



# BCRUPD Policy Brief<sup>1</sup> No.2

“Enhancing the Spatial Perspective of Public Financial Management and Planning at the Local Levels: An Analysis of Joint Memorandum Circular No. 1, Series of 2016<sup>2</sup>” | July 2020



Supported by:



based on a decision of the German Bundestag

---

<sup>1</sup> The preparation of this policy brief was supported by the BCRUPD Project to promote policy discourse affecting climate governance such as the enhancement of the Joint Memorandum Circular No. 1 of 2016.

<sup>2</sup> Department of the Interior and Local Government (DILG), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), and Department of Finance (DOF) Joint Memorandum Circular No. 1 Series of 2016, November 18, 2016.

The work of pursuing development is not easy.

Although usually showcased in terms that everyone would readily support, plans are produced through very intricate processes that require a lot of cooperation between and among many actors. Unfortunately, planning for development does not end there. In fact, it gets harder. Plans then have to be cascaded, aligned, financed, executed, monitored, and assessed to determine whether or not development goals have been achieved.

A framework for this cyclic planning approach is found in DILG-NEDA-DBM-DOF Joint Memorandum Circular No.1, series of 2016 (JMC No.1, s.2016). It provides the details on how Local Government Units (LGUs) and Oversight Agencies (DILG-NEDA-DBM-DOF) should be structured, delineates their roles and responsibilities, and prescribes policies, systems and tools, in order to achieve improved public financial management<sup>3</sup>.

### *Beyond Public Financial Management*

Albeit focused on harmonizing Local Planning, Investment Programming, Resource Mobilization, and Performance Monitoring and Coordination in the context of *Fiscal Oversight*, JMC No.1, s. 2016 is crafted to ultimately create convergence, through the identification of interdependencies and areas for complementation and integration, between and among LGUs and Oversight Agencies, with the purpose of achieving better public services<sup>4</sup>.

---

<sup>3</sup> See JMC No.1, s. 2016, Section 2.1, 2.2, & 2.3

<sup>4</sup> See JMC No.1, s. 2016, Section 4.8

JMC No.1, s. 2016 reveals that its intent goes well beyond public financial management and clearly into development planning at the national, regional, and local levels. Section 6 thereof goes on to state:

*The roles and responsibilities of the Oversight Agencies support the very intent of harmonizing and, where appropriate, integrating existing and current official policies, guides and manuals on local planning, investment programming, resource mobilization, budgeting, expenditure management, and performance monitoring and coordination, in fiscal oversight at local levels, **and effect the complementation of activities between and among the provinces, and other component LGUs, as well as interface of NGAs in local planning** (emphasis supplied).*

#### JMC No.1, s. 2016 and Allied Issuances

A review of the salient features of Joint Memorandum Circular No. 1, series of 2007 (JMC No.1, s. 2007)<sup>5</sup>, and Joint Memorandum Circular No. 2015-1 (JMC No. 2015-1)<sup>6</sup> – allied issuances on public financial management and planning at the local levels – reinforces the circulars’ collective and grander agenda of promoting development through the synchronization and harmonization of action amongst development actors.

---

<sup>5</sup> Department of the Interior and Local Government (DILG), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), and Department of Finance (DOF) Joint Memorandum Circular No. 1 Series of 2007, March 8, 2007.

<sup>6</sup> Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), Department of Finance (DOF), and National Economic and Development Authority (NEDA), Joint Memorandum Circular No. 2015-1, February 24, 2015.

For instance, Section 2.1.4 of JMC No.1, s. 2007, citing Section 305 (h)<sup>7</sup> and (j)<sup>8</sup> of the Local Government Code, declares “the optimization of resources and to avoid the duplication in the use of fiscal and physical resources” and “equitable allocation of resources among component units” as guiding policies. Likewise, Section 5.2.3 of JMC No.1, s. 2007 – Province – City/Municipality Complementation, reads: “implement programs and projects that have significant impacts on the province as a whole”.

On the other hand, JMC No. 2015-1 begins with “In pursuit of attaining the Philippine Development Plan’s goal of inclusive growth and poverty reduction and promoting good governance xxx”.

Weak Spatial Perspective

*The Missing Link*

Despite the series of revisions and amendments that have characterized the evolution of the Circulars from 2007 to 2016, the membership and overarching roles of the Oversight Agencies have remained unchanged, *to wit*:

| OVERSIGHT AGENCY | ROLE and RESPONSIBILITY   |
|------------------|---|
| DILG             | <i>strengthen the capabilities of local governments and advocate towards a rationalized planning system for cities and municipalities</i> |

---

<sup>7</sup> Section 305 (h) of the Local Government of 1991, reads: *Local budget plans and goals shall, as far as practicable, be harmonized with national development plans, goals, and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources;*

<sup>8</sup> Section 305 (h) of the Local Government of 1991, reads: *Local government units shall ensure that their respective budgets incorporate the requirements of their component units and provide for equitable allocation of resources among these component units;*

|      |   |
|------|---|
| NEDA | <i>coordinate the formulation of continuing and coordinated socio-economic development plans, policies and programs</i> |
| DBM  | <i>oversee the efficient and sound utilization of government funds and revenues</i>                                     |
| DOF  | <i>supervise revenue operations of all LGUs</i>   |

Simply stated, JMC No.1, s. 2016 and its allied circulars put in place a framework where the Oversight Agencies supervise local governments' planning (DILG and NEDA), budgeting (DBM) and revenue generation (DOF). With this, the government seeks to achieve convergence<sup>9</sup>, complementation, interface<sup>10</sup>, optimization and equitable allocation of resources<sup>11</sup>, and impact in development planning<sup>12</sup> with very little regard for spatial analysis and management. Notwithstanding the clear intention of achieving the foregoing outcomes, which would clearly benefit from spatial analysis and management, JMC No. 1, s. 2016 and its allied circulars only mentioned the word "spatial" when it defined Provincial Development and Physical Framework Plan (PDPFP)<sup>13</sup> and "built environment" when it defined Ecological Profile<sup>14</sup>.

