look into their revenue-generating activities might yield models that others in their class level can study and replicate. As for average revenue growth, 95% of LGUs (70 of 75) exceeded the DOF benchmark, which was at greater than 0%. This indicates that on average, there had been positive growth in locally sourced income among the LGUs in our sample. This list was led by: Bayawan City, Claver, Badian, Manapla, and General Luna. LGUs that did not meet the DOF benchmark were: Bais City, Sebaste, Bindoy, and Hamtic.

GRAPH 01: Revenue per Household[1]

**Ranked according to average revenue per household*

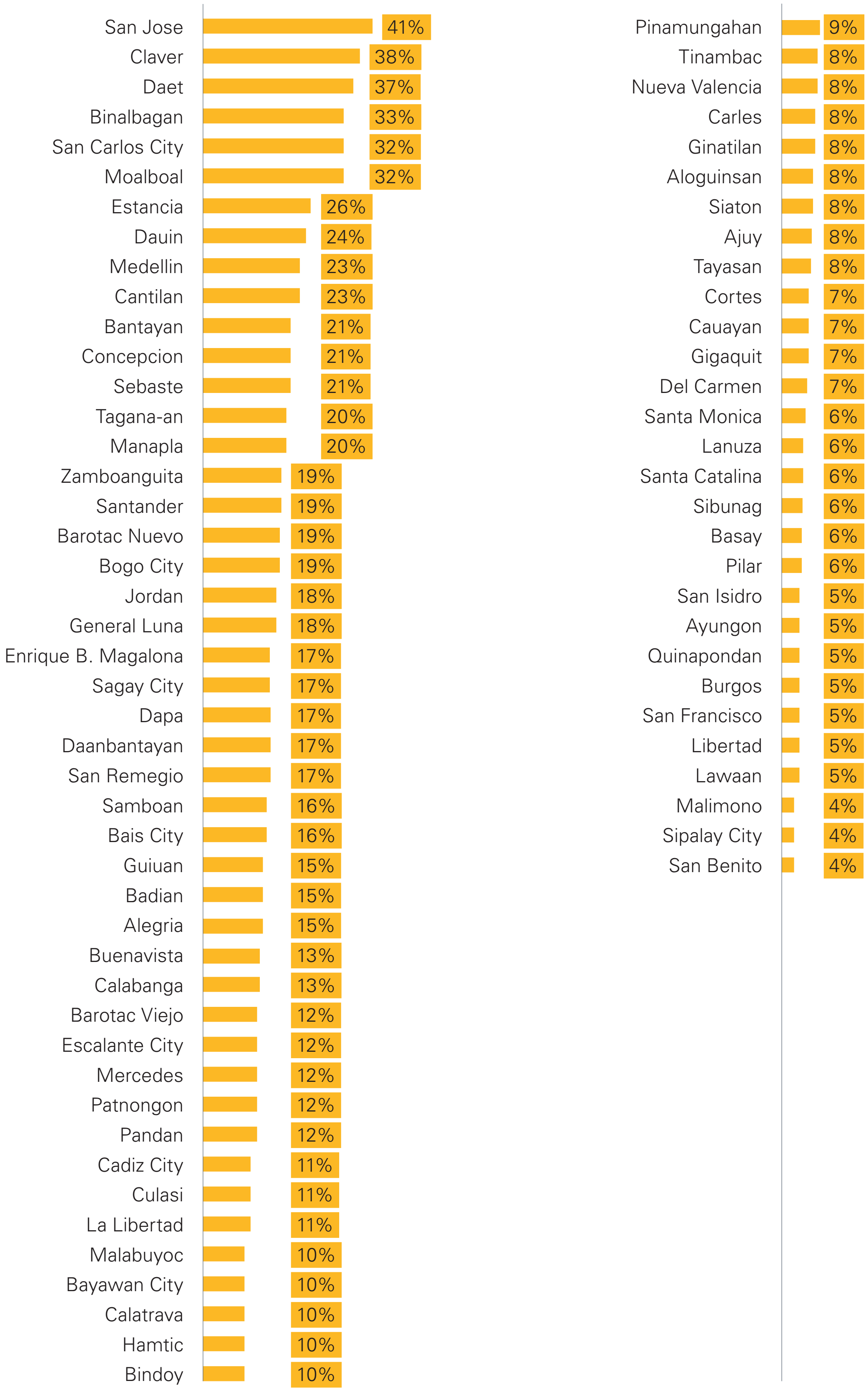
1 Revenue figures used refer to locally sourced income, including Other Receipts

GRAPH 02: Average Revenue Growth[2]



2 Revenue figures used refer to locally sourced income, including Other Receipts

GRAPH 03: Average Self-Income Ratio[3]



3 Locally sourced income figures include Other Receipts

But self-income ratio remained low

A majority in the sample had low ratios of locally sourced income relative to total current operating income, with 59% of the 75 LGUs averaging a self-income ratio lower than 15%. This was the national average in 2014, according to the latest available DOF report. Malimono, Sipalay City, and San Benito obtained the lowest average self-income ratio of 4%. LGUs with the highest proportion of income from local sources were: San Jose, Claver, Daet, Binalbagan, and San Carlos City. These generally low self-income ratios match with their high IRA dependency, consistent with the DOF report. The overall average for all LGUs in the sample was that their IRA contributed up to 84% of their total income. However, 52% (39 of the 75 LGUs in the sample) did report a lower IRA dependency in 2018 compared to their average since 2011, which suggests a favorable trend for these LGUs.

There is wide variation in revenue mix even within income class level

Different LGUs will have varying sources of local income depending on their specific circumstances and so it is difficult to determine an ideal ratio of tax to non-tax revenue. A comparison, as seen in Table 4, can illuminate the potential for new revenue sources for similarly situated LGUs. Here, Claver generated PhP8 of tax revenue for every peso of non-tax revenue generated, while Malabuyoc generated 24 centavos of tax revenue for every peso of non-tax revenue generated.

Only 39% of the 75 LGUs sourced a majority of their local income from local tax revenues. This means that 61% sourced most of their local income from non-tax revenues, such as regulatory fees, service and user charges, and other receipts. LGUs may also incorporate development enterprises where income from investments may be derived. These non-tax revenues are usually regarded as less politically costly and more feasible unlike a new tax ordinance. Generating them sustainably though requires more innovative thinking from local leaders. The variety in local revenue mix seen in our sample, therefore, is an opportunity for learning from each other's financial management practices. As an example, some LGUs reported that they imposed fishery rentals, fees, and charges, and at different levels of success.

