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Do barangays really matter in local services delivery? Some Issues and Policy Options

Allan S. Layug, Ida Marie T. Pantig, Leilani E. Bolong, and Rouselle F. Lavado*

Abstract

This paper, which is borne out of the need to address scarcity of evidence-based studies on barangay financing, analyzes and evaluates key issues on financing of devolved functions at the barangay level, with particular focus on fund utilization and program allocation, and proposes some policy options addressing the issues. Its key findings include: (i) there is a mismatch between financial capabilities and devolved functions owing to limited funds being spent mostly on personal services, with little money left to finance these functions; (ii) different priorities of barangays mean different utilization of their Barangay Development Fund (BDF), with some of them failing to spend on important basic services such as education and health, as well as on economic development sector; (iii) like other barangays, those in the study areas in Agusan del Sur and Dumaguete City are found to be highly IRA-dependent, with IRA comprising 85 to 97 percent of total income; (iv) barangays are not addressing the misalignment of revenue and expenditure assignment, as well as the counter-equalizing and disincentive effects of IRA, by not raising enough own-source revenues in their localities and optimizing their use of corporate powers (as evidenced by zero percentage on borrowings, for example). As a policy intervention strategy to help barangays financially and eventually matter in local service delivery, this paper proposes three major options, namely: (i) giving the barangays the option of allowing the higher LGUs to deliver the development-enhancing services such as education and health that they themselves cannot deliver effectively and sustainably; (ii) making a paradigm shift in understanding and practicing barangay economic development by spending their BDF mostly on economic-enhancing activities aimed at increasing their coffers which would eventually enable them to fund other sectoral responsibilities; and (iii) giving incentives to barangays that excel in their own-source revenue performance and creative use of corporate powers.

Key words: decentralization; devolution; decentralization and service delivery; institutional design for decentralization; decentralization capability; local government unit; local revenue; local government expenditures; local government code; local governance; local development

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Introduction

How should barangays[1] deliver basic services in the most efficient, responsive, and sustainable manner if policy, institutional and financial problems constrain their abilities and willingness to fulfil their role as frontline service providers? Can they really deliver basic services in the first place? Do barangays really matter in LSD? These are some important questions that this paper will try to answer.

This paper, culled as a development topic from the recently concluded LSD study by the Philippine Institute for Development Studies (PIDS) and United Nations Children's Fund (UNICEF), is important for two reasons: (1) its value-added lies in contributing to the scarcity of studies dealing with barangays, especially on an evidence-based analysis of their financial performance and problems vis-a-vis LSD; and (2) in providing policy-makers some policy proposals of making higher level LGUs provide for services barangays are incapable of delivering given their capabilities and limited resources, in reconceptualising economic development as inclusive and entrepreneurship-based requiring rational spending for high development impact, and making use of performance and poverty indicators in giving incentives to barangays and addressing inequity in barangay IRA allocation.

Background

In late 2008 to early 2009 PIDS and UNICEF conducted a study on LSD of basic services from the provincial down to the barangay level. The province of Agusan del Sur and the city of Dumaguete were selected for this study. The study covered two phases: the first phase covered household surveys on service utilization while the second phase covered interviews with key providers of basic local services such as maternal and child health, primary and secondary education and potable water. Data gathering included interviews with local officials, local finance committees (LFCs), and regional directors of the Department of Interior and Local Government (DILG), as well as collection of relevant documents such as financial reports, resolutions and ordinances, among others.

The barangays in the study areas include Barangay Afga in Sibagat, Barangay Poblacion (Bahbah) in Prosperidad, and Barangays Bucac, Taglatawan and Poblacion[2] in Bayugan City, all in the province of Agusan del Sur; and Barangays Tinago (Poblacion 1), Batinguel, Buñao and Daro, all in Dumaguete City. Most of these barangays in the study areas are urban, except for Barangay Bucac in Bayugan, and Barangay Afga in Sibagat, both in Agusan del Sur.

For Agusan del Sur barangays, population varies from 3,010 in rural Bucac in Bayugan to 16,913 in urban Poblacion (Bahbah) in Prosperidad. Major source of livelihood for these barangays are farming, business and employment. Since poverty incidence at the barangay level is not available, the type of shelter was considered as proxy for household wealth status. Majority of the households live in semi-permanent and temporary shelters, made of wood and G.I. sheets, bamboo, *sawali*,[3] and nipa/cogon, implying that residents of these barangays are near or below the poverty line (**Appendix 1**).

[1] In the Philippines, a barangay is the equivalent of a village. It is the basic political unit as enshrined in the 1987 Constitution and the 1991 LGC.

[2] Barangays Taglatawan and Poblacion in Bayugan were enumeration areas for the LSD survey. However, the team was not able to conduct interviews with their LFC. But sufficient documents were made available to the team, thus financial analysis for these barangays were possible.

[3] *Sawali* is interwoven bamboo strips usually used in the Philippines to construct walls and for other purposes.

As for the urban Dumaguete City, population ranges from 2,569 in Tinago to 7,664 in Batinguel in 2007. In a socio-economic survey conducted by the City Planning and Development Office in 2002-2003, results show that almost half of the population aged 15 and up are employed. Among the employed sector, majority are self-employed. Average monthly income for the households in the study areas is at PhP 8,400, the main source of which is through wages and salaries, and profit from businesses. A portion of this household income also comes from pension and other forms of support.

Barangay's LSD-related devolved functions

As mandated in Section 17 of the Local Government Code of 1991 (1991 LGC) or RA 7160, the services and facilities that each barangay need to provide are the following:

(i) Agricultural support services which include planting materials distribution system and operation of farm produce collection and buying stations;
(ii) Health and social welfare services which include maintenance of barangay health center and day-care center;
(iii) Services and facilities related to general hygiene and sanitation, beautification, and solid waste collection;
(iv) Maintenance of katarungang pambarangay;
(v) Maintenance of barangay roads and bridges and water supply systems
(vi) Infrastructure facilities such as multi- purpose hall, multipurpose pavement, plaza, sports center, and other similar facilities;
(vii) Information and reading center; and
(viii) Satellite or public market, where viable

How barangays are able to fulfil these devolved functions at least for those poorest of the poor barangays that are usually located in rural areas demands closer scrutiny. How they finance them despite limited, nay nil, funds, invites critical analysis and policy interventions.

The following sections will discuss issues on barangay finances extracted from the LSD study, with particular focus on fund utilization and program allocation, and some policy options addressing the issues. However limited is the sample of barangays studied in this paper, it is hoped that it could provide a snapshot of the financing patterns, issues, and challenges barangays in the country are commonly faced with.

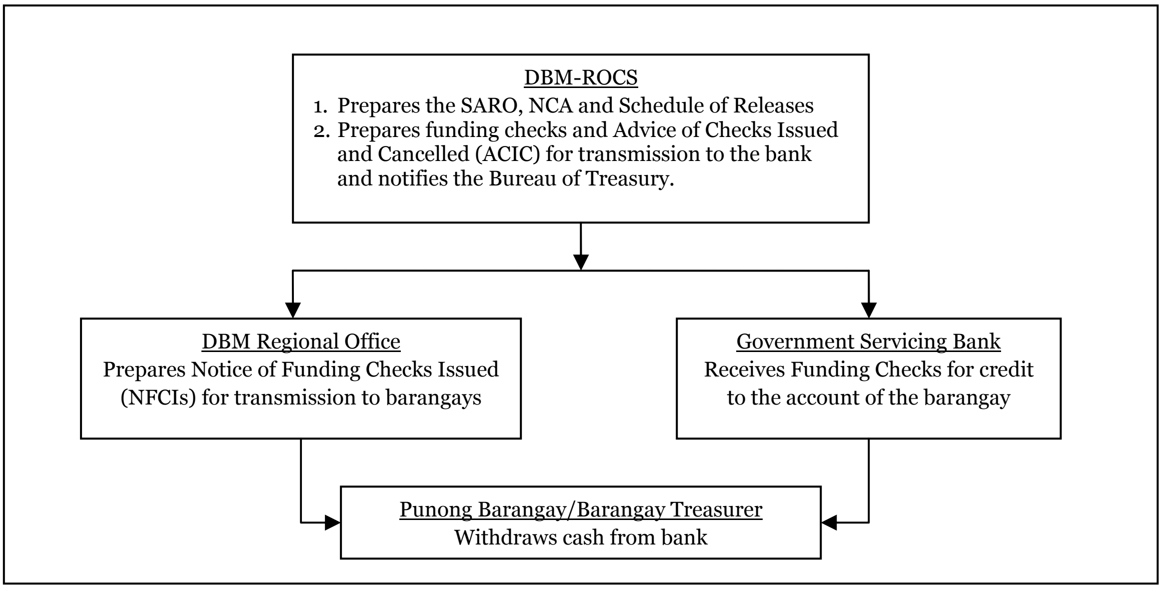
Finance follows functions

Each barangay receives an internal revenue allotment (IRA) as a share in the proceeds from national internal revenue taxes in the fulfilment of its functions.[4] Barangay share in IRA is determined as follows: First, total IRA for LGUs at year ***t*** is 40% of total amount of national internal revenue collections at year ***t-3***. For instance, IRA of PhP 210,730 million in 2008 was 40% percent of total collections in 2005 (**Table 1**). Second, after this share is determined, IRA shall be divided by level of political units, such that 23% goes to provinces, 23% to cities, 34% to municipalities, and 20% to barangays. Third, the allotment of each province, city and municipality shall be based on the following criteria: population (50%), land area (25%) and equal sharing (25%). Fourth, the 20% allocated to

