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ISBN 978-92-79-16037-0

Critical Ingredients in Building and Sustaining Inter-Local Cooperation

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gtz

Canadian International Development Agency

Agence canadienne de développement international

Philippines Development Forum

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Activity undertaken under the aegis of the Philippines Development Forum's (PDF) Working Group on Decentralization and Local Government's Sub-Working Group on Inter-Local Cooperation, with the financial and technical support of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Union, and the Government of Canada provided through the Canadian International Development Agency (CIDA).

ISBN: 978-92-79-16037-0

Catalogue Number: JD-32-10-332-EN-C

Printed in the Philippines

Table of Contents

Message

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
A. Francisco Gold Condominium II EDSA cor. Mapagmahal St.,
Diliman, Quezon City

On behalf of the Department of the Interior and Local Government (DILG), I thank and congratulate our ever-reliable partners in sustainable local government development for once again closing ranks to produce this Cookbook on local alliances and corporation entitled Critical Ingredients in Building and Sustaining Inter-Local Cooperation.

The organization and formation of alliances between and among local government units (LGUs) is considered as one of the most effective strategies for local economic development. Through the adoption of the "Alliance Building Approach", LGUs can pursue long-term development through supplementation and complementation of available resources. This Cookbook is undoubtedly very useful in forming and strengthening existing LGU alliances throughout the country. With its legal, administrative and financial ingredients and the experiences chronicled from selected successful alliances in the country, this publication provides rich insights on how LGUs can realize local development through alliance building.

While this Cookbook is far from being a panacea for all the problems on alliance building, its content tremendously helps in establishing a framework for the institutionalization of inter-LGU cooperation in the country.

May this fruit of a robust alliance between and among the DILG, NEDA, DBM, DOF, LPP, LCP, LMP, CIDA, GTZ, EU, ADB and WB and Development Partners of the Sub-Working Group on Inter-Local Cooperation further strengthen our resolve to be of greater help to the development and transformation of LGUs throughout the country.

AUSTERE A. PANADERO
Undersecretary for Local Government
Department of the Interior and Local Government

Foreword

On August 20-21, 2008, the German Technical Cooperation (GTZ) held the 1st Alliances Summit primarily to contextualize the issues surrounding Inter-Local Government Unit (LGU) Cooperation and identify good practices that would be helpful to incipient alliances and those who are thinking to start an alliance. At the end of the Summit, three general issues were identified: legal instruments, institutional arrangements and financial arrangements. Following the Summit, merely identifying the issues was insufficient; hence, the GTZ through its Decentralization Program (DP) in cooperation with the Environment and Rural Development (EnRD) Program commissioned an in-depth study from April to September 2009 on these general issues. This reference material is an outcome of the study, popularly known as the Cookbook, elaborating on the critical ingredients in sustaining alliances.

The 1st Summit created an impact among the different stakeholders specifically the ODA community through the PDF Working Group on Decentralization and Local Government (WG-DLG). The European Union (EU) as well as the Canadian International Development Agency (CIDA) together with the GTZ advocated to the WG-DLG the creation of a Sub-Working Group on Inter-Local Cooperation primarily to address issues on the implementation of section 33. In May 2009, the Sub-WG was formally created.

On September 22-24, 2009, the 2nd Summit Inter-LGU Alliances Summit was organized by the Sub-WG in cooperation with the University of the Philippines Center for Local and Regional Governance (UP-CLRG). The attendance almost tripled, from seventeen (17) alliances in the 1st Summit to forty-five (45), along with other stakeholders like the National Government Agencies, LGU Leagues and NGOs. The main objectives of the Summit were to provide a venue to share good practices, to raise issues and concerns, and to validate the findings of the GTZ-initiated Cookbook. It must be noted, however, that during the Summit, the term “Cookbook” gave a notion of a “one-size fits all” solution for alliances. The Sub-WG emphasized that this is only a practical reference guide and the analogy of getting the proper balance of ingredients is best left the alliances themselves. Hence the title was finalized in its current form with the Cookbook serving as its nickname. In addition, the participants of the summit suggested changing the term Inter-LGU and making it general to Inter-Local because the members may come from the civil society, private sector and other stakeholders. All in all, the summit successfully achieved its objectives of eliciting valuable inputs to the Cookbook from the participants as well as the DILG representing the NGAs, and League of Provinces (LPP) representing the LGU Leagues to endorse the Cookbook. After the 2nd Summit, the Sub-WG continued to refine the Cookbook incorporating the suggestions, and the Sub-WG is now proud to present this reference material for Inter-Local Cooperation.