TABLE 04: LGUs per class level with the highest and lowest 2011-2018 average revenue mix

LGU	Class Level	Ratio of Tax to Non-Tax Revenue
Daet	First	1.64
Bantayan	First	0.58
Claver	Second	8.80
Mercedes	Second	**0.49**
Nueva Valencia	Third	**1.39**
La Libertad	Third	0.29
Sibunag	Fourth	2.11
Sebaste	Fourth	**0.13**
Tagana-an	Fifth	4.96
Malabuyoc	Fifth	0.24
Burgos	Sixth	1.66
San Benito	Sixth	1.17
Cadiz	City	3.87
San Carlos	City	0.47

CHAPTER 2

GOVERNMENT SPENDING

For fiscal year 2018, 70 of the 75 LGUs ended with an operating surplus. Moreover, 85% ended with an operating surplus larger than their average operating surplus from 2011 to 2018. This increasing and favorable trend is consistent with the DOF report that LGUs in total had a growing surplus since 2009. The cities of San Carlos, Cadiz, and Bais were able double their operating surplus between 2011 and 2018.

Most LGUs ended 2018 with a surplus

Cities dominate the ranking for operating surplus. But a slightly different picture emerges when we rank the LGUs according to operating surplus per household. This other ranking helps illustrate the ability of the LGU to maintain services at the quality required to ensure the safety and welfare of its citizens. Here, 85% of the 75 LGUs also had a 2018 per household operating surplus that was larger than their average from 2011.

But expenses kept increasing

The expenses per household indicator suggests a wide disparity in the amount of spending that citizens can expect from their LGU, with the highest registering 30 times greater expenses than the lowest in the sample. Expenses are also generally increasing across LGUs in the sample, consistent again with the DOF report for all LGUs. Only Barotac Nuevo and Manapla had lower expenses per household in 2018 than their average from 2011 to 2018. Higher expenses per household reveal a more expensive government and suggest a lower solvency to sustain that expense level, but the adequate level is difficult to ascertain without set benchmarks. According to the DOF summary, this rise in expenses can be attributed to greater social service and general public service spending, including personnel.

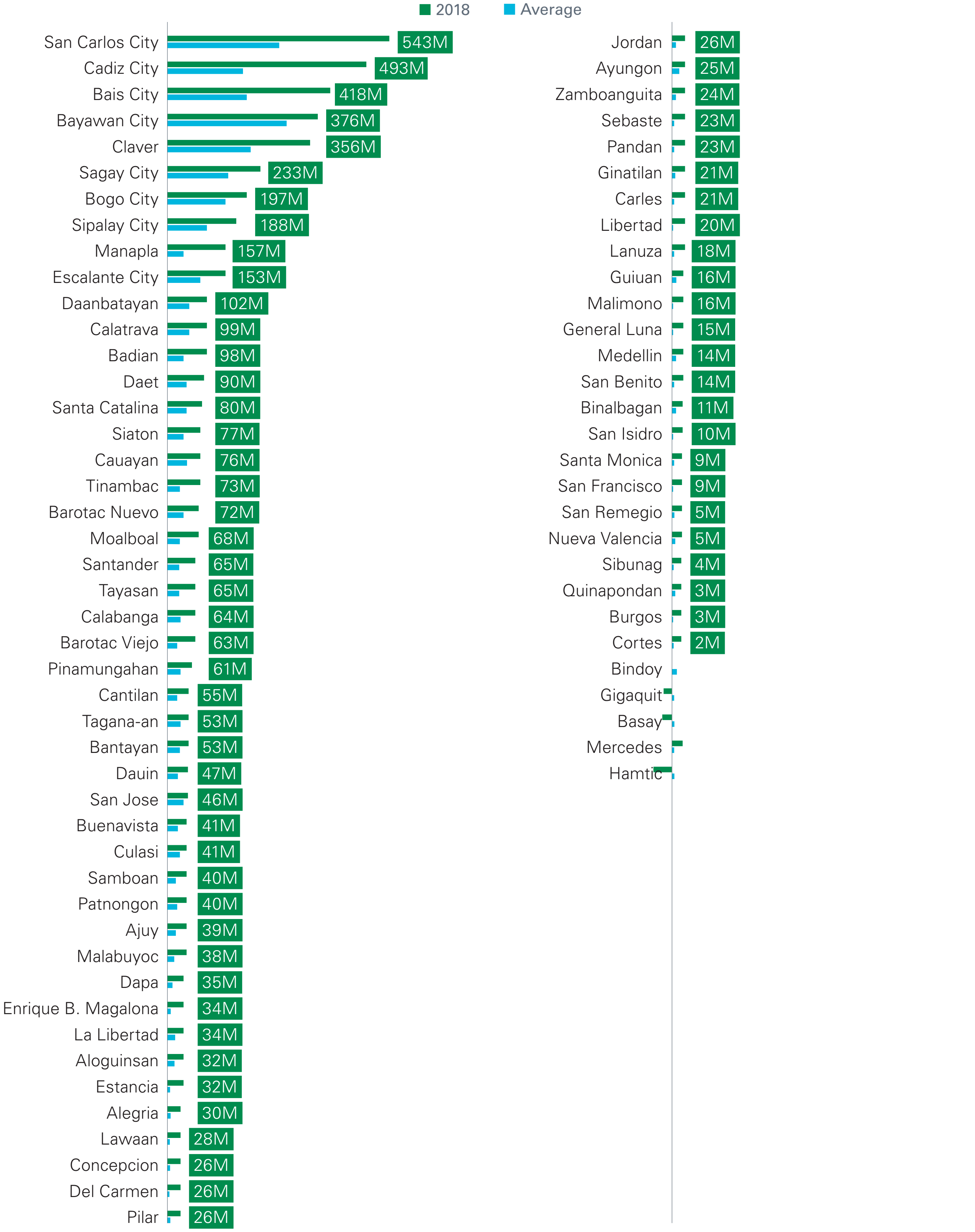
In 2018, the DOF reported further that 64% of the expenses of municipalities went to general public services, officially defined as services that are indispensable to the existence of an organized LGU, including executive and legislative services; overall financial and fiscal services; the civil service; planning; conduct of foreign affairs; general research; public order and safety; and centralized services. This was followed by economic services at 16% for activities directed in the attainment of desired economic growth. Below were health services at 9%, other social services at 7%, education at 2%, housing at 1%, and debt services at 1%.