[4] National internal revenue taxes include income tax, estate tax and donor's tax, value-added tax, other percentage taxes and taxes imposed by special laws such as travel tax.

barangays shall be distributed by: (i) barangays with population of less than 100 inhabitants shall be given a guaranteed IRA share of not less than PhP 80,000 each per annum, and (ii) after subtracting the IRA for barangays with less than 100 inhabitants, the remaining amount shall be distributed to other barangays using a formula where population accounts for 60% and equal sharing accounts for 40%. And fifth, for barangays created after the implementation of 1991 LGC, they shall derive their income from their parent LGU, not from IRA. However, parent LGUs take into consideration the economic and financial viability of the barangay to be created so as not to be financially burdened in taking responsibility for the financial requirements of the newly-created barangay (Sections 285 and 295, 1991 LGC; Ursal, 2001). **Figure 1** illustrates how IRA is released to the barangays.

Figure 1.Process Flow: Release of IRA



DBM-ROCS: Department of Budget and Management-Regional Operations and Coordination Service
SARO: Special Allotment Release Order
NCA: Notice of Cash Allocation
Source: Primer on Barangay Budgeting, DBM.

Table 1 shows that on the aggregate, substantial amount of IRA were allocated to all barangays, from 3.6 billion pesos in 1992 to 42 billion pesos in 2008. In real terms, IRA allocated to barangays has increased by 319% in 17 years.

Table 1. IRA share in million pesos (nominal)

	IRA in million pesos (total)	Province (23%)	City (23%)	Municipality (34%)	Barangay (20%)	Barangay 1985=100
1992	18,078	4,157	4,157	6,146	3,615	1,923
1993	37,072	8,526	8,526	12,604	7,414	3,691
1994	46,753	10,753	10,753	15,896	9,350	4,232
1995	51,925	11,942	11,942	17,654	10,385	4,371
1996	56,594	13,016	13,016	19,241	11,318	4,425
1997	57,094	13,131	13,131	19,411	11,418	4,202
1998	80,990	18,627	18,627	27,536	16,198	5,397
1999	96,780	22,259	22,259	32,905	19,356	5,969
2000	111,778	25,708	25,708	38,004	22,355	6,483
2001	111,778	25,708	25,708	38,004	22,355	6,094
2002	134,442	30,921	30,921	45,710	26,888	7,014
2003	141,000	32,430	32,430	47,940	28,200	7,089
2004	141,000	32,430	32,430	47,940	28,200	6,681
2005	151,623	34,873	34,873	51,551	30,324	6,748
2006	151,623	34,873	34,873	51,551	30,324	6,418
2007	183,937	42,305	42,305	62,538	36,787	7,573
2008	210,730	48,467	48,467	71,648	42,146	8,050

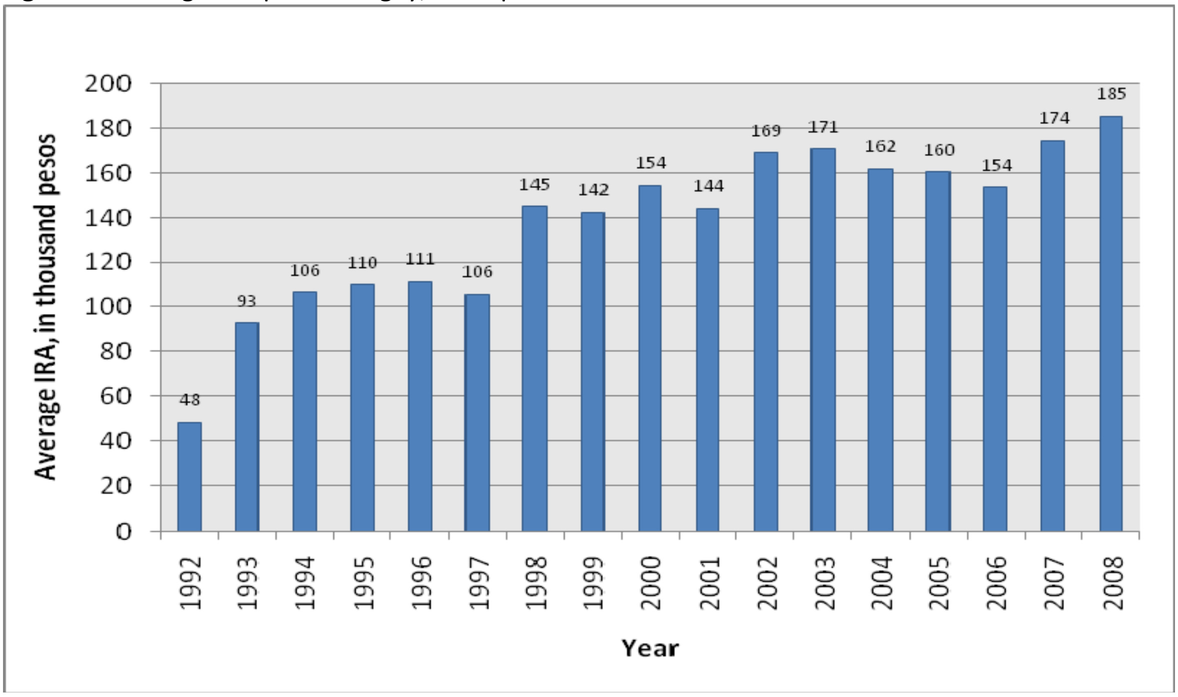
SOURCE: IRA – General Appropriations Act, DBM

Number of Barangays – Field Health Service Information System (FHSIS) demographic data, DOH

NOTE: For years 1992-1996, IRA is divided by the number of barangays in 1997 due to unavailability of data. FHSIS started reporting the number of barangays in 1997 only. For 2008, IRA is divided by the number of barangays in 2007.

On average, each barangay received PhP 48,000 in 1992 and PhP 185,000 in 2008. **Figure 2** shows that there have been three major increases in IRA shares in 1998, 2002, and 2007.

Figure 2. Average IRA per barangay, 1985 prices



SOURCE: IRA – General Appropriations Act, DBM

Number of Barangays – Field Health Service Information System (FHSIS) demographic data, DOH

NOTE: For years 1992-1996, IRA is divided by the number of barangays in 1997 due to unavailability of data. FHSIS started reporting the number of barangays in 1997 only. For 2008, IRA is divided by the number of barangays in 2007.

Aside from the IRA, the barangay's income is augmented by own source revenues (OSR) such as operating and miscellaneous revenue, capital revenues, grants, extraordinary receipts and borrowings. **Tables 2** and **3** show these other sources of income in the two study areas. As the tables show, barangays surveyed are highly IRA dependent, with IRA comprising 85% to 97% of total income. Even barangays in a relatively urban area such as Dumaguete City showed IRA dependency ratios about 88% on average. In contrast, OSR ranges from 3% to 15% of total income.