It is the hope of the Sub-WG that those who would wish to start or build cooperation would find this reference material valuable towards the achievement of good local governance.

Finally, we at GTZ express our deep appreciation to the members Sub-WG, in supporting us in advocating Inter-Local Cooperation. Indeed as the saying goes, together everyone achieves more.

gtz | Decentralization Program

Member, Sub-Working Group on Inter-Local Cooperation
Working Group on Decentralization and Local Government
Philippines Development Forum

Acronyms

ADB	Asian Development Bank
AIP	Annual Investment Plan
ANIHEAD	Alliance of Northern Iloilo For Health Development
ARDMC	Abatan River Development Management Council
AusAID	Australian Agency for International Development
BFAR	Bureau of Fisheries and Aquatic Resources
BBRMCI	Banate Bay Resource Management Council
CENECCORD	Central Negros Council for Coastal Resource Development
CIDA	Canadian International Development Agency
COA	Commission on Audit
CRM	Coastal Resource Management
CSRMC	Camotes Sea Resource Management Council
COASTHAVEN	Council of Anini-y, San Jose, Tobias Fornier, and Hamtic for Viable Environmental Management
CUI	Canadian Urban Institute
DANIDA	Danish International Development Agency
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DOST	Department of Science and Technology
DTI	Department of Trade and Industry
GTZ	German Technical Cooperation
EC	European Commission
EO	Executive Order
GREAT Women	Gender-Responsive Economic Actions for the Transformation of Women Project
2nd IAD	Iloilo Second Integrated Area Development, Inc
ILC	Inter-Local Cooperation
ILHZ	Inter-Local Health Zone
IRA	Internal Revenue Allotment
JICA	Japan International Cooperation Agency
LCE	Local Chief Executive
LGC 1991	Local Government Code of 1991
LGU	Local Government Unit
LGSP	Local Governance Support Program

LMDA	Lake Mainit Development Alliance
LBDA	Lanuza Bay Development Alliance
LBP	Land Bank of the Philippines
LIPASECU	Libertad, Pandan, Sebaste and Culasi Bay Wide Management Council
MBEMO	Maribojoc Bay Integrated Resource Management
MIGEDC	Metro Iloilo-Guimaras Economic Development Council
MNDC	Metro Naga Development Council
MPDO	Municipal Planning and Development Office
MOA	Memorandum of Agreement
NGO	Non-government Organization
NCRFW	National Commission on the Role of Filipino Women
NIACDEV	Northern Iloilo Alliance for Coastal Development
NIPAS Act	National Integrated Protected Areas System Act (RA 7586)
NNARMAC	Northern Negros Aquatic Resources Management and Advisory Council
PaDaYon BMTMC	PaDaYon Bohol Marine Triangle Management Council
PDA	Partido Development Administration
PNB	Philippine National Bank
PO	People's Organization
PALMA	Pigcawayan, Pikit, Alamada, Libungan, Midsayap, Aleosan Alliance
RA	Republic Act
RCBC	Rizal Commercial Banking Corporation
RDC	Regional Development Council
SEC	Securities and Exchange Commission
SCCRMC	Southeast Cebu Coastal Resource Management Council
SICRMC	Southern Iloilo Coastal Resource Management Council
SIDA	Swedish International Development Corporation Agency
SNCDMC	Southern Negros Coastal Development Management Council
SLAM	Southwestern Ligawasan Alliance of Municipalities
TESDA	Technical Education Skills Development Authority
TWG	Technical Working Group
USAID	United States Agency for International Development
UNDP	United Nations Development Program
UNICEF	United Nations
WB	World Bank
WHO	World Health Organization

Executive Summary

Beginning the early 1990s, local government units, particularly municipalities and cities, began moving towards cooperative undertakings to achieve common goals. The bases for these are found in the 1987 Constitution (Section 13, Article X) and the 1991 Local Government Code (Section 33).

Despite the existence of many alliances in the country from which to learn from, there is no sufficient operational information available on how to start an inter-LGU alliance or for the strengthening of existing ones. The availability of this information may help ensure viability and sustainability of alliances.

This reference material seeks to contribute to alliance building and strengthening by presenting the critical legal, institutional and financial ingredients on alliance formation and strengthening.

Part One provides the rationale for this reference material; the definition and framework used; and the methodology.

Part Two provides a brief description of the 26 alliances that participated in this project. Based on these alliances, the typology of alliances is presented.