Most had an increasing cash balance

The uncommitted cash balance to total expenses ratio indicates whether the LGU can ensure a balanced budget even in the face of financial uncertainty. This augments the study of operating surplus because a fiscally stressed fund may appear to be healthy due to loans or transfers from other funds. This ratio discounts the contribution of these transfers and loans. It is thus favorable to have an increasing trend for this ratio.

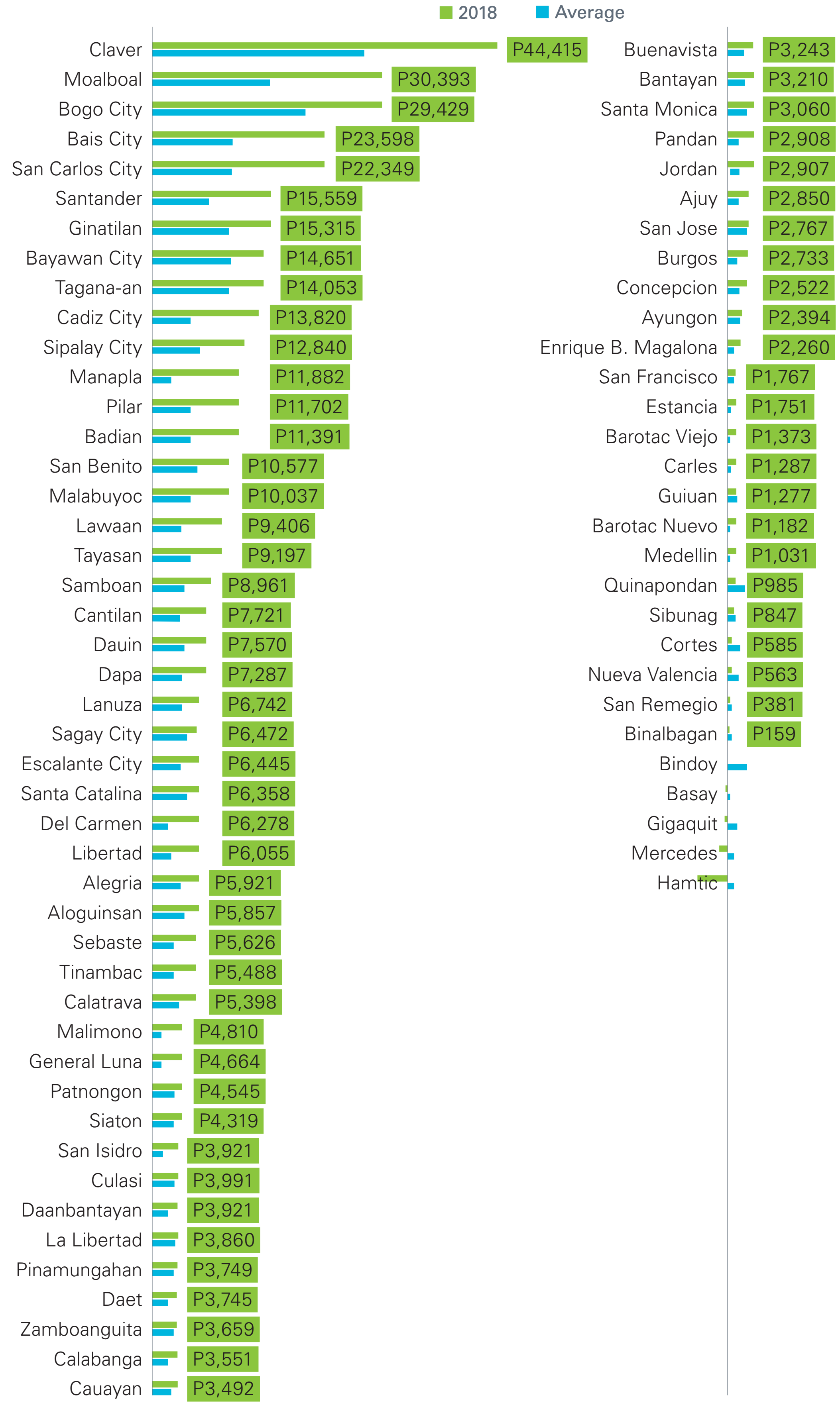
Consistent with the spending indicators mentioned, a wide range of ratios is evident. Manapla even ended 2018 with a cash balance 4 times greater than its expenses. Studying their trends since 2011, 79% of the studied LGUs had increasing cash balance to total expenses ratios. For 2018, 77% of the LGUs had a healthier ratio than their average since 2011. While the LGC mandates a calamity fund of 5% of estimated revenues, these favorable trends suggest that the ability of most LGUs to respond to emergencies and uncertainties is steadily improving.

GRAPH 04: Operating Surplus[4]