Table 2. 2006 Revenues, Case Study Areas, Agusan del Sur

	Bucac, Bayugan	Taglatawan, Bayugan	Poblacion, Bayugan	Bahbah, Prosperidad	Afga, Sibagat
Income	1,116,899	3,808,431	4,608,176	3,207,456	1,275,638
IRA	1,063,430	3,411,463	4,162,539	2,822,676	1,232,643
Own Source Revenue	53,469	396,967	445,636	384,780	32,994
Tax Revenue	41,523	320,695	371,996.	316,180	10,000
Operating and Miscellaneous Revenue	11,946	76,271	73,640	68,600	22,994
Capital Revenue	0	0	0	0	0
Grants	0	0	0	0	0
Extraordinary Receipts	0	0	0	0	0
IRA dependency	95.21%	89.58%	90.33%	88.00%	96.63%
% Own Revenue	4.79%	10.42%	9.67%	12.00%	2.59%

SOURCE: Statement of Income and Expenditures, Barangay Case Study Areas

Table 3. 2006 Revenues, Case Study Areas, Dumaguete City

	Tinago, Dumaguete City	Batinguel, Dumaguete City	Bunao, Dumaguete City	Daro, Dumaguete City
Income	1,077,663	2,069,837	969,809	2,257,309
IRA	923,651	1,870,796	876,959	1,921,548
Own Source Revenue	154,012	199,041	92,850	335,761
Tax Revenue	114,986	162,861	55,150	264,638
Operating and Miscellaneous Revenue	14,026	11,180	12,700	46,123
Capital Revenue	0	0	0	0
Grants	25,000	25,000	25,000	25,000
Extraordinary Receipts	0	0	0	0
IRA dependency	85.71%	90.38%	90.43%	85.13%
% Own Revenue	14.29%	9.62%	9.57%	14.87%

SOURCE: Statement of Income and Expenditures, Dumaguete City Barangay Affairs Office

The link between barangay planning and budgeting

In the same way that the budget of other levels of local government is formulated, the barangay budget cycle starts with the preparation of the Barangay Development Plan (BDP).[5] This is in accordance with the budgeting principle that "local government budgets shall operationalize the approved local development plans," as mandated under Sec. 305 of the 1991 LGC. This BDP contains the priority areas of services and the targets and accomplishments. The budget then provides the

[5] There are two types of barangay budget, i.e. annual budget and supplemental budget. The former is a "financial plan embodying the estimates of income certified as reasonably collectible by the city/municipal treasurer, and appropriations covering the proposed expenditures for the ensuing fiscal year." The latter is a "supplementary financial plan embodying changes during the year in the estimates of income and/or appropriations as reflected in the approved Annual Budget" (Ursal 2001: 60).

available resources needed to finance the programs, activities and projects (PAPs) required to achieve the targets. The Barangay Development Council (BDC), headed by the Punong Barangay and composed of Sanggunian members, representatives of NGOs operating in the barangay, and a representative of the congressman, prepares and approves the BDP.

The barangay carries out the BDP through the Annual Investment Plan (AIP). As a component of the medium-term BDP, the AIP serves as the basis in preparing the annual barangay budget. “It contains the specific programs, projects and activities with corresponding project costs including the necessary fund flows to approximate the reasonable timing in the release of funds” (Ursal 2001: 76).

The barangay budget is prepared by the Punong Barangay, with the assistance of the Barangay Treasurer. It consists of estimates of income and total appropriations covering current operating expenditures and capital outlays (CO), to be determined based on the barangay’s Statement of Income and Expenditures (SIEs). Also, it is subject to the General Limitations in the use of local funds as provided for in Section 325 of 1991 LGC. Further, it is subject to mandatory obligations as provided for in different provisions of the 1991 LGC, namely:

a. Appropriations for development projects of not less than 20% of the total IRA of the barangay for the budget year (Development Fund);
b. Appropriations for Sangguniang Kabataan (SK) programs, projects and activities equivalent to 10% of the general fund of the barangay for the budget year (SK Fund);
c. Appropriations for unforeseen expenditures arising from the occurrence of calamities at 5% of regular income for the budget year (Calamity Fund); and
d. Provision for the delivery of basic services pursuant to Section 17 of RA No 7160, and effective local governance (Ursal 2001: 68).

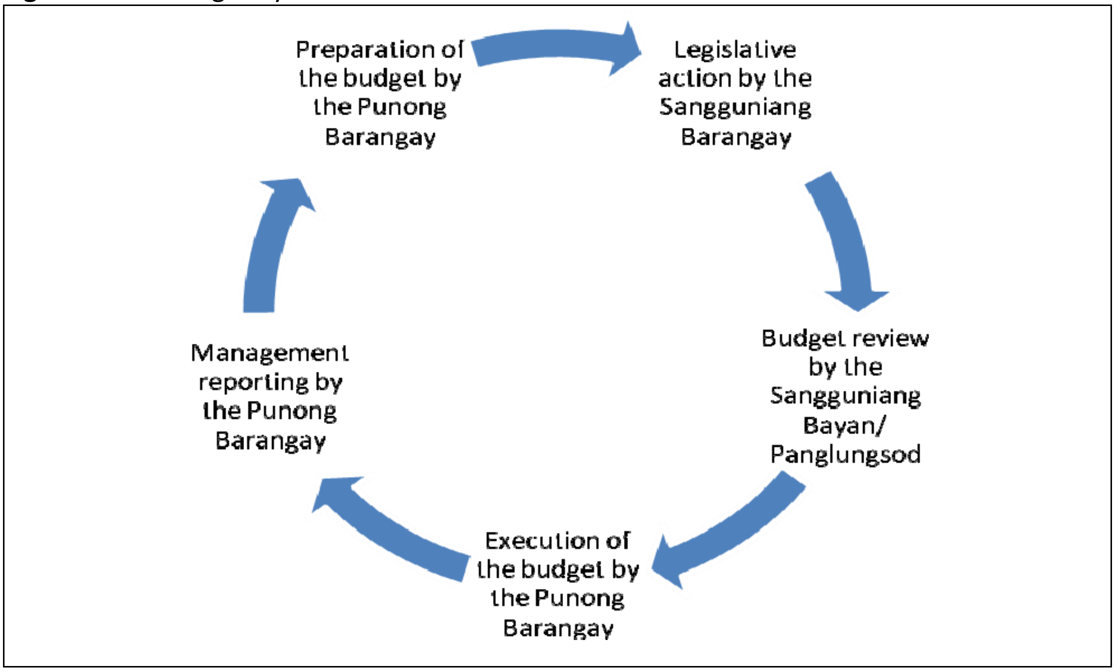
The barangay budget is authorized by the Sangguniang Barangay (SB), the barangay legislative body, by passing the barangay budget through the enactment of an appropriation ordinance, the legislative instrument authorizing the annual and supplemental budget.

Within ten (10) days after the enactment of the appropriation ordinance, the barangay budget is submitted for review to the legislative bodies of the higher LGUs (Sangguniang Panlunsod for the City and Sangguniang Bayan for the municipality), through the City/Municipal Budget Officer. The budget should be reviewed within 60 days upon receipt, otherwise it becomes in full force and effect. The rationale for budget review is to ensure that: “(a) budgetary requirements and limitations provided in the Local Government Code are complied with; (b) the budget does not exceed the estimated receipts and/or income of the barangay; and (c) the items of appropriations are not more than those provided by existing laws” (Ursal 2001: 70).

The Punong Barangay is responsible for the execution of the barangay budget. The budget execution is done through disbursing funds and implementing PAPs as appropriated in the budget and in accordance with the following procedures: (a) preparation of a simple cash program for the quarter, (b) disbursement of funds per cash program; (c) preparation of requests for obligation of allotment (ROA); (d) preparation of disbursement voucher based on approved ROA; and (e) issuance of checks.