Part Three presents the policy framework and seven critical legal ingredients for LGU alliances. LGU alliances are fundamentally permitted to consolidate resources, services and efforts for purposes commonly beneficial to them. The Constitution provides the foremost basis for LGU alliances. This is reiterated and further clarified in the Local Government Code of 1991, which provides the basic legal guidelines for LGU alliances. Moreover, sectoral alliances are also indicated in separate legislation such as the Philippine Fisheries Code for coastal and fisheries management; Ecological Solid Waste Management Act for inter-LGU arrangements for solid waste disposal and facilities; National Integrated Protected

Areas System Act for protected area management; and Executive Order 205 for inter-local health management.

First and foremost of the legal ingredients is the adoption of a binding legal instrument for LGU alliance formation. The legal instrument that is commonly used is the Memorandum of Agreement.

The second legal ingredient is the LGU concurrence to the MOA. This is done when the local chief executive, with authority from the Sanggunian signs the MOA and when the Sanggunian subsequently ratifies the MOA. The local chief executives of participating LGUs must sign the MOA, which binds the LGUs to adhere to the alliance's cooperative undertakings.

The third legal ingredient is the mandatory review of the MOA. This stresses the importance of regular review in order to fit with the changing needs of the alliance. Hence, this is required whenever there are substantive changes to the alliance.

The fourth legal ingredient is the adoption of joint resolutions by the alliance to embody agreements and decisions of majority of the members of the alliance. Aside from financial contributions, the joint resolutions will facilitate the sharing of staff, technical and related resources as well as demonstrate clear proof of consensus among alliance members.

The fifth legal ingredient is LGU ratification of alliance agreements and decisions. The alliance should request the respective Sanggunian of member LGUs to ratify alliance agreements and decisions in order to assure smooth transition in the delivery of common basic services among member-LGUs. Ratification is similarly required for any amendment of the MOA provisions as these might affect the intrinsic agreements or objectives of the alliance.

The sixth legal ingredient is the harmonization of policies by member LGUs in the alliance. This is needed for implementation of common programs and projects of the alliances. Upon agreement, LGUs in an alliance will adopt substantially similar policies to ensure coordination and consistency in policies within the LGU alliance.

The seventh, and final, legal ingredient is the creation of legal mechanisms to address non-compliance to the MOA. Alliances can create legal mechanisms for any controversy relating to the implementation of alliance policy, programs and project. The alliance can use alternative dispute resolution mechanisms such as mediation, conciliation, and arbitration.

Part Four describes the ten critical institutional ingredients contributing to the development of an alliance as the alliance goes through stages involving confidence-building, institutionalization, and evolution.

The first critical institutional ingredient is the "Alliance Champion" who can get the stakeholders together, initiate discussions regarding the formation of the alliance, see through the process until the alliance is organized, and gets the alliance going, especially through its initial stages. The alliance champion can come from an LGU, an NGO, a project, or the community.

The second critical institutional ingredient is the "Common Base" that prospective member-LGUs should have in terms of adjoining jurisdiction, shared ecosystem, and related services. The type of area and service management that the alliance wants to go into should be defined.

The third critical institutional ingredient is a "Commonly Agreed-Upon Purpose" that will bind the alliance members together. The purpose may be shaped by the agenda or vision of individuals or institutions initiating the alliance. It may arise from a more rigid and systematic situational analysis and planning. Or the common purpose may be triggered by an urgent issue.

The fourth critical institutional ingredient is the "Active Involvement of Local Chief Executives". When the LCE is already in the alliance, his/her day-to-day responsibilities in his/her own LGU might make it difficult for him/her to be fully active in the alliance. This can be addressed by a number of measures such as permanent alternates, rotation of meeting venue, decision-making by referendum, etc. When there is a change in administration, the new LCE should be briefed at once and brought onboard the alliance at the earliest possible time.

The fifth critical institutional ingredient is an "Implementing Structure" which is needed as the alliance goes beyond mere coordination and starts to undertake projects and services on its own to achieve its purpose. There is no single prescribed structure but generally it should reflect: (a) Complementation between visionary leaders and pragmatic managers; (b) Local point-persons or counterpart teams if the alliance structure cannot be mirrored at the level of member-organizations, and (c) Personnel for operations, administrative support to operations, alliance secretariat services, and linkage-building.

The sixth critical institutional ingredient is a "Trigger Issue" that needs urgent attention and clearly calls for concerted action by the alliance. The trigger issue can be an external factor like a threat to the ecosystem shared by alliance members or an internal factor like the need to improve a specific capability in alliance members.