Meanwhile, these circulars devote entire sections to detail Public Financial Management policies, systems, and tools, as well as sections for Planning and Budgeting policies. Thus, underscoring the framework's focus on the relationships between local planning, budgeting and revenue generation.

---

<sup>9</sup> See JMC No.1, s. 2016, Section 4.8

<sup>10</sup> See JMC No.1, s. 2016, Section 6

<sup>11</sup> See JMC No.1, s. 2007, Section 2.1.4

<sup>12</sup> See JMC No.1, s. 2007, Section 5.2.3

<sup>13</sup> See JMC No.1, s. 2007, Section 3.7

<sup>14</sup> See JMC No.1, s. 2016, Section 4.13

### *Convergence: Aligning Sectoral Plans with the Spatial Strategy*

By focusing on the relationship between the Comprehensive Development Plan (CDP), the Local Development Investment Program (LDIP) and their counterpart plans, interventions become sectoral, rather than spatially focused.

Serote (2004) emphasizes that investment programming, in the context of local planning and development, must generate programs and projects derived from the detailed elaboration of the Comprehensive Land Use Plan (CLUP) and the CDP. By doing so, public spending will modify, guide, direct, control the desired private response to attain the desired urban form in the CLUP. Hence, local projects, programs and activities must be selected, not merely on the basis of their potential to satisfy sectoral requirements, but for their contribution in attaining the direction and intensity of urban growth consistent with the preferred spatial strategy<sup>15</sup>.

A review of JMC No. 1, s. 2016 reveals several provisions that may benefit, or be better accomplished, with the aid of spatial analysis and/or spatial management policies, systems and tools:

| <b>Section/Topic</b>   | <b>Spatial Component</b>   |
|--|--|
| <i>(6.4) On vertical linkages of development plans and investment programs AND horizontal linkage of planning and investment programming</i> | <i>- Prevent sectoral focus; balance with spatial focus<br/>- Ensure spatial analysis in planning guidelines crafted</i> |
| <i>(7.1) On new development paradigm based on identification of development drivers</i>  | <i>- Consider development drivers' impact to settlements, environments, etc.</i>   |
| <i>(8.9) On wasteful duplication of projects and programs</i>  | <i>- Include analysis of project/program service areas</i>   |

---

<sup>15</sup> Serote, E. (2004). *Property, Patrimony, and Territory: Foundations of Land Use Planning in the Philippines*. Quezon City, Philippines. UP-SURP, p.159.

### Congressional Recognition - the Importance of Spatial Development

Republic Act No. 11201, otherwise known as “An Act Creating the Department of Human Settlements and Urban Development”, was enacted on 23 July 2018. It came after the passage of the 2030 Agenda for Sustainable Development (SDGs), the Sendai Framework for Disaster Risk Reduction, the Paris Agreement, and the New Urban Agenda – international agreements that recognize, among others, the importance of spatial planning for sustainable urbanization, disaster and climate resilience. Thus, it is not surprising that these same concepts are found in RA 11201 and plugged in as ‘new powers and functions’ of the newly-minted Department of Human Settlements and Urban Development (DHSUD).

Under Sec. 5, I. a.) the DHSUD is mandated to formulate urban development policies, strategies and standards. Likewise, Section 5, I. e.) states that the DHSUD shall formulate a framework for resilient housing and human settlements to protect communities from the adverse effects of climate change and disasters.

Undoubtedly, the creation of the DHSUD with its afore-stated ‘new powers and functions’ signal the recognition of urban development, resilience planning and settlements planning – all pertaining to spatial development - as critical ingredients of development that require the attention of a government line agency<sup>16</sup>.

---

<sup>16</sup> See Republic Act No. 11201 (RA 11201), An Act Creating the Department of Human Settlements and Urban Development, Section 4.

## Conclusion and Recommendation

JMC No. 1, s. 2016 and its predecessors have laid out the framework for harmonizing local planning with sound public financial management. Yet, the focus on sectoral development plans have effectively discounted the importance of anchoring investment programs to a locality's preferred spatial strategy and urban form. The recent establishment of the DSHUD, however, demonstrates the increasing recognition that spatial planning plays a crucial role in achieving development goals.

Considering the foregoing observations, the Oversight Agencies are requested to review JMC No. 1, s. 2016, and thereafter include the DHSUD as an Oversight Agency, to i.) provide expertise on spatial management/analysis AND ii.) ensure sustainable urbanization and resilient human settlements.

Furthermore, the DHSUD, in preparation for the above-mentioned tasks, is advised to engage in sustained capacity building efforts in order to perform the following tasks:

- *Formulate urban development policies, strategies and standards;*
- *Formulate framework for resilient human settlements;*
- *Effectively exercise oversight functions, develop and establish sector performance monitoring and assessment mechanism in urban development; and*
- *Extend technical assistance to build an LGU's capability to undertake urban development management.*