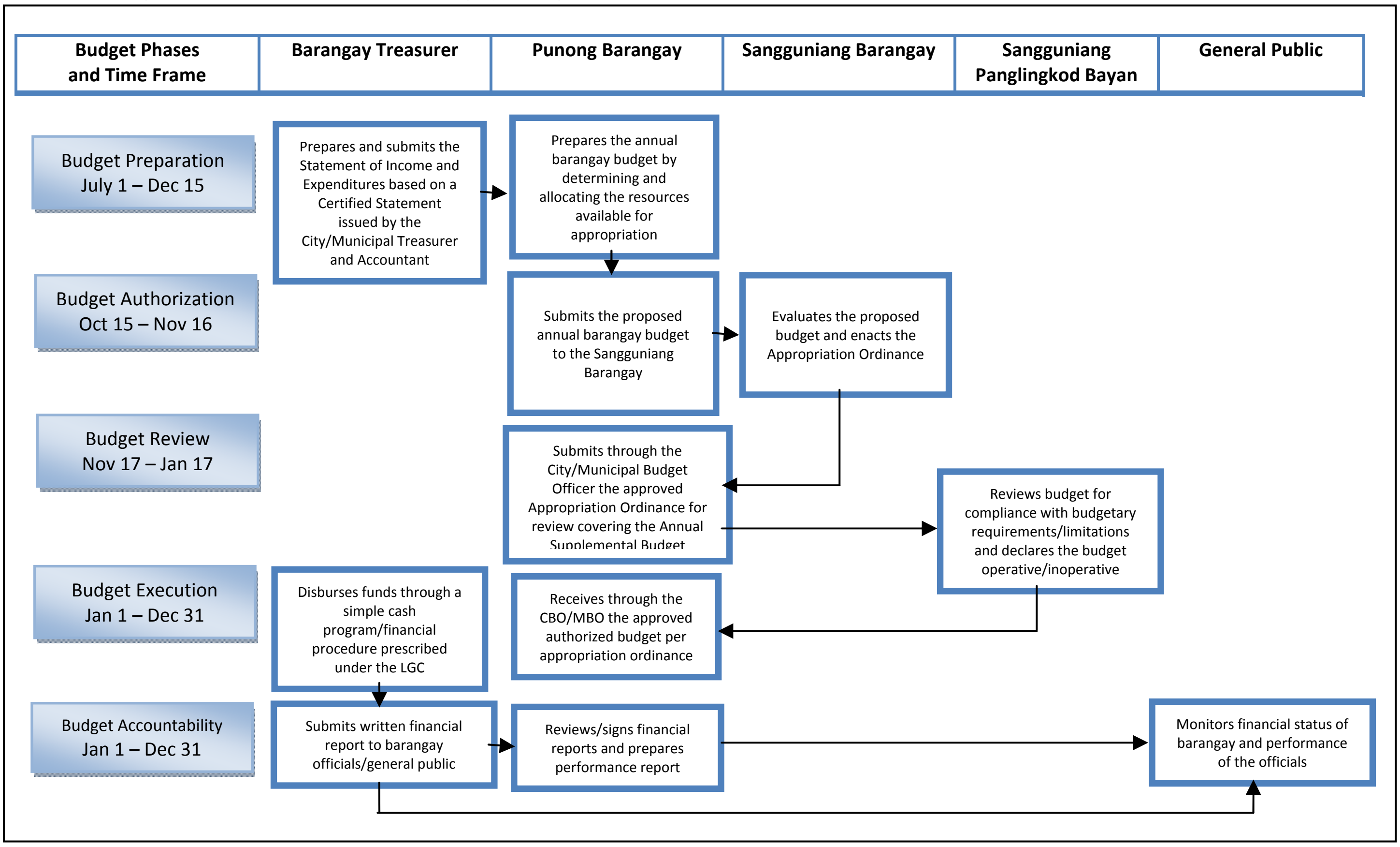
The Punong Barangay, Chairman of the Committee on Appropriations of SB, Barangay Treasurer, and the City/Municipal Treasurer/Accountant are responsible for reporting the budget performance of the barangay, as mandatory requirement of budget accountability, the last stage of the budget process. The barangay needs to prepare Quarterly Report of Actual Income (Barangay Budget Accountability Form No. 300) and Quarterly Financial Report of Operations (BBA Form 301) as accountability reports. In more specific terms, the barangay officials should report to the general public on “income actually realized for the quarter, expenditures actually spent for the quarter, and accomplishments for the quarter.” **Figures 3** and **4** summarize the budget cycle and the budget process respectively.

Figure 3. The Budget Cycle



Source: Primer on Barangay Budgeting, DBM.

Figure 4. Flow Chart of Barangay Budget Process

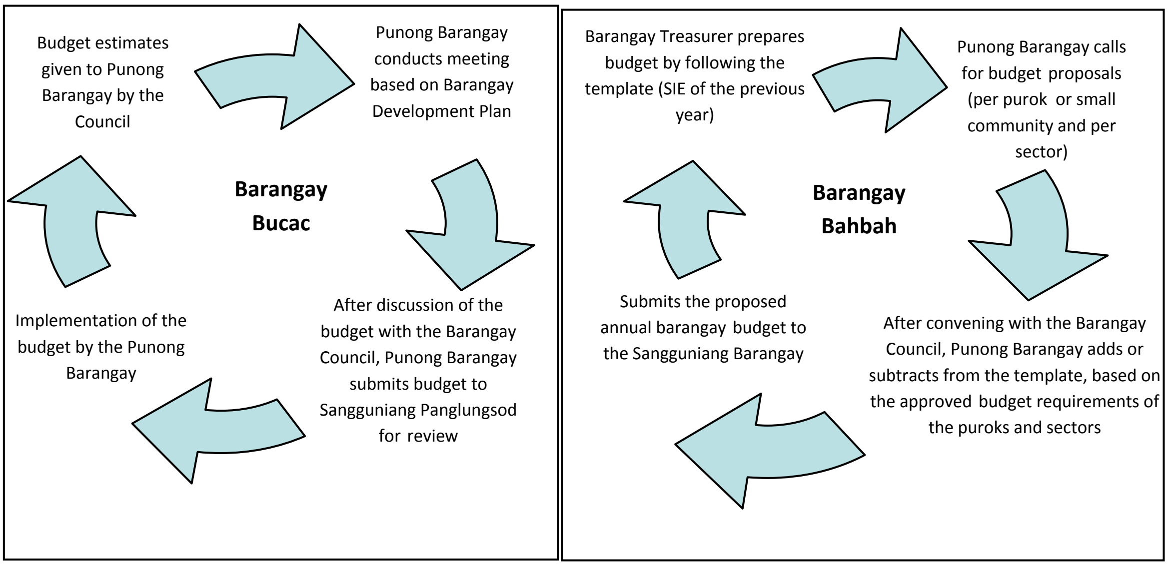


Source: Primer on Barangay Budgeting, DBM.

There are cases however, where the prescribed procedures are not followed to the letter. During the interviews with the local finance committees[6] of the selected barangays of Agusan del Sur and Dumaguete City, some deviations from the recommended budgeting and planning procedures were observed:

First, only one barangay (i.e. Barangay Bucac of Bayugan City in Agusan del Sur) specifically mentioned BDP as the starting point of their budgeting, as shown in **Figure 5**. The budgeting procedure that Barangay Bucac follows, based on what was described by its local finance committee, is the closest to the budget cycle diagram in **Figure 2**. Also, according to its finance committee, they try as much as possible to follow the guideline of using the BDPs as the blueprint in formulating the AIP to ensure that their present PAPs are still in line with the barangay's medium-term plan. Other barangays interviewed begin their budgeting and planning by following what they call the "template", which is actually their SIEs. As an example, Barangay Bahbah of Prosperidad, Agusan del Sur said they prepare their budget by adding or subtracting from the template (i.e. their SIE of the previous year) depending on their projected fixed expenditure and other allocations in meeting the current needs of the barangay (**Figure 5**). With this practice, most barangays tend to overlook, if not deliberately disregard, what they plan to carry out in their BDPs.

Figure 5. The Budget Processes of Barangay Bucac and Barangay Bahbah[7]

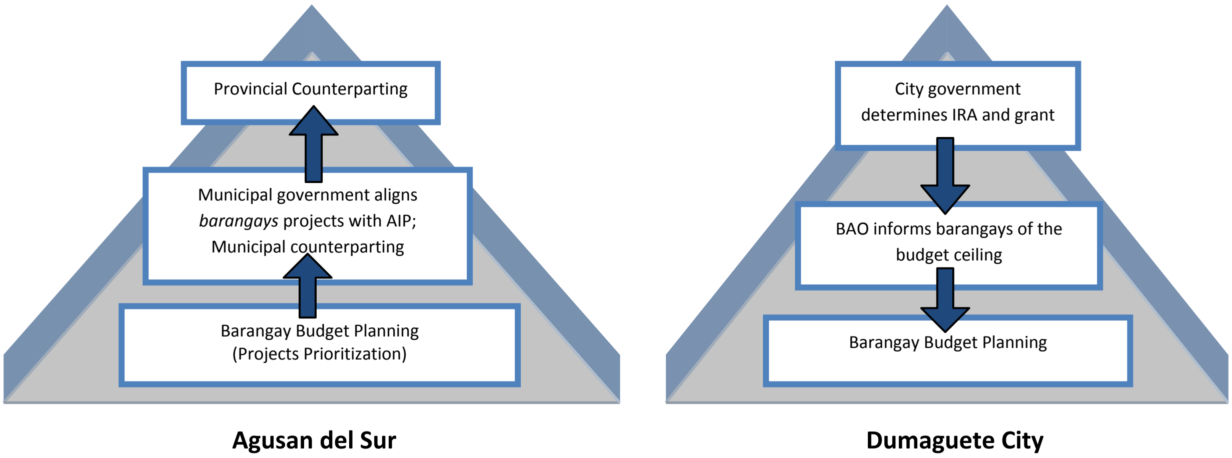


Second, the "bottom-up approach" in barangay budgeting is encouraged where the BDPs are prepared and submitted before the preparation of the City/ Municipal Development Plan to ensure that priority projects of the barangay are integrated in the said development plan of the city or municipality, as the case may be. This approach was observed in Agusan del Sur, as illustrated in **Figure 6**. The barangays deliberate the projects/programs to be included in their AIPs and then transmit their budget proposals to their municipal government. The municipal government in turn reviews the proposals and then aligns them with its own AIP, together with counterparting of funds on approved projects. In cases of big projects, the municipal government forwards the proposals to the provincial government for additional counterpart funds.