The seventh critical institutional ingredient is a "Strategic Plan". After getting a feel of working together and a boost from early small successes, the alliance should adopt a more comprehensive or holistic approach.

The eighth critical institutional ingredient is a "Manual of Operations". The manual can start as a simple compilation of decisions, orders, and policies passed by the alliance. But later, it has to include practices that have become standard and applicable policies from other sources.

The ninth critical institutional ingredient is the "Transformation of Projects into Essential Services" to help ensure sustainability. Such a transformation from project to service can be an augmentation of an existing service or an entirely new addition to an existing set of services.

The tenth critical institutional ingredient is the "Capacity to Adapt to Changing Conditions and New Challenges" for the alliance to continue to be relevant; to sustain the interest of members; and to strengthen relations with partners and covered communities.

Part Five presents the ten critical financial ingredients to attain financial stability and sustainability in an alliance. An alliance is financially stable when it has funds sufficient to cover the cost of its operation.

The first critical financial ingredient is the commitment among members to share the responsibility of financing the alliance. This commitment becomes binding when contained in a legal instrument for alliance creation such as the Memorandum of Agreement (MOA) and Executive Order (EO).

The finance-related elements to be included in the MOA would depend on the level of flexibility decided upon by members. Preference for full flexibility means including only the agreement to contribute. All other elements can be responded to only when the need arises and decisions are contained in a board resolution.

The second financial ingredient is the use of an acceptable formula for the monetary contribution of members. The formula is discussed by members with consideration of each member's capacity to pay; contribution to the issues faced by the alliance; and the expected share in the benefits from joining the alliance.

The third critical financial ingredient is the timely and regular collection of committed funds. Measures to encourage generous and prompt payments are needed at the alliance and LGU levels. At the alliance level, these measures include provision of clear statement on the schedule of payments, giving reminders for payments, employing incentives, involving the local legislative councils, being careful with sanctions, and setting a realistic schedule of payments. At the LGU level, measures to encourage prompt payments include inclusion of committed funds in the Annual Investment Plan, maximization of the LGU taxing powers to be able to generate higher revenues, and synchronization of the local budgeting with national budgeting, among others.

The fourth critical financial ingredient is the sharing of other monetary and non-monetary resources. Aside from the regular funds contribution, the other monetary contributions that member-LGUs usually make include payments for personnel detailed to the alliance, travel expenses of LGU representatives to alliance-related activities, payments for food when hosting an alliance meeting, and payments for utilities (such as electricity, telephone, internet service) in the alliance office, among others. Aside from funds, alliances need human resources, office space, office equipment and supplies, among others.

The fifth critical financial ingredient is the capacity and will to generate own revenues. To ensure financial sustainability, the alliance must develop the capacity to generate its own resources. For instance, the alliances for local economic development can tap the LGU powers to establish local enterprises and public utility to generate additional revenue and increase sources of income.

The sixth critical financial ingredient is the capability to tap external sources of funds. Accessing external funds requires skills in writing project proposals, knowledge of granting agencies, and lobbying for the submitted proposals. To finance simpler projects, grants and support from the province, congressional funds, and the national government are usually tapped. To finance projects with bigger scope, the national government and international funding agencies are usually tapped. Grants may also be sourced from private institutions including non-governments organizations and private corporations.

The seventh critical financial ingredient is the matching of resources with goals and programs. The alliance should determine the final output that is within the capability of the alliance to produce. It should avoid addressing issues that require municipal level efforts or issues that can be best addressed by the province or higher level of government.

The eighth critical financial ingredient is ensuring proper funds management arrangement. Having a trustee-LGU for government funds is safest for the alliance.

The ninth critical financial ingredient is the use of approved guidelines in fund utilization. The guidelines are usually contained in the manual of operations.

The tenth critical financial ingredient is transparency in financial transactions. All financial transactions of the alliance must be accurately recorded and reliable reports to account for the use of the alliance funds must be generated on a timely basis. The periodic financial reports should disclose the full operations and financial position of the alliance.

Part Six states general conclusions about the context of the critical ingredients and their contribution to building and sustaining an alliance. It also gives recommendations, particularly regarding the clarification of gray areas where there is no clear applicable policy or where there are various interpretations of the law.

Although this reference material offers practical information, it does not promise to answer to all possible questions on alliances. Moreover, the optimal mix of the critical ingredients is best left to the alliances for it would depend on factors unique to the alliance such as the purpose, stage of growth, the level, number and relationship of members, and the social, economic and political environments where the alliance operates.

