THE MANDANAS RULING:
AN OPPORTUNITY FOR
EFFECTIVE DECENTRALIZATION

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Key Messages

● The Mandanas Ruling is the first step towards strengthening decentralization and improving local service delivery.

● Implementation challenges can be addressed successfully through improved coordination and strategic planning and budgeting.

● Addressing the structural challenges of decentralization requires a long-term investment in designing institutional arrangements that will ensure the success of decentralization.
Revisiting Decentralization
Local governments have played a crucial role at the front lines of the COVID crisis.
The Mandanas Ruling is an opportunity for local governments to strengthen service delivery.
A lack of resources prevents local government units (LGUs) from fulfilling their devolved mandates.

### LGU Revenues and Expenditures (Percent of GDP)

![Graph showing LGU Revenues and Expenditures](image)

### Source of Revenues (LGUs in the Tenth Poverty Decile)

![Bar chart showing Source of Revenues](image)
Overlapping mandates and a lack of capacity lead to continued dependence on the national government.
LGUs have been unable to fulfill their devolved mandates.
Large disparities in LGUs’ financial resources have led to persistent inequalities across LGUs.
Fiscal Impact of the Mandanas Ruling
LGUs with larger budgets face greater difficulties in implementation.

LGU Budget and Budget Execution Rates (2015 – 2018)

- Province: Budget = 2.2 Billion, Execution Rate = 72%
- City: Budget = 2.3 Billion, Execution Rate = 69%
- Municipality: Budget = 0.2 Billion, Execution Rate = 78%
LGUs have difficulty spending their capital outlay budgets.

Average Budget Execution Rate by Expense Class
(Average 2015-2018)

- Personnel services: City 86%, Municipality 92%, Province 88%
- Maintenance spending: City 79%, Municipality 81%, Province 80%
- Capital outlay: City 47%, Municipality 55%, Province 50%
Significant expansion of LGU budgets may result in greater underspending, unless implementation capacity improves.
Rollout of the Mandanas Ruling itself will not fix the current inequalities across LGUs.

<table>
<thead>
<tr>
<th>Province</th>
<th>City</th>
<th>Municipality</th>
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<tbody>
<tr>
<td>Pre-Mandanas (2022) (estimate)</td>
<td>4.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Post-Mandanas (2022) (estimate)</td>
<td>5.0</td>
<td>3.0</td>
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Policy Recommendations
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**Short-term**
- Clearly define, communicate, and coordinate the re-devolution of functions.
- Minimize inefficient allocation of LGU budgets by focusing on implementation ready programs and projects.

**Medium-term**
- Support capacity-building in local government units.
- Reduce inequality by re-devolving gradually and targeting national government support toward disadvantaged LGUs.
- Strengthen systems of monitoring and evaluation within government.

**Long-term**
- Amend the Local Government Code to address fundamental challenges towards effective service delivery.
- Strengthen demand for transparency and accountability.