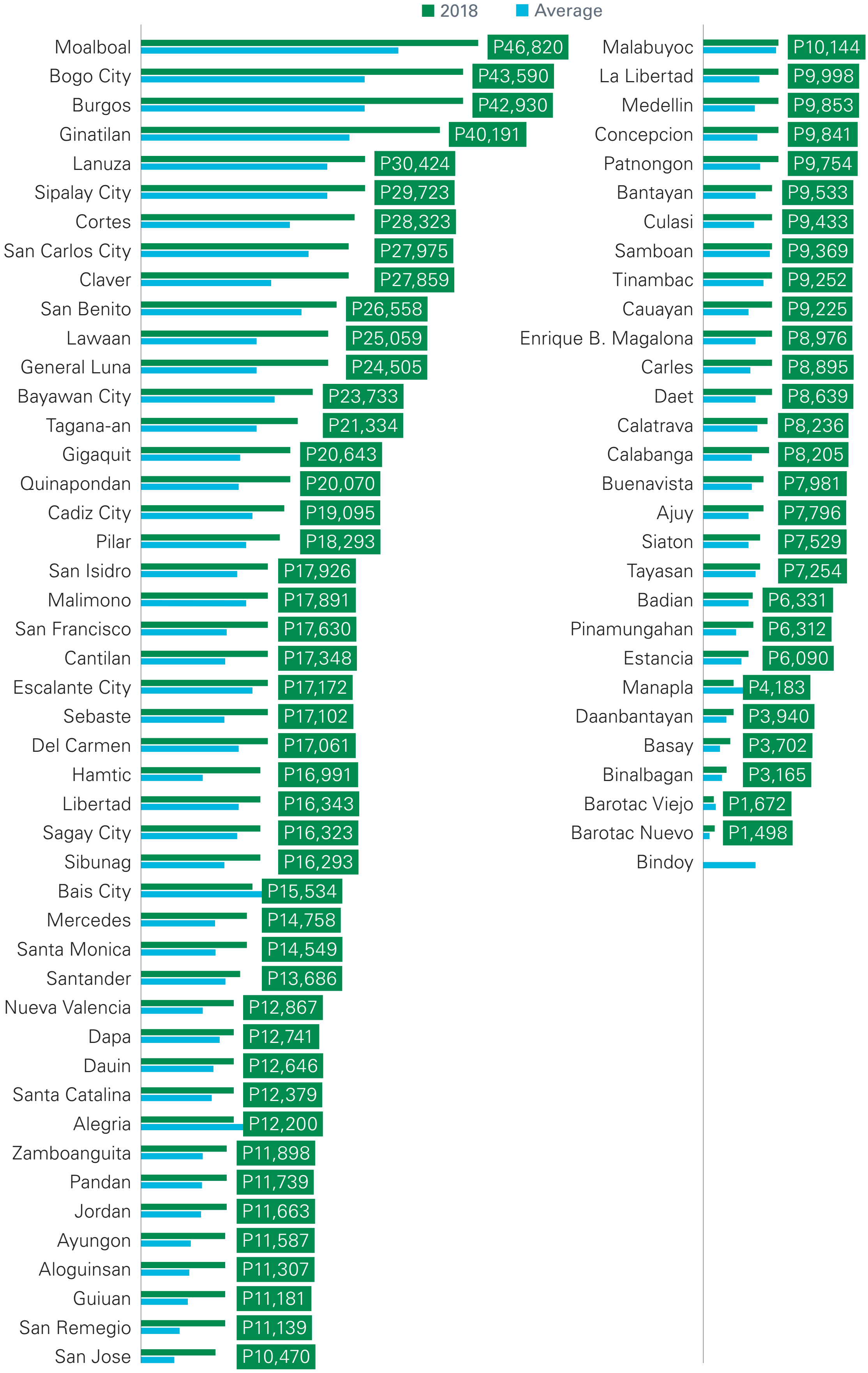


4 Operating surplus figures refer to Total Current Operating Income less Total Current Operating Expenditures

GRAPH 05: Operating Surplus per Household

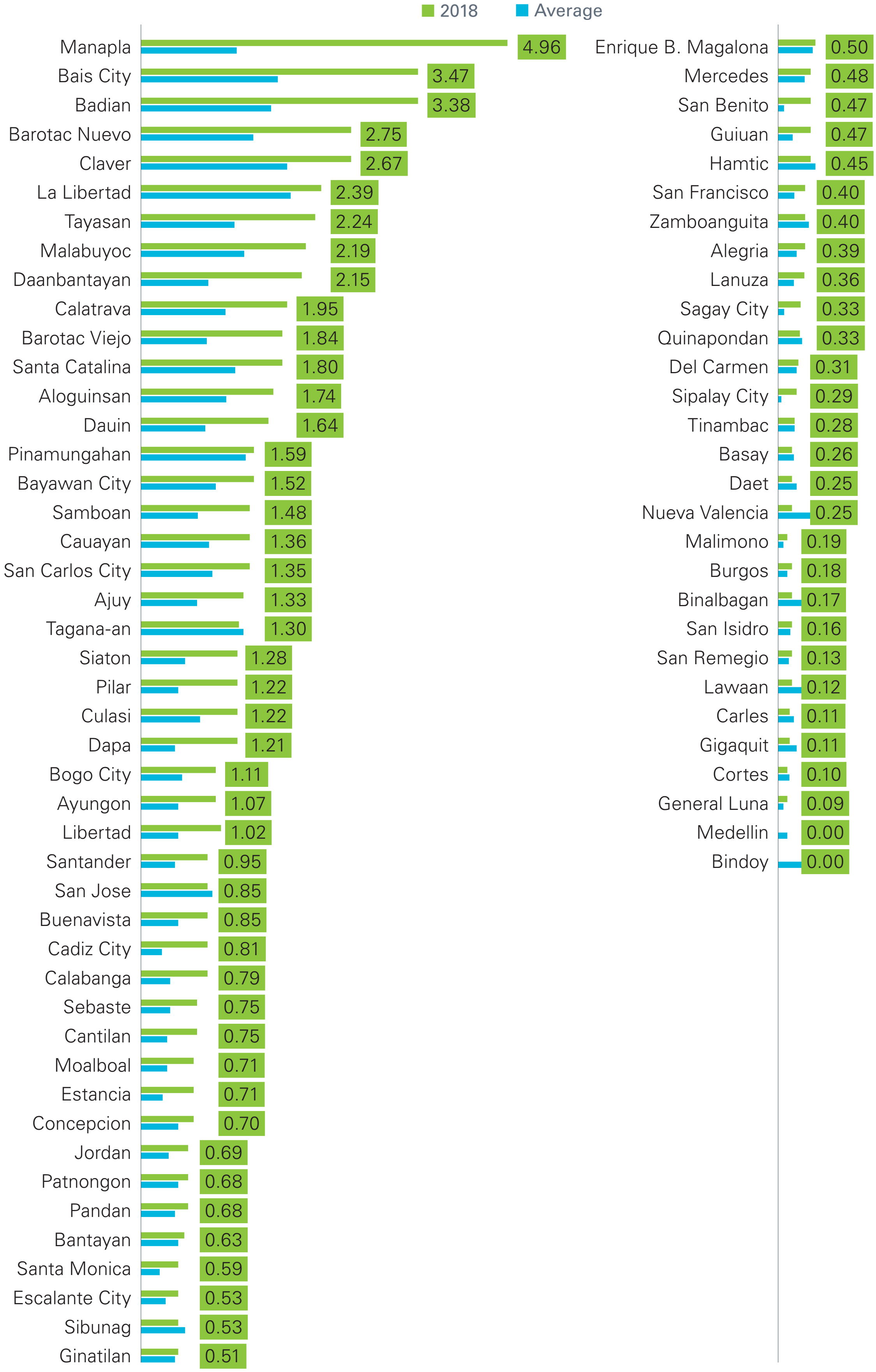


GRAPH 06: Expenses per Household[5]



5 Expense figures refer to Current Operating Expenditures only, excludes non-operating expenditures

GRAPH 07: Cash Balance to Total Expenses[6]



6 Figures computed based on Fund/Cash Balance divided by Total Current Operating Expenditures

CHAPTER 3

DEBT CAPACITY

Of the 75 LGUs in our sample, an average of 37 (around 50%) LGUs had outstanding loan balance between 2011-2017. Based on the 2018 Statement of Receipts and Expenditures report, a total of 47 LGUs (63%) have reflected outstanding loan balances.