1.0 INTRODUCTION

1.1 Background

Alliance formation among local government units has been happening in the country since the passage of the Local Government Code in 1991. Section 33 of the Code provides that "local government units may, through appropriate ordinances, group themselves, consolidate or coordinate their effort, services and resources for purpose commonly beneficial to them." Alliances are seen as instruments for local governments to increase their ability to carry out their mandates under decentralization.

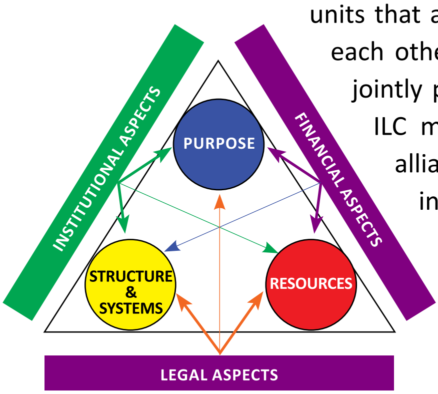
The existence of many alliances in the country shows the availability of experiences from which to learn from. Despite this, there are local government units (LGUs) that are uncertain on how to start an alliance and there are existing alliances that remain weak. The lack of information that could serve as a guide in alliance formation and sustainability could be preventing the alliances from realizing their full potential as instruments of decentralization. No sufficient operational information is available to LGUs on how to start an alliance or for the strengthening of existing ones. The availability of this information may help ensure viability and sustainability of alliances.

This reference material seeks to contribute to the information on alliance building and strengthening. It offers information distilled from the experiences of existing alliances. In doing so, it captures the policy environment where the existing alliances operate. Clearly, the policy environment needs to be improved. Policies and guidelines in alliance formation are inadequate. Existing government policies and guidelines have varied interpretations when applied in an alliance set-up. Given this limitation, this reference material does not promise to answer the many questions on alliance building and strengthening. Nevertheless, the existing alliances have thrived and lessons can be derived from their experiences.

A wide range of experiences of alliances are reviewed and presented in this reference material. This is not a comprehensive survey of alliances and does not pretend to be so. But rather this is a rich source of information drawing from the various experiences, lessons and challenges encountered by the alliances. This material contains the critical institutional, legal and financial ingredients on alliance formation and strengthening.

1.2 Definition and Framework

An Inter-Local Cooperation (ILC) is a group of local government units that are geographically adjacent or contiguous to each other coming together on a long-term basis to jointly provide services and/or implement projects. ILC may also be interchangeably referred to as alliance(s) or cluster(s). Originally, the term was inter-LGU cooperation. However, as per the recommendations in the 2nd Summit, it was changed to a more generalized term to inter-local because the members may come from the civil society, private sector and other sectors.



Such an ILC typically has four essential elements: a common purpose; a coordinating structure; commonly agreed upon systems; and pooled resources.

The division of tasks in the preparation of this reference material is based on these elements. Institutional aspects deal with Purpose, Structures, and Systems to a large extent and with Resources to a lesser extent. Legal aspects deal mainly with Structures, Systems, and Resources but also touch on Purpose. And financial aspects, while dealing with the use of Resources to achieve Purpose, taking Structure and Systems into account.

1.3 Methodology

Initially, the participants of the First Inter-LGU Alliances Summit in Bacolod City August 2008 were contacted and invited to participate in this project. Among the participants were the executive directors and chairs of the different inter-LGU alliances. Requests were made for personal interviews. When appointment was granted, a visit to the alliance was conducted. Questionnaires were sent through email where personal interviews were not possible. Focus group discussions were also conducted in some alliances.

Information was also culled from various documents requested from the participating alliances. These include a copy of their memorandum of agreement, executive order, manual of operations, and annual report, among others. Similarly, publications from development partners like AusAID, CIDA and the LGSP were also used as reference materials.

A draft version of the reference material was presented for comments by the participants during the Second Alliance Summit in Cebu in September 2009. From the workshops, a multitude of comments came out. Not all were responded to in this material, particularly those comments whose required response cannot be ascertained in the current state of policy environment. Most of the comments are incorporated in the recommendations section of this material.