[6] A barangay local finance committee is usually composed of the punong barangay, treasurer, secretary and some members of the Sangguniang Barangay.

[7] The budget process diagrams were documented verbatim during the interviews.

Figure 6. Bottom-up versus top-down approach in local development planning



In Dumaguete City, they practice the opposite. The barangays in this study area wait first for the confirmation of the IRA amount that they will receive before they prepare their budgets. Upon receipt of the confirmation of exact IRA share from the Barangay Affairs Office (BAO),[8] the barangays prepare their budgets based on their IRA share and other funds as the budget ceiling. From the amount specified by the BAO, plus the barangay grant given by the City Development Office[9] the barangays conduct regular barangay sessions to plan how they will use the budget as pre-determined by the city government.

In a nutshell, the main difference in the budget processes being practiced by barangays in the two study areas has to do with how the funds for the barangays are allocated by the Municipal/City Development Councils of Agusan del Sur and Dumaguete City. In Agusan del Sur, the counterparting scheme is being practiced wherein the municipal government reviews and prioritizes which barangay PAPs can be included in their local development plan and then determines how much can be allocated as counterpart funds to the chosen barangay PAPs. In contrast in Dumaguete City, the funds for barangays are first divided equally and then the barangays decide on what PAPs they can undertake based on this amount.

Third, there are are some other issues encountered. There is the adoption of incremental budgeting by all barangays where they increase line items by 5-10%. The remainder, if any is apportioned to sectoral expenditures such as day care center operations and medicines for the barangay health station (BHS). Funds are normally enough only for payments of honoraria of barangay officials, barangay *tanods* (watchmen) and to some extent, barangay health workers (BHW). Their maintenance and other operating expenses (MOOE) is mostly spent for office supplies, travelling expenses, and utility bills incurred by the barangay office, multi-purpose center, and health station. Also, many barangays were still confused with the New Government Accounting System (NGAS) rules as of early 2009. Most of them believed that BDF can only be spent for infrastructure projects so that sectors such as health, education, and agriculture were normally not allocated funds in the BDF. Barangay heads lamented, however, that BDF was very limited for an infrastructure project so they only used the fund for infrastructure upon securing counterpart funds from their congressmen or higher level LGUs. Due to limited funds, they were many instances that they re-aligned SK funds for other purposes.

[8] The main function of the Barangay Affairs Office (BAO) is to provide bookkeeping services to all the barangays of Dumaguete City. The BAO also assists in the accomplishment of the barangays' financial reports and record all the financial transactions (e.g. purchase orders) made by the barangays.

[9] During the interviews, the city finance committee said that all barangays received an equal amount of P25,000. See also **Table 3**.

Some Issues

In what follows, the key issues on financing the devolved functions of barangays will be discussed.

Issue One: Mismatch between Capabilities and Functions

There is a mismatch between what barangays are capable of delivering and the devolved functions of the 1991 LGC assigned to them. This is evidenced by the financial handicap experienced by barangays in terms of expenditure assignments, where most of their money is spent on personal services (PS), and just a small percentage for MOOE (such as travelling expenses, supplies and materials, water, illumination and power services, rent, etc.) and CO. In both study areas, there are barangays that did not spend or did not have anything to spend on CO. **Tables 4** and **5** show these expenditure assignments of the two study areas.

Table 4. 2006 Expenditure by Economic Class, Agusan del Sur

	Bucac, Bayugan	Taglatawan, Bayugan	Poblacion, Bayugan	Bahbah, Prosperidad	Afga, Sibagat
in pesos					
PS	512,220	1,508,245	1,518,892	1,517,500	642,908
MOOE	153,525	832,387	981,200	1,825,299	183,348
Non-Office	385,431	478,474	1,171,818	no data	380,928
CO	11,964	449,988	3,851	0	0
in percent					
PS	48.18%	46.14%	41.32%	45.40%	36.29%
MOOE	14.44%	25.46%	26.69%	54.60%	10.35%
Non-Office	36.25%	14.64%	31.88%	no data	21.50%
CO	1.13%	13.76%	0.10%	0.00%	0.00%
per capita					
PS	170	123	89	129	203
MOOE	51	67	58	156	58
Non-Office	128	39	69	no data	120
CO	3	36	0	0	0

SOURCE: Statement of Income and Expenditures, Barangay Case Study Areas

Notes: Non- office include 20% Barangay Development Fund, 10% Sangguniang Kabataan Fund and 5% Calamity Fund. Aside from the usual MOOE such as utilities, etc., this figure includes Aid to Lupon, Aid to BHW, Aid to Barangay Nutrition Scholar, Aid to General Revision, Aid to Market Collection and Support to DILG.

Table 5. 2006 Expenditure by Economic Class, Dumaguete City

	Tinago, Dumaguete City	Batinguel, Dumaguete City	Bunao, Dumaguete City	Daro, Dumaguete City
in pesos				
PS	316,065	1,288,232	1,280,742	1,511,868
MOOE	456,797	1,019,938	436,221	987,311
Non-Office	331,980	651,780	316,217	689,811
CO	0	0	0	0
in percent				
PS	28.61%	43.52%	62.99%	47.41%
MOOE	41.35%	34.46%	21.46%	30.96%
Non-Office	30.05%	22.02%	15.55%	21.63%
CO	0.00%	0.00%	0.00%	0.00%
per capita				
PS	123	168	465	224
MOOE	177	133	158	146
Non-Office	129	85	114	102
CO	0	0	0	0

SOURCE: Statement of Income and Expenditures, Barangay Case Study Areas

Notes: Non- office include 20% Barangay Development Fund, 10% Sangguniang Kabataan Fund, 5% Calamity Fund and 2% IRA aid to bookkeeper of the Barangay Affairs Office. Aside from the usual MOOE such as utilities, etc., this figure includes Aid to Lupon, Aid to BHW, Aid to Barangay Nutrition Scholar, Aid to General Revision, Aid to Market Collection and Support to DILG.

With the bulk of the barangay income being spent on PS (except for Barangay Bahbah and Barangay Tinago which spent more on MOOE than PS in 2006), little money is left for fulfilling the devolved functions of barangays, with most of them failing to finance these functions. **Tables 6** and **7** show the mismatch between the financial capabilities (not to mention the institutional and governance capabilities) and devolved functions of the barangays in the study areas.

To further analyze how barangays spend their limited funds, their MOOE and CO were disaggregated according to functions as stipulated in the 1991 LGC. In all study areas, no amount was spent on agricultural support services, maintenance of barangay roads, bridges, and water systems, and infrastructure facilities. Expenditure on health and nutrition ranges from PhP 2,000 to PhP 81,000, which was spent on paying for utilities expense of BHS, counterpart funds (in Agusan del Sur) for BHW honoraria, and medicines. Only one barangay (Poblacion) spent for sanitation purposes which provided free toilets to its constituents suffering from schistosomiasis—a disease contracted by bathing or swimming in water populated by snails that carry the worms; also transmitted when infected human feces contaminate ponds and rivers. Another barangay with a high schistosomiasis prevalence (Bucac) was not able to allocate funds for sanitation due to budgetary constraints. For two barangays in Agusan del Sur, a chunk of sectoral expenditure went to education and social welfare services. It should be noted that no amount from MOOE and CO was spent for any sector in Barangays Tinago and Bunao, both in Dumaguete City.

Table 6. Sectoral Allocation, Agusan del Sur
MOOE and CO, by function (Section 17, 1991 LGC)

	Bucac, Bayugan		Taglatawan, Bayugan		Poblacion, Bayugan		Afga, Sibagat	
	Amount	% MOOE+CO	Amount	% MOOE+CO	Amount	% MOOE+CO	Amount	% MOOE+CO
i) Agricultural support services								
ii) Health and nutrition	2,000	1.21%	81,000	6.32%			33,000	18.0%
iii) General hygiene, sanitation and related services					105,600	10.72%		
iv) Maintenance of Katarungang Pambarangay	48,800	29.49%	108,000	8.42%	114,000	11.57%		
v) Maintenance of barangay roads, bridges and water systems								
vi) Infrastructure facilities such as multipurpose halls, plaza, sports center, etc.								
vii) Information and reading center					3,851	0.39%		
viii) Satellite or public market, where viable							6,000	3.27%
ix) Education and social welfare services	40,000	24.17%	139,800	10.90%	190,000	19.29%	24,000	13.09%

*Bahbah, Prosperidad – no data

Table 7. Sectoral Allocation, Dumaguete City
MOOE and CO, by function (Section 17, 1991 LGC)

	Tinago, Dumaguete City		Batinguel, Dumaguete City		Bunao, Dumaguete City		Daro, Dumaguete City	
	Amount	% MOOE+CO	Amount	% MOOE+CO	Amount	% MOOE+CO	Amount	% MOOE+CO
i) Agricultural support services	(none)				(none)			
ii) Health and social welfare services			40,000	3.92%			35,000	3.54%
iii) General hygiene, sanitation and related services								
iv) Maintenance of Katarungang Pambarangay								
v) Maintenance of barangay roads, bridges and water systems								
vi) Infrastructure facilities such as multipurpose halls, plaza, sports center, etc.								
vii) Information and reading center								
viii) Satellite or public market, where viable								
ix) Education and social welfare services			10,000	0.98%			2,000	0.20%

Issue Two: Follow the Money—How is the 20% Barangay Development Fund (BDF) Spent?