Based on municipalities with outstanding loans as of 2018, Daet and San Jose acquired significantly greater loan amounts among first-class municipalities. As for second-class municipalities, Mercedes and Claver, emerged as top 2. Hamtic and Nueva Valencia led the list for third-class municipalities. Lanuza and Gigaquit borrowed significantly large amounts among fourth-class municipalities. Malabuyoc and Lawaan did the same among fifth-class municipalities. Of the two sixth-class municipalities in the sample, Burgos registered a higher approved loan amount.

There is wide disparity in loan amounts

Cities in the sample had significantly greater loan amounts compared to the municipalities. Perhaps their access to more revenue-generating tools open them up to more options from financial institutions. Based on LGUs with outstanding balances as of 2018, the cities of Escalante, Sagay and led the list of LGUs with the biggest loan amounts.

Liabilities per household, meanwhile, represents the LGU's relative indebtedness with regard to future taxpayers. High or increasing liabilities can be a cause for concern and so a lower ratio and decreasing trend are considered favorable. In our sample, 59% of LGUs had less liabilities per household in 2018 than their average since 2011.

It is widely regarded that LGUs first approach government financial institutions, such as the Development Bank of the Philippines and Land Bank of the Philippines, for their debt financing needs, but it would be useful to probe and confirm this for the 75 LGUs in our sample.

Favorable trends in debt service expense ratios and debt service ratios

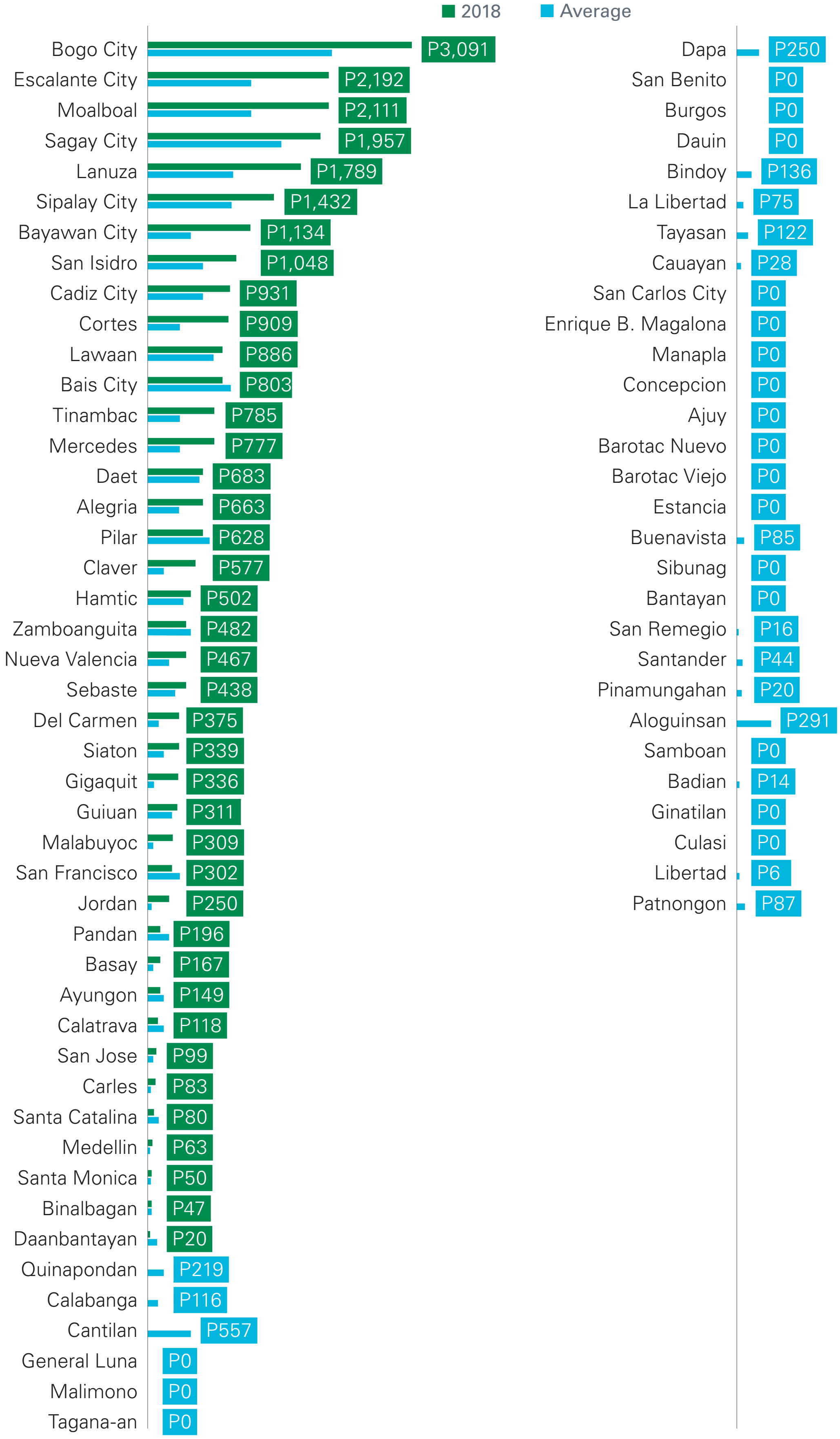
To assess the impact of their debt, we study their debt service expense ratio. This helps assess service flexibility by determining the amount of expenses committed to annual debt service. If a larger portion of expenses is being allocated to debt service, then a smaller portion goes to regular government services. Hence, a lower ratio and a decreasing trend are considered favorable. In our sample, 59 of LGUs had a lower debt service expense ratio in 2018 than their average since 2011. These 59 include the 22 LGUs that did not acquire a loan since 2011. The LGC indicated that appropriations for debt servicing shall not exceed 20% of the regular income of the LGU. All the LGUs in our sample have complied with this LGC provision.

Another helpful indicator for our purposes is the debt service ratio, which is the proportion of debt service expense to total income. This defines the extent to which an LGU could engage additional debt. Other than the seven LGUs listed in Table 3, the LGUs in our sample had a debt service ratio less than 2%. This suggests that all 75 LGUs still have room to engage additional debt, even for two of the LGUs with incomplete data.