2.0 THE ALLIANCES OF LOCAL GOVERNMENT UNITS

2.1 The Participating Alliances

The 26 participating alliances in this project are mostly from Visayas and Mindanao (Table 2.1). Membership configuration differed among alliances. Alliances were formed for different reasons, with most of them created to protect the coastal environment. The alliances are in various levels of activity. Some are active, others have become inactive and others have been revived recently. Operational issues particularly those finance-related and changes in the personalities have led to slow down in some alliances. The alliances mostly render a package of services. Few alliances prefer to coordinate activities while many alliances prefer to implement programs and projects. The alliances also differ in their institutional arrangements, financial arrangements and in terms of supporting legal instruments.

2.2 Alliance Configurations

The four (4) alliance configurations are:

A) All-LGU or Natural Alliance - This alliance is between and among LGUs of the same level, like an alliance of municipalities (and cities) or it can be between LGUs of different levels, such as provinces and municipalities. The all-LGU configuration adheres closest to Section 33 of the Local Government Code, with the LGUs coming together but not forming a new juridical entity. The legal binding document for this configuration is the Memorandum of Agreement.

Examples of this configuration are the:

1) Southeast Cebu Coastal Resource Management Council (SCCRMC)
2) Lanuza Bay Development Alliance (LBDA)
3) Northern Negros Aquatic Resources Management Advisory Council (NNARMAC)
4) PALMA Alliance

B) All-LGU Alliance with a new juridical entity - This alliance configuration is created through congressional acts, presidential executive order or provincial executive order.

Examples of this configuration are the:

1) Metro Manila Development Authority (MMDA)
2) Partido Development Authority (PDA)
3) Metro Iloilo-Guimaras Economic Development Council (MIGEDC)

C) All-Government Alliance –This alliance is made up of LGUs and national line agencies. One example is the Lake Mainit Development Alliance (LMDA).

D) Public-Private Sector Alliance – This alliance configuration is becoming increasingly popular because of the recognition that development should involve all stakeholders as much as possible. It has also been institutionalized in the National Integrated Protected Areas System (NIPAS) Act which is the basis for the creation of the PAMB and EO 205 which is the basis for the creation of the Inter-Local Health Zone (ILHZ).

Examples of this alliance configuration are:

1) Alliance of Northern Iloilo for Health Development (ANIHEAD)
2) Alliance of Seven, Samar
3) Libertad, Pandan, Sebaste and Culasi Bay Wide Management Council (LIPASECU)

ALLIANCE	MEMBERSHIP	REASON FOR COMING TOGETHER	MODE OF FORMALIZATION
Iloilo			
Alliance of Northern Iloilo For Health Development (ANIHEAD)	9 municipalities	Health Development	MOA , 2000 SEC Registration,
Northern Iloilo Alliance for Coastal Development (NIACDEV)	10 municipalities	Coastal Resource Management	MOA, December 29, 1999 SEC Registration
Banate Bay Resource Management Council (BBRMCI)	3 municipalities	Coastal Resource Management	MOA , February 28, 1996 SEC Registration
Metro Iloilo-Guimaras Economic Development Council (MIGEDC)	1 province, 1 city, 5 municipalities	Economic Development	EO No. 559, August 28, 2006
Southern Iloilo Coastal Resource Management Council (SICRMC)	5 municipalities	Coastal Resource management	MOA , 2002 SEC Registration
Iloilo Second Integrated Area Development, Inc (2nd IAD)	5 municipalities	Economic Development	MOA , July, 8, 1997 SEC Registration, March 7, 2007
Negros Occidental			
Southern Negros Coastal Development Management Council (SNCDMC)	1 city, 2 municipalities	Coastal Resource management	EO 1996 MOA , October 6, 2005
Central Negros Council for Coastal Resource Development (CENECCORD)	1 city, 6 municipalities	Coastal Resource management	MOA , January 26, 2005
Northern Negros Aquatic Resources Management and Advisory Council (NNARMAC)	5 city, 3 municipalities	Coastal Resource management	MOA , 2000
Oriental Negros			
Sta. Bayabas Inter-Local Health Zone (ILHZ)	1 city, 2 municipalities	Health	Per EO 205, 2008
Antique			
Libertad, Pandan, Sebaste and Culasi Bay Wide Management Council (LIPASECU)	4 municipalities	Coastal Resource management	MOA , October 3, 1997 SEC Registration
Council of Anini-y, San Jose, Tobias Fornier, and Hamtic for Viable Environmental Management (COASTHAVEN)	4 municipalities	Coastal Resource management	MOA , October 15, 2007
Cebu			
Camotes Sea Resource Management Council (CSRMC)	1 city,	Coastal Resource management	MOA , May 2, 2007
Southeast Cebu Coastal Resource Management Council (SCCRMC)	4 municipalities 7 municipalities	Coastal Resource management	MOA , April 19, 2005