Another issue has to do with the use of the 20% BDF:[10] how exactly do barangays spend the fund? But bigger still is the question of how they prioritize for the use of 20% BDF from their IRA, as mandated in Section 287 of 1991 LGC. **Tables 8** and **9** show the expenditure assignments of the study areas based on their different priorities. What is worrisome is the fact that some barangays do not spend on basic services – at least on health and education – such as Barangay Taglatawan (health), Barangay Poblacion (education) and Barangay Tinago (health and education), not to mention, limited, if not lack, of spending on economic development programs that are really economic-enhancing, that is, with high economic rate of returns.[11] And for those spending on these services, prioritization is evidenced by the amount allocated on them. For health, as little as 2.9% to as high as 14.2 % are allocated by Barangay Bahbah and Barangay Poblacion, respectively. For education, as little as 1.4% to as high as 28.5 % are allocated by Taglatawan and Barangay Bucac, respectively.

Table 8. How is the 20% Barangay Development Fund spent? (Agusan del Norte)

Sector	Bucac, Bayugan	Taglatawan, Bayugan	Poblacion, Bayugan	Bahbah, Prosperidad
Health	11.78%		14.28%	2.92%
Education	28.52%	1.36%		5.83%
Water	8.74%		7.14%	2.92%
Public Safety	11.40%	2.73%	9.52%	12.83%
Economic Development	24.33%	75.48%	31.53%	53.61%
Environmental/Sanitation		20.44%	30.4%	18.96%
Others	15.20%		7.14%	2.92%

*Afga, Sibagat – NO DATA

SOURCE: Barangay Development Council Resolution on 20% Economic Development Fund, 2008

Table 9. How is the 20% Barangay Development Fund spent? (Dumaguete City)

Sector	Tinago	Batinguel	Daro
Health		3.59%	11.27%
Education		15.56%	8.45%
Water		11.97%	3.38%
Public Safety	6.14%	42.56%	8.45%
Economic Development			41.40%
Environment/Sanitation	93.86%	26.32%	27.05%
Others			

* Bunao, Dumaguete – NO DATA

SOURCE: Barangay Development Council Resolution on 20% Economic Development Fund, 2008

The stark contrast in terms of barangay prioritization is made evident when these percentages are disaggregated into expenditure assignments for Barangay Bucac and Barangay Tinago. For a total of PhP263,082 BDF, the former was able to spend on almost all sectors except for environment/sanitation (**Table 10**). In contrast, for a total of PhP 277,000 BDF, the latter was able to spend on public safety and environment/sanitation, with most of the BDF allocated on construction

[10] Due to space constraint, the mis/use of the 10% Sangguniang Kabataan (SK) Fund and the 5% Calamity Funds are not tackled here. It would be worth investigating the spending patterns of these funds.

[11] For a discussion on the problematic barangay spending on economic development sector, see Lavado, Layug, and Pantig (2009).

and repair of drainage canal, thus not spending on other sectors, especially on basic services (**Table 11**).

Table 10. How is the 20% Barangay Development Fund of Barangay Bucac spent?

	Bucac, Bayugan = P 263,082		
Sector	**Program**	**Amount**	**% total BDF**
Health	Purchase of medicines	20,000	7.60%
	Barangay health center improvement	11,000	4.18%
Education	P2, P3, P6 Day Care Improvement	35,052	13.32%
	Flooring of Bucac Elem. School stage	40,000	15.20%
Water	Water system	23,000	8.74%
Public Safety	Barangay streetlighting project/maintenance	30,000	11.40%
Economic Development	Barangay beautification project	20,000	7.60%
	Barangay road gravelling maintenance	10,000	3.80%
	Electrical installation of basketball court	4,030	1.53%
	Barangay Administration Office improvement	20,000	7.60%
	Provincial gravelling (within Brgy. Bucac premises)	10,000	3.80%
Environment/Sanitation			
Others	Aid to puroks	40,000	15.20%

Table 11. How is the 20% Barangay Development Fund of Barangay Tinago spent?

	Tinago, Dumaguete City = P 277,000		
Sector	**Program**	**Amount**	**% total BDF**
Health			
Education			
Water			
Public Safety	Installation of interior lighting	17,000	6.14%
Economic Development			
Environment/Sanitation	Construction of drainage canal	90,000	32.49%
	Improvement and repair of interior canal	170,000	61.37%
Others			

The manner by which barangays spend their 20% BDF has a human development impact, especially when basic services are not delivered. Although the prioritization of spending is based on the barangay's local autonomy as a political unit, as guaranteed in the Constitution and the 1991 LGC, still it would be worthwhile analyzing their spending patterns and recommending spending on basic services.

Issue Three: Limited Revenue Generation Capacity

Compounding the financial handicap disenabling barangays to deliver goods and services for improved LSD is the limited, if not lack of, capacity to raise their OSR. Among the various reasons for this, three are paramount: (1) lack of entrepreneurial activities resulting to limited, if not lack of, levying of taxes, fees, and charges, especially for resource-poor barangays; (2) limited power of taxation,[12] and (3) lack of political will of barangay officials to innovate alternative modalities of revenue generation – or optimal use of corporate powers. **Tables 12** and **13** provide evidence for the small percentage that OSR contributes to barangay's income and its IRA dependency, ranging from 3% of Barangay Afga and 17% of Barangay Daro. Moreover, the zero percent on borrowing of all barangays in the study areas attests to the fact they are not utilizing their corporate powers in terms of creating indebtedness and accessing credit facilities, among others.

Table 12. Percentage of Own Source Revenues, Case Study Areas, Agusan del Sur (2006)

	Bucac, Bayugan	Taglatawan, Bayugan	Poblacion, Bayugan	Bahbah, Prosperidad	Afga, Sibagat
Income	1,116,899	3,808,431	4,608,176	3,207,456	1,275,638
IRA	1,063,430	3,411,463	4,162,539	2,822,676	1,232,643
IRA dependency	95.21%	89.58%	90.33%	88.00%	96.63%
Own Source Revenue	53,469	396,967	445,636	384,780	32,994
Borrowing					
% Own Revenue	4.79%	10.42%	9.67%	12.00%	2.59%

SOURCE: Statement of Income and Expenditures, Barangay Case Study Areas

Table 13. Percentage of Own Source Revenues, Case Study Areas, Dumaguete City (2006)

	Tinago, Dumaguete City	Batinguel, Dumaguete City	Bunao, Dumaguete City	Daro, Dumaguete City
Income	1,077,663	2,069,837	969,809	2,257,309
IRA	923,651	1,870,796	876,959	1,921,548
IRA dependency	85.71%	90.38%	90.43%	85.13%
Own Source Revenue	154,012	199,041	92,850	335,761
Borrowing				
% Own Revenue	14.29%	9.62%	9.57%	14.87%

SOURCE: Statement of Income and Expenditures, Dumaguete City Barangay Affairs Office

Policy Options

The following are some of the policy interventions that can be done to address the foregoing issues and eventually help barangays matter in local service delivery.

Option One: Let the city/municipality deliver the basic services barangays are incapable of delivering

Since not all barangays are capable of delivering development-enhancing services, particularly education and health, why not opt to relegate this all-important devolved function to the higher LGUs such as the city or municipality which are deemed to be capable of delivering better services. From a development perspective, the pros outweigh the cons for this option. On the one hand, the pros are: ***First***, the barangays will not be saddled anymore with the provision of basic services, which they

[12] According to Senator Aquilino Pimentel (2007:373-4), the principal author of the Local Government Code, during the public hearings when 1991 LGC was still a bill, the barangays could have been given substantive taxing powers had they not have problems on barangay boundaries and had set criterion of the number of people residing on their territories. He concludes: "In effect, the development of the barangay as a political unit appears to be seminal...It is for that reason that despite the broad devolution of power and resources to LGUs under the Code, the barangays may only exercise limited powers."

cannot deliver in the first place; instead, they can just fulfil their other functions more effectively, efficiently, and sustainably.