TABLE 05: LGUs with highest debt service ratios

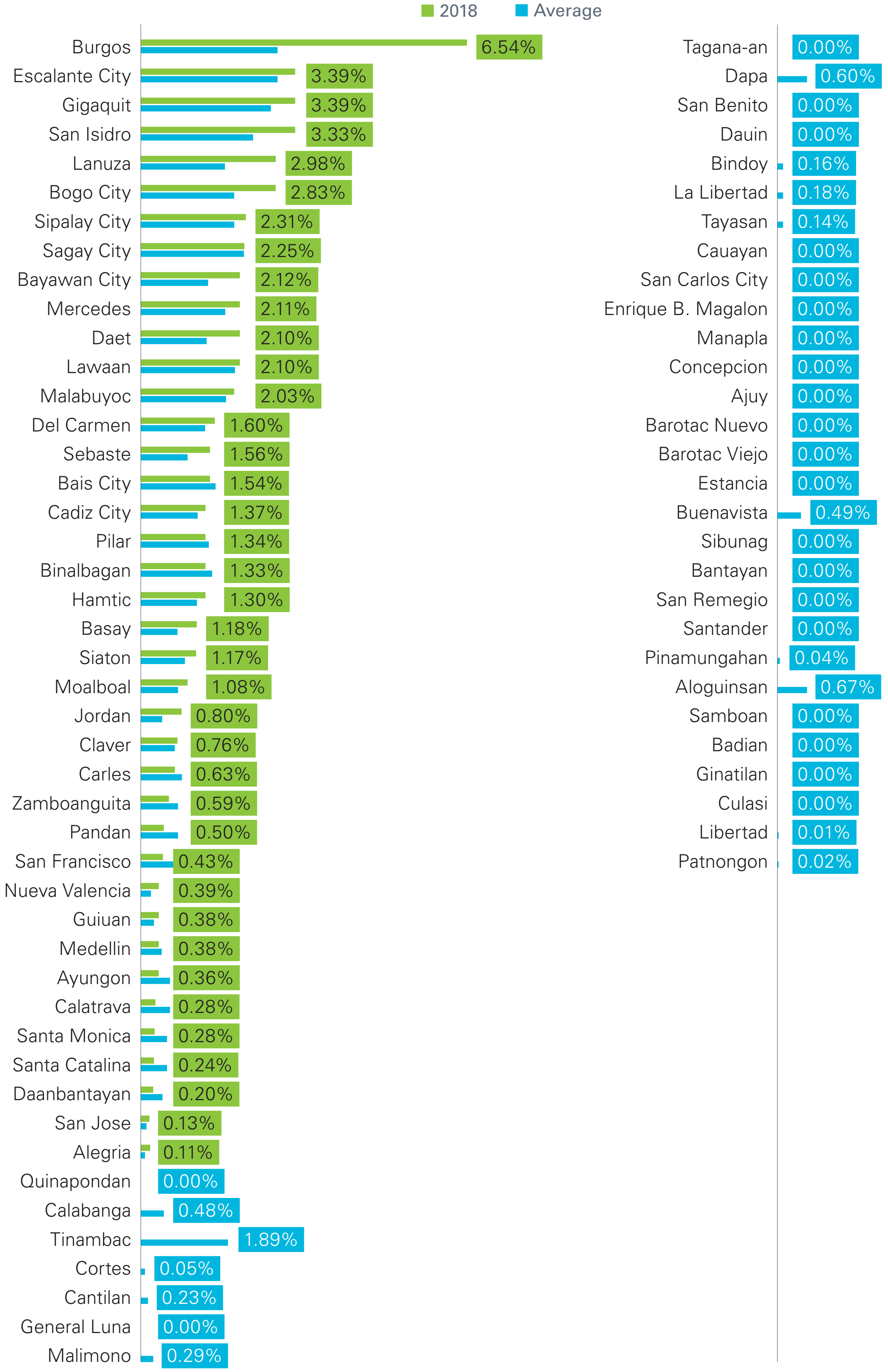
LGU	Average Debt Service Ratio
Lawaan	4.46%
Sagay City	3.37%
Bogo City	3.29%
Escalante City	3.15%
Pilar	2.96%
Basay	2.43%
Daet	2.20%
Bais City	2.07%

GRAPH 08: Liabilities per Household[7]



7 Refers to Debt Service (Principal Cost) divided by number of households

GRAPH 09: Debt Service Expense to Total Expense

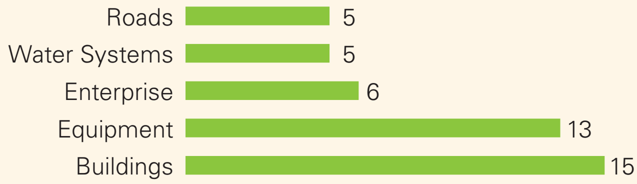


CHAPTER 4

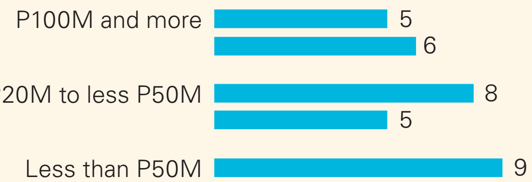
LOANS AND GRANTS HISTORY

Aside from the financial statements analyzed in Chapter 3, the BLGF survey also included questions about the experience of different LGUs regarding debt financing. Of the 72 LGUs that responded, 33 (44%) mentioned that they have incurred a loan in the past ten years. Of these, 14 (19%) LGUs mentioned that they had acquired at least 2 or more loans. Meanwhile, 46 (61%) LGUs responded that they were paying their loan amortizations on time, which is more LGUs than the 33 that have reported having incurred a loan. Perhaps this included loans acquired more than ten years ago. Based on financial statements though, 53 (71%) LGUs had acquired loans since 2011. Probing these disparities may illuminate needs for better financial management training.

GRAPH 10: Projects Funded by Loans



GRAPH 11: Loan Sizes



There are varying levels of interest in credit financing, and limited project types

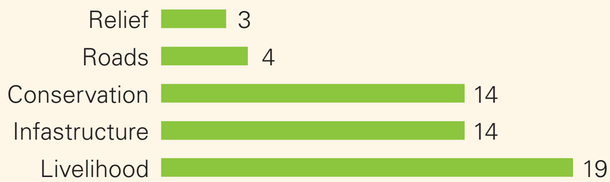
Loans generally went to traditional projects, according to the survey responses. A majority of these loans funded the construction of government buildings, and the purchase of heavy equipment. Other projects that were funded via loans were economic enterprise activities, water systems, and public roads. A majority of these loans were less than P50 million in size.