ALLIANCE	MEMBERSHIP	REASON FOR COMING TOGETHER	MODE OF FORMALIZATION
Bohol			
Maribojoc Bay Integrated Resource Management (MBEMO)	1 city, 4 municipalities	Coastal Resource management	MOA , 2005; EO 23 Series of 2005, December 20, 2005
Abatan Rive Development Management Council (ARDMC)	5 municipalities	River management, Ecotourism development	EO No. 19, November 19, 2005
PaDaYon Bohol Marine Triangle Management Council (PaDaYon BMTMC)	3 municipalities	Environmental Protection	MOA, June 7, 2007 EO No. 22, Series of 2004, 7 September, 2008 SEC Registration, June 7, 2006
Eastern Samar			
Alliance of Seven	7 municipalities	Coastal resource management	MOA, 2005
Borongan Inter-Local Health Zone	5 municipalities (6 RHUs)	Integrated health services	Per EO 205, 2008
Mindanao			
Lanuza Bay Development Alliance (LBDA)	7 municipalities	Natural Resource Management	MOA , 2004*
PALMA Alliance (PALMA)	7 municipalities 1 province	Economic Development	MOA, 2004**
Lake Mainit Development Alliance (LMDA)	2 provinces 8 municipalities	Lake/lakeside management Environmental protection	MOA , March 1999 RA 8978, November 9, 2000
Mt. Kitanglad Range PAMB	8 municipalities	Local Development	MOA, June 25, 2008
Southwestern Ligawasan Alliance of Municipalities (SLAM).	4 municipalities		
Camarines Sur			
Metro Naga Development Council (MNDC)	1 city, 14 municipalities	Economic Development	MOA , April 23, 1993 ;
Partido Development Administration (PDA)	10 municipalities	Economic Development	EO No. 102, June 18, 1993 RA No. 7820, November 18, 1994 RA No. 8989, December 31, 2000

MOA – Memorandum of Agreement; SEC –Securities and Exchange Commission; EO – Executive Order; RA-Republic Act
*Revised in 2005
** Revised in 2008

3.0 CRITICAL LEGAL INGREDIENTS

3.1 Introduction

Taking the cue from the devolution reforms brought about by passage of the Local Government Code of 1991, local governments particularly municipalities and cities began moving towards cooperative undertakings to achieve common goals.

Pursuant to the 1987 Constitution [Section 13, Article X], LGUs may consolidate resources, services and efforts for common purposes. This provision embodies the foremost basis for LGU alliances. To further explain this provision, it is to be understood that aggrupation of neighboring local units simply have to agree among themselves with the consolidation limited only to "their efforts, services, and resources," and not in their corporate personality (Fr. Joaquin Bernas, S.J. 2007). In fine, LGU alliances are essentially inter-LGU arrangements without a separate juridical personality.

The Constitution does not prescribe the specific form local government consolidation must have. The structure, systems and mechanisms for the creation of LGU alliances were placed in the hands of Congress [Section3, Article X, 1987 Constitution].

Under the LGC, one of the operative principles of decentralization accords LGUs with the authority to group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them [Section 3(f)]. This provision refers to any kind of LGU alliances in general.

The cooperative undertaking of LGUs can cover, but is not necessarily limited to, the following scope of basic services as set forth in the general welfare clause [Section 16, LGC]:

- Preservation and enrichment of culture
- Promote health and safety
- Enhance the right of the people to a balanced ecology

- Encourage and support the development of appropriate and self-reliant scientific and technological capabilities
- Improve public morals
- Enhance economic prosperity and social justice
- Promote self-employment among their residents
- Maintain peace and order
- Preserve the comfort and convenience of their inhabitants

The general welfare clause in the LGC favors the existence of power, be it expressed or implied, in favor of LGUs to ensure full autonomy. The general welfare clause refers to the power of LGUs to enact ordinances as may be necessary to carry into effect and discharge powers conferred upon them by law (Agpalo 2003).