Second, owing to economies of scale, the city or municipality can practice rational planning (on road construction and maintenance, for example), compared with the usual irrational planning of barangays that construct roads based on political expediency, if not hodgepodge prioritization.

Third, relinquishing these devolved functions until such time that barangays would be capable of delivering the basic services themselves would be a wise human capital investment for the future – the kind of investment which all Filipinos deserve, particularly the poorest of the poor.

On the other hand, there are costs-cum-drawbacks. ***First***, the barangays would have diminished autonomy in fulfilling their functions; or worse yet, would be converted from political units into administrative units. But in no way would barangays have diminished autonomy or become mere administrative units since the relinquishing of the function of providing basic services would be their own choice without any higher LGUs or national government dictating or mandating it on them. Should they be able to provide the basic services themselves, then they can maintain or reclaim providing them.

Second, cities or municipalities would not want to be overloaded with additional functions, especially when such would entail financial costs that they are not capable of providing. The national government can allocate funding (say, Department of Health, Department of Education, Department of Social Welfare and Development for education and health and Department of Public Works and Highways for roads) for these additional functions to higher LGUs. The higher LGUs and national government agencies would need to understand the rationale of disburdening the barangays of responsibilities they cannot shoulder in the first place, and therefore, would find the needed funds to finance them and overcome the possible bottlenecks and resistance.

Third, it would defeat the very purpose of devolution because barangays would be disempowered by not enabling them to provide the basic services to their constituents and would not be accountable for them anymore. From a decentralization perspective, autonomy, empowerment and accountability would only matter if and only if barangays and their officials have the capabilities to be responsible for them, that is, if they are able to respect the fundamental right of their constituents to basic services and protect and promote their welfare and quality of life.

Option Two: Paradigm shift in barangay economic development

With scarce resources and limited funds at their disposal, barangays should practice fiscal discipline and economic governance by prioritizing spending on economic development programs with high development impact for local communities. For this to happen, there must be a paradigm shift in the way barangays understand and practice economic development. The pros of such a paradigm shift triumph over the cons. ***First***, it would enable barangays to understand that economic development is about raising income per capita and ending human poverty, inequality, and disempowerment to achieve quality of life, realize human capabilities, and attain the nation's progress. Understood as a poverty-reduction and human development strategy, barangays would then redefine economic development as inclusive and entrepreneurship-based, that is, one that creates economic opportunities for small and medium scale enterprises (SMEs) in rural barangays where the poorest of the poor reside.

Second, having understood what economic development really means and the development outcomes that it must achieve, barangays would then be able to practice allocative and operational efficiency by allocating more of their limited funds only on economic development PAPs that are economic-enhancing, that is, those that yield both short-term and long-term economic benefits. Allocating on other sectors such as infrastructure development would then be justified mainly by their economic-enhancing or entrepreneurial purposes.

Third, convinced of the necessity of practicing an inclusive, entrepreneur-based economic development, barangays would then be able to function effectively not just as a political unit but also as an economic one. Barangays would then be able to create enabling environment and facilitative conditions for realizing the economic and political potential of local communities, for working on the equitable distribution of resources, income and wealth, and empowering the people to end the poverty of politics that has bedevilled the country and address the deep-seated institutional problems that have retarded its progress. In summary, barangays would be self-sufficient communities and economic catalysts able to effect positive institutional change through economic and political empowerment.

On the other hand, mandating a reconceptualization of barangay economic development would have disadvantages. ***First***, it would impinge, if not violate, local fiscal autonomy of barangays by telling them how to manage their scarce resources and allocate their limited funds. In other words, their fiscal autonomy to allocate financial resources would be diminished, if not totally be taken away from them, under the guise of empowering them as would-be self-sufficient communities. However, this is a total misreading of the well-meaning intention in helping barangays reconceptualise an inclusive entrepreneurship-based economic development. For the very purpose of empowering barangay is for them to make proper use of their fiscal autonomy for their own and their constituents' long-term development benefits. Again, what use is local fiscal autonomy if it does not impact on the well-being and freedom of the people? In fact, empowering barangays and their constituents is a way of enhancing their fiscal autonomy, not circumscribing it in any way.

Second, barangays have different priorities, thus focusing on economic development would misalign allocations at the expense of these other equally important development priorities. But the rallying idea is just to practice fiscal discipline and economic governance so that limited funds would be used efficiently for high economic returns. In the process, this would augment barangays coffers that could eventually finance these other development priorities more effectively and sustainably.

Third, economic empowerment is all about false hopes. The perceived economic benefits would only redound to local elite capture. Given the elite-driven status quo, this seems to hold water. But on closer scrutiny, it underrates the economic potential and political capabilities of the people. From a *realpolitik* perspective, the local political and economic elite will always benefit from any institutional change as they would always protect and promote their vital interests. The challenge is to make the people co-benefit from the paradigm shift, with the hope that they would eventually benefit more once economically and political empowered. Put somewhat differently, the overarching goal is to empower the people economically so that they would become catalysts for political change. SMEs, for example, would hold greater promise of expanding people's capabilities for economic productivity and political empowerment, thus, capacitating them to eventually harness their collective power in ending elite capture.

Option Three: Getting incentives right vis-a-vis own-source revenues and optimal use of corporate powers

The IRA-dependency of all LGUs, not only barangays, should be addressed. One way to do that is to provide incentives for barangays that are maximizing their corporate powers and raising their OSR than being dependent on the proceeds of national taxes. Bills filed in both Houses of Congress proposing to amend IRA formula to account for performance-based and poverty indicators may provide insight on how to get incentives right for barangays. Instead of IRA formula, the key variables would be OSR and optimal use of corporate powers. For those barangays exemplifying better performance in optimizing their corporate powers and raising OSR despite development constraints, and institutionalizing replicable best practices in the process, incentives should be provided such as increase in IRA, more grants from private and international donors, and access to low-interest loans and other financing arrangements such as build-operate-transfer (BOT), among others.

Barangays can raise income internally, that is, within their jurisdiction, as well as externally[13] as provided by law. Internally, they can augment OSR through the levying of taxes, fees, charges and other impositions such as the following:

1. Taxes on stores or retailers located within the barangay;
2. Service fees and charges for services rendered, or for the use of barangay-owned properties or service facilities;
3. Barangay clearance fees;
4. Other fees and charges, such as on commercial breeding of fighting cocks, cockpits, places of recreation, billboards, signboards and other outdoor advertisements;
5. Public utility charges for the use of barangay- operated public utilities, such as public markets, slaughterhouses, and waterworks systems;
6. Toll fees and charges for the use of barangay public road, wharf, bridge, or ferry funded and constructed by the barangay;
7. Fund-raising activities intended for specific barangay projects, as well as the solicitation of monies, materials, or labor from barangay residents; and
8. Authorizing the solicitation of grants-in-aid, subsidies, and contributions from the national, provincial, city, or municipal funds, as well as from private agencies and individuals for specific barangay projects or purposes (Ursal, 2001: 49).

As a way to optimize the use of corporate powers, and pursuant to Section 296 of 1991 LGC, barangays can create indebtedness and access credit facilities such as the following:

1. Loans from banks and lending institutions to finance the construction, installation, improvement, expansion, operation, or maintenance of economic enterprises and public facilities, housing projects, the acquisition of real property, and the implementation of other capital investment projects;
2. Loans and advances against security or real estate or other acceptable assets for the establishment, development, or expansion of agricultural, industrial, commercial, house finance projects, livelihood projects, and other economic enterprises;
3. Deferred payment, supplier's credit, or other financial schemes to acquire property, plant, machinery, equipment, and such other necessary accessories; and,
4. Loans from funds secured by the national government from foreign sources to be re-lent to LGUs for the construction, improvement, and operation of public activities and facilities, infrastructure and housing projects, acquisition of real property, and implementation of other capital investment projects (Sections 297, 298, 301, 1991 LGC; DBM Primer on Barangay Budgeting).

The pros of institutionalizing effective incentive system prevail over the cons. ***First***, since performance would be the main criterion of incentivism, it would force barangays to be fiscally independent by optimizing their corporate powers and raising OSR. This would put an end to their fiscal dependency on IRA as well as address the disincentive and substitutive effects of the same. This would also end their fiscal complacency as they would have to fend for themselves in excelling in their OSR performance and in accessing credit financing to earn more incentives.