Among the 33 LGUs that did not acquire loans in recent years, 10 mentioned that they had adequate budgets to continue their operations and implement their projects. Meanwhile, 11 other respondents stated that their LGU had no interest in incurring loans. Libertad responded that they do not have a fund source to pay loans, while San Remegio reported that there are no lending centers within their vicinity. Barotac Viejo meanwhile, aired that their LGU does not know the process involving credit financing.

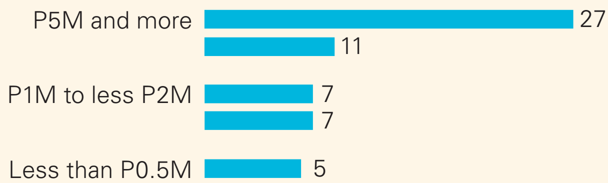
There is interest in grant financing but still limited project types

78% of studied LGUs have received grants in the past 5 years. Most of these grants went to livelihood, infrastructure such as ports and landing centers, and marine conservation projects. Almost half of them were at least Php5 million each. Only 7 LGUs had experience with public private partnerships, and only 3 LGUs had experience with joint venture agreements. When asked whether their LGU is willing to access additional sources of funding, 71 responded affirmatively.

GRAPH 12: Projects Funded by Grants



GRAPH 13: Grant Sizes



CHAPTER 5

REGULATORY FEE STRUCTURE

LGUs exercise their powers differently over their regulatory affairs. According to the BLGF survey, 88% of LGUs have existing ordinances on coastal and fisheries resource management. Some respondents shared specific ordinances too, beyond the typical locally adopted fisheries or coastal resource management codes. For example, 12 LGUs mentioned ordinances formally declaring marine protected areas and sanctuaries. A few shared ordinances that regulated fishing vessels or regulated the fishing of specific marine species. Two LGUs sought to prohibit deep sea fishing or commercial fishing.

Mostly aging CLUPs and LRCs but signs of cooperation among stakeholders

Variation can also be found in the Comprehensive Land Use Plans (CLUP) of the LGUs in our sample. Only 51 existing CLUPs involved plans for municipal waters. This despite most LGUs having passed their CLUPs for a long time now, at 11 years on average. Three LGUs passed their CLUPs in the early 1980s and still have not involved plans for municipal waters. Eight LGUs passed theirs only in the last 3 years and so a comparison of CLUPs across the decades might be an opportunity for learning and innovation.

As a positive sign of cooperation among LGUs, 69% of the respondents stated that agreements with other LGUs exist as regards the control of municipal waters and the utilization of coastal resources. There is cooperation among other stakeholders too as 67 of the respondents stated that there are agencies and organizations assisting in Coastal and Fisheries Resource Management (CFRM) in their LGU. The agencies and organizations mentioned were: the Municipal Environment and Natural Resources Office, the Fisheries and Aquatic Resources Management Council, the Municipal Aquatic Fisheries Council, the Bureau of Fisheries and Aquatic Resources, the Department of Environment And Natural Resources, the Provincial Government, RARE, CCEF, World Renew, Sikat, Rural Improvement Clubs, 4-H Clubs, People's Organizations, Fisherfolk Associations, Farmers Associations, Women's Organization, TAMPA, TAJODA, and the academe.

However, not all respondents agree that their LGU is providing enough support to fisherfolk and the fisheries sector. This is a good question to probe for the 31% of respondents that disagreed. Opportunities to address this may come from their current regulatory environment. For example, only 35 of the respondents mentioned that their LGU has updated their Local Revenue Code (LRC) in the past three years. The rest have not done so for 9 years on average. One LGU has not updated its LRC for 22 years. Only 9 LGUs have enacted ordinances granting tax exemptions, tax incentives or tax reliefs, and only 6 of these LGUs find that these tax exemptions affect the operations and management of coastal and fisheries resources.

Huge disparity in fisheries revenue

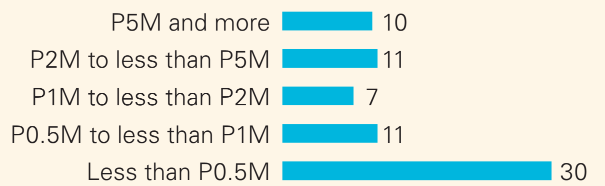
As for fishery rentals, fees and charges, 50% of the LGUs responded that they engaged in this type of revenue-generating activity. Guiuan and Buenavista reported the largest revenues from this, at Php152 million and Php141 million respectively. The huge disparity here is yet another sign that there is a clear opportunity for sharing of best practices for similarly situated LGUs.

CHAPTER 6

FUNDING FOR SMALL-SCALE FISHERIES

LGUs also serve their fisheries sector in different ways. Of the 72 respondents in the BLGF survey, 47 stated that they have an approved Coastal and Fisheries Resource Management (CFRM) Plan. Meanwhile, 49 responded that their CFRM Plan is reflected in the LGU Comprehensive Development Plan, and 55 responded that this has been reflected in their LGU's Annual Investment Plan for the past 3 years.

GRAPH 14: Number of LGUs per CFRM Spending Level



Positively, 57 LGUs responded that they had funds to continuously finance their sustainable CFRM Plan. Of those that reported their CFRM spending level in the last 5 years, a majority spent less than Php1 million. Those that did not respond in the affirmative simply cited that they had limited resources, while 2 LGUs expressed lack of knowledge or updating as regards their CFRM Plans. The respondent for Malimono, meanwhile, raised the issue of changes in DBM guidelines as a reason for why they no longer had adequate funds for their CFRM Plan.

There were 57 LGUs that reported receiving external funds for projects related to their CFRM Plan. External funding sources included the national government, their provincial government, international organizations, and non-government organizations.

In focus group discussions with the LGUs of Bayawan City and Santa Catalina, participants raised several issues with their CFRM Plans: limited data sharing with BFAR, limited manpower resources for the fisheries sector, limited technical and management capacity of existing manpower within government and among fisherfolk leaders. Participants also suggest that this limited absorptive capacity within LGUs is one reason why they do not access debt financing even when it is available.

Most LGUs had projects for their local fisheries sector

Of the 64 that had projects for their fisheries sector, a large majority conducted livelihood-related projects followed by marine conservation projects, and a few infrastructure projects. Among those that did not have fisheries sector projects, 3 responded that the fisherfolk in their LGU were doing well on their own while 2 LGUs responded that they had other priorities.

A smaller subset of LGUs reported that they engaged in economic activities utilizing CFRM. Of the 36 that engaged in these activities, a large majority also conducted livelihood-related projects similar to those already mentioned. Different from these was the conduct of tourism-related activities, which was reported by 7 LGUs.

CHAPTER 7

CAPACITY-BUILDING OPPORTUNITIES

LGUs typically participate in capacity building through the national government, and a comprehensive assessment of the trainings and activities that they have been required to attend from multiple organizers on a wide range of topics is unavailable. This assessment is necessary to identify target learning outcomes and to determine the best approach to deliver the training given time and bandwidth constraints. But from the analysis in the preceding chapters, we can determine initial opportunities for capacity-building that can then be tested and validated.

We can group the capacity-building opportunities by two themes: improvements in current systems and the creation of new systems.

IMPROVEMENTS IN CURRENT SYSTEMS:

01. Modules on Generating Revenue and Managing Expenses: A few LGUs in the sample are more successful at budget management than the rest. A closer look into how they sustained key financial indicators, plus how they identified, recruited, and trained the kind of personnel needed to execute their strategies, can be a useful resource for other LGUs. BLGF or other government agencies may already provide trainings on this topic for LGUS that could incorporate these lessons learned. Opportunities for regular interaction between LGU leaders facing similar constraints can augment these trainings. Topics may include how they can diversify their revenue sources and lower their dependence on the IRA.

02. Modules on Regulatory Best Practices: While more LGUs reported that they have existing CFRM ordinances and plans, an opportunity exists for sharing which regulations and strategies proved effective and efficient. Most LGUs can benefit from training on how best to use tax incentives and other taxing tools to influence behavior, especially towards better CFRM practices. Some LGUs can also benefit from revisiting and updating their current CFRM policies. A comparison, therefore, of old and new CFRM plans can yield insights and can serve as rallying points for deeper dialogue with local stakeholders.

Within the fisheries sector, the survey responses suggest that multiple stakeholders are already engaged and so new ways of facilitating them can strengthen existing bonds. These modules can include collective impact practices, liberating structures, and systems thinking.

03. Modules on Generating Evidence. To increase demand for innovative financing and project design, LGUs that have delivered successful projects can be taught how to better generate evidence for what works. This evidence base can then be used to attract more financing for similar projects, and also to inspire other LGUs to replicate or localize these initiatives. Much of the survey captured inputs and activities that LGUs poured onto their citizens but not enough data on outputs, outcomes, and impact were reported. A deeper dive into the concrete results of reported activities can be a launching pad for this equally important conversation on generating evidence.

CREATION OF NEW SYSTEMS:

04. Modules on designing new strategic initiatives and developing new project ideas: Some LGUs have significant room in their budgets for new strategic initiatives. Grouping them separately and assisting them in project design and management can help them achieve more development goals without undermining their cash balance ratios.

A missing element in this analysis is the degree to which constituents are familiar with the financial health of their LGUs. Building the capacity of other stakeholders, such as local fisherfolk associations and people's associations, can also be an opportunity to increase the demand for better strategies and projects relevant to their context. Survey responses revealed some experience with the previous DILG administration's Bottom-Up Budgeting program and a similar system can be organized that builds on this history.

Multiple survey responses also show a limited range of project ideas, with LGUs reverting to traditional livelihood and local infrastructure projects. Exposing local stakeholders to more innovative projects elsewhere can help address this, especially as they are empowered with greater awareness of their local financial situation.

05. Modules on External Financing: Especially for municipalities in the sample, there is a lot of room for capacity-building as regards knowledge, skills, and attitudes on credit financing and other financing modalities such as joint venture agreements and public private partnerships. It is also necessary to conduct this with multiple stakeholders so that expectations of risks and returns are clearly managed. This also ensures that real checks and balances are in place, so LGUs avoid borrowing for the wrong reasons. A few LGUs reported zero credit histories while others see no need for credit financing. It is necessary to probe this further and unpack the real reasons why these LGUs hesitate to engage in external financing, especially when they face urgent problems and have clear opportunities for positive social impact.

06. Modules on Creative Confidence and Design Thinking: As can be observed in several data points, there are huge disparities in how similarly situated LGUs provide and finance services for the fisheries sector in their jurisdiction. This suggests that some LGUs are more willing to explore innovative ways of delivering public services, and that they can learn significantly even from each other. Equipping career bureaucrats with design thinking skills and mindsets can help equalize creative confidence among LGUs and counter some of the powerlessness that can be sensed from the survey responses. Training formats beyond workshops and classroom types can be explored, such as a weekly mentor-buddy system among similarly situated LGU leaders, or a collaborative format where LGUs take turns presenting a specific problem they face, with the rest of the team helping the assigned LGU dive deeper into the problem and identify potential solutions. Behavioral design competitions can also be organized to inspire LGUs in developing innovative programs that change citizen behavior and improve CFRM practice.

Conclusion

The wide disparities in financial performance and service delivery among LGUs are opportunities for learning and innovation in coastal and fisheries resource management. Certain cities and municipalities clearly are better at balancing their budget, generating revenue, and managing expenses. Some LGUs have also prioritized the fisheries sector more highly than others, and this has led to different inputs and activities being downloaded to their constituents. A closer look into how these have resulted into clear outcomes will help strengthen the case as to why the fisheries sector ought to be better prioritized.

To build further on this analysis, it will be helpful to understand the local dynamics of similarly situated LGUs and reveal why many have significant operating surpluses and cash balances, and yet many are still unable to deliver on key development outcomes or to do so without requiring grant and debt financing. Clustering the LGUs into those with similar financial profiles and opportunities will help build a portfolio of interventions that would better respond to the wide variation in circumstances among the 75 in the sample. A few municipal treasurers also revealed that their LGU is not providing enough support for the fisheries sector. Some also reported different loan histories from their official financial statements. Probing into these sentiments and disparities will clarify the real needs of these LGUs and the right financing interventions that will help improve the lives of those in coastal communities.

Facilitating regular dialogue across local leaders will generate insights that will help lift constituents out of subsistence fishing and into more sustainable jobs. But first, local stakeholders need a deeper awareness of local financial health and opportunities. Empowering them and their leaders with creative confidence and financial knowledge will further increase demand for innovative and sustainable coastal and fisheries resource management programs. This will also expand the types of initiatives that LGUs will pursue so they may go beyond traditional projects. For a few LGUs, they already have adequate financing for this. Still others can benefit from knowledge on external financing and revenue generation so they can then design and implement more sustainable projects. Despite climate risks and other constraints, struggling LGUs have similarly situated counterparts that can help them chart paths out of poverty for their citizens.

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