[13] There are external sources of income or those incomes that are due to the barangay as statutory shares from the national, provincial, city/municipal governments. These are: "1. Share in the national internal revenue tax allotment; 2. Share in the proceeds of the basic real property tax collected within the municipality; 3. Share in the proceeds derived from the development and utilization of national wealth within the barangay; 4. Share from the proceeds of the tax on sand, gravel and other quarry resources extracted within the barangay; 5. Share from the community tax collections, when collected by the barangay within its jurisdiction; 6. Share from the tobacco excise tax pursuant to RA no. 7171; and 7. Proceeds from grants-in-aid, subsidies, and contributions from the national, provincial, city or municipal funds" (Ursal 2001:39).

Second, because performance-based incentivism would require them to engage in economic-enhancing activities, they would see the need to institutionalize economic governance and habituate people to become entrepreneurial. As proposed in policy option two, this would raise economic productivity of barangay communities and their constituents and reap economic and political benefits for themselves and the country at large. Spending on economic development programs to help the constituents harness their full economic capabilities would be a measure of good performance of local leaders. In other words, people would be demanding economic-enhancing activities from their barangay officials and the latter would be forced to deliver for fear of not being voted comes election. Thus, the supply-demand side nexus of economic governance would be guaranteed.

Third, getting incentives right vis-a-vis OSR and optimal use of corporate powers would be a good practice of fiscal governance, which in turn, would be a measure of the effectiveness of fiscal decentralization – the missing link in making decentralization work for the people. Literature abounds on the mixed results of decentralization owing to the LGUs' short supply of capabilities for effective fiscal decentralization. Mandating performance-based incentivism among barangays to excel in their OSR performance and optimal use of corporate powers for improved LSD and better development outcomes would guarantee improved fiscal decentralization at the barangay level.

The disadvantages must be taken into account. ***First,*** barangays are not a homogenous political unit with equal and uniform human and economic resources, fiscal capacities, geography, socio-economic status, and political history. Disregarding their heterogeneity owing to contextual factors that differentiate them from one another and mandating them to follow one blueprint for economic empowerment would be discriminatory, if not economically imperialistic. For example, resource-poor barangays located in mountainous and conflict-zone areas would be hard pressed to follow the recipe for performance-based incentivism. But treating barangays in a myopic perspective and pigeonholing them through one-size-fits-all OSR-augmenting approach and optimal use of corporate powers would be far-fetched considering the overarching objective of empowering them. Simply put, for the resource-poor barangays that cannot yet make use of their corporate powers to the fullest extent because of scarcity of entrepreneurial activities to levy taxes, fees, and charges, for example, poverty indicators should be the measure of IRA allocation, thus factoring in some contextual indices in the computation of incentives and further addressing inequity in the distribution of national revenues. Until such time that they are able to optimize their corporate powers and can be subjected to performance-based indicators, poverty indices would suffice.

Second, improving fiscal performance would require not just barangay initiative but also national government intervention which may be elusive given the lack of incentive of national leaders to push for local fiscal reforms. The numerous bills that have been filed in both Houses of Congress since the passage of the 1991 LGC attest to the binding political constraints underlying the non-passage of important fiscal reforms bills into laws. But waiting for such time until the national government does its part is a waste of time and would continue to perpetuate the status quo of having dependent and complacent barangays. The rallying point of incentivizing barangays is to imbue them with the political will, initiative, and economic sense of empowering themselves—that is, a self-help poverty-reduction strategy through economic-enhancing activities—without waiting for the national government institutions and leaders to get their act together. Also, the binding political constraints need not spell doomsday scenarios. There are certain areas for fiscal reforms that national government can seize upon, with a big help from civil society groups, private sector and international donor organizations. For example, instead of changing the IRA formula, which is politically difficult as it would create losers and winners, stakeholders can just focus on bills that could enhance the corporate powers of LGUs (i.e. increasing tax powers; tax collection efficiency; access to credit; and public-private partnerships, among others). And if tinkering the IRA formula is deemed imperative, its reformulation would only be applied on its increments so as to prevent diminution of the IRA shares that LGUs currently receive. The other area of reform could be that of passing economic-related bills aimed at improving the socio-economic conditions of barangays. Examples of bills the were passed into laws are: Republic Act (RA) 6977, or the Magna Carta for Small Enterprises, as amended by RA 8289, RA 9178, better known as the Barangay Micro Business Enterprises (BMBEs) Act of 2002, and RA 9509 or Barangay Livelihood and Skills Training Act of 2008. Effective implementation would be needed to make these laws work for barangay economic advancement.

Third, although barangays may work hard to become self-sufficient economic communities, their efforts could be stifled by lack of investments in rural areas. But this is exactly the reason why other institutional actors – i.e. national government agencies, CSOs, private sector, and international donor organizations - must come to play. Since rural areas are key to improved service delivery and local development, these institutional actors must find ways on how to pour in public and private investment in them for rural economic development, thus addressing urban-rural development disparity by ensuring a more equitable distribution of economic opportunities, income, and wealth.

Conclusion

Decentralization has been in existence for almost two decades in the Philippines. Yet, barangays mostly in the rural areas are still stuck into the quagmire of incompetence and inefficiency, unable to deliver better basic services, if at all, and being complacent on the status quo because of policy, institutional, financial binding constraints undergirded by political, economic, social, and cultural factors. Unless and until barangays perform better in the provision of basic services, decentralization defeats its very purpose – that is, devolving powers to barangays in order to empower them, and in turn, deliver goods and services and empower the people. And as evidenced by the findings of this paper, most barangays are falling short of expectations, mainly because of financial constraints. Policy interventions, therefore, are an imperative.

The policy interventions or options proposed in this paper, i.e. higher LGUs taking responsibility for services barangays cannot deliver, making a paradigm shift in understanding and practicing economic development, and getting incentives right for fiscal governance and economic advancement, may take a while before they could impact as intended. For the process of change is incremental, that is, it does not happen overnight, and that the agents of change (local elites, barangay officials, local communities) have to be convinced of the causal logic of why change is important, how they could benefit in the long run, and what development opportunities they would miss should they choose to be well-ensconced but disempowered in the problematic status quo. The important point is that barangays have the option of either remaining as one of the IRA-dependent LGUs unable to deliver basic services or struggling to be self-sufficient economic and political communities able to effect positive change in the lives of their people and be an engine of inclusive growth for the country at large. From a development perspective, and as the foregoing discussions have proven, barangays cannot but choose the latter if they are to really matter in local service delivery.

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Appendix 1: Barangay Profile

Table 1. Agusan del Sur

	Bahbah, Prosperidad	**Bucac, Bayugan**	**Afga, Sibagat**
Type	Urban	Rural	Rural
Population (2007)	11,683	3,010	3,160
Land area	1,877 hectares	682 hectares	
Number of HH (2007)	2,213	583	
Ave number of person/HH	5	8	
Ave income/HH	P 5,000	n/a	
Kind of shelter Permanent Semi-permanent Temporary	 30% 50% 20%	 16% 26% 58%	
Major Sources of Livelihood	1 – farming 2 – business 3 – employment	1 – farming 2 – employment 3 – business	

*Taglatawan and Poblacion in Bayugan, and Afga, Sibagat – no barangay profile

SOURCE: Barangay Profile, for Bahbah, Prosperidad and Bucac, Bayugan; population data from National Statistics Office (NSO), www.census.gov.ph; type of barangay from Philippine Standard Geographic Codes (PSGC), www.nscb.gov.ph.

Table 2. Dumaguete City

	Daro	**Tinago**	**Bunao**	**Batinguel**
Type	Urban	Urban	Urban	Urban
Pop (2007)	6,721	2,569	2,750	7,664
Ave income	P 10,762	P 5,977	P 9,225	P 7,469
Number of HH	840	358	343	1,010
Land Area	176 ha		52 ha	
Status of Employment Government Private Self-employed Unemployed Non-gainful occupation**	 9.33% 18.09% 17.26% 21.78% 33.59%	 8.51% 11.02% 26.88% 26.21% 27.38%	 11.15% 16.73% 20.20% 16.45% 34.37%	 8.04% 16.84% 22.62% 18.95% 33.56%
% population employed	44.68%	46.41%	48.43%	47.5%
main source of income	59% wages and salaries 33% profit 8% support/ pension	47% wages and salaries 49% profit 3% support/ pension 1% none/not stated	54% wages and salaries 38% profit 7% support/ pension 1% none/not stated	53% wages and salaries 43% profit 4% support/ pension

**composed of: retired, housewife, handicapped, pensioner and student

SOURCE: Socio-Economic Household Survey 2002-2003, City Planning and Development Office, Dumaguete City; population data from National Statistics Office (NSO), www.census.gov.ph; type of barangay from Philippine Standard Geographic Codes (PSGC), www.nscb.gov.ph.