Aside from joining purely LGU alliances, a provision in the LGC likewise allows LGUs to enter into cooperative arrangements with people's and non-governmental organizations, and elaborates:

> *"Local government units may enter into joint ventures and such other cooperative arrangements with people's and non-government organizations to engage in the delivery of certain basic services, capability-building and livelihood projects, and to develop local enterprises to improve productivity and income, diversify agriculture, spur rural industrialization, promote ecological balance, and enhance the economic and social well-being of the people."*

There are also special laws that provide legal bases for specific sectoral alliances. Some of these laws are the following:

1) The Philippine Fisheries Code for coastal and fisheries management;
2) The National Integrated Protected Areas System Act for protected area management;
3) The Ecological Solid Waste Management Act for solid waste management;
4) Executive Order 205 Series of 2000 for the establishment of Inter-Local Health Zones.

Thus, it cannot be over-emphasized that existing laws have paved the road towards building and maintaining cooperative alliances among LGUs.

3.2 Critical Legal Ingredient No. 1 - Adoption of a Binding Legal Instrument for LGU Alliance Formation

3.2.1 Memorandum of Agreement

Section 33 of the LGC provides for the basic inter-local government cooperation, and states:

*"Local government units may, through appropriate ordinances, group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them. In support of such undertakings, the local government units involved may, upon approval by the Sanggunian concerned after a public hearing conducted for the purpose, contribute funds, real estate, equipment, and other kinds of property and appoint or assign personnel under such terms and conditions as may be agreed upon by the participating local units through **Memoranda of Agreement**"*

The Memorandum of Agreement (MOA) is the basic legal instrument used to initiate an inter-LGU alliance. The MOA serves as the formal agreement involving 2 or more LGUs whereby each becomes obligated to the other, with reciprocal rights to demand of what is promised by each respectively. The MOA binds the LGUs to adhere to the alliance's cooperative undertakings. To formally organize an alliance, local chief executives (LCEs) of participating LGUs are required to sign a MOA.

Upon closer scrutiny of the LGC provision, it is stated therein that the local chief executive shall negotiate with the prospective LGU partner or partners on the terms and conditions of the agreement - relationships, functions and responsibilities - to be embodied in a MOA.

The following are the key elements of a MOA:

(i) Consent of Contracting Parties

- Sanggunian resolution authorizing LCE to enter into the agreement
- Signing by the LCE or duly authorized representative
- Sanggunian approval of MOA

(ii) Declaration of Common Goal/Purpose

- Contains the object or intent that sets out the primary motivation for cooperation
- Expresses the purpose and core principles of the alliance

(iii) Alliance-Related Powers and Obligations

- Powers of the alliance as provided by law
- Agreed roles, responsibilities and obligations of LGUs as alliance members, including the governing board or body
- LGU commitment to contribute funds, real estate, equipment, other kinds of property to the alliance
- Source of funds, including amount of LGU contributions
- Fund management of the pooled contributions
- Assignment of LGU personnel to the alliance

(iv) Optional Provisions

- Organizational structure
- Meetings, elections, quorum
- Creation of important committees (i.e. executive committee, project steering committee, secretariat)
- Appointment of Executive Director
- Focus programs and projects of the alliance
- Stipulation that a member-LGUs may terminate its contract upon a justifiable cause and a reasonable period of notice
- Terms and conditions for revocation and withdrawal of membership
- Dispute Resolutions

(These are altogether optional and may be written into the operations manual.)

(v) Formalities Required in a MOA

- **Separability Clause** - This part of the MOA is intended to avert the nullification of the entire MOA or other provisions of the MOA in an event where some part of it is found invalid.

- **Amendatory Clause** - The amendatory clause will also enable substantive changes to the MOA provisions to be done, after mandatory review of the MOA, such as, but not limited to, termination of membership, composition of member LGUs, and new agreements on financial contributions. More than anything else, this allows for flexibility as the alliance progresses and more innovative actions, not contained in the original MOA, have to be pursued to ensure the sustainability of the alliance.

- **Effectivity Clause** - The clause provides for when the MOA will take effect and be enforceable.

- **Acknowledgment** - The MOA, to be considered a public document, must have an ACKNOWLEDGMENT stating its due execution along with the signature and seal of a Notary Public.

3.3 Critical Legal Ingredient No. 2 - LGU Concurrence to the MOA

A proper legal backing from the respective member-LGUs is important. This means that there must be an approval of the highest local official and the conformity of the local legislative council.

For the latter, the law necessitates the following:

1. Resolution of the Sanggunian concerned.

The LGC Implementing Rules and Regulations (IRR) provide that the local chief executives (LCEs) concerned shall submit the memorandum of agreement (MOA) to their respective Sanggunians for approval and authority to enter into inter-local government cooperative undertaking or joint loan or credit. In the case of cooperative agreements, the Sanggunian shall conduct as many public hearings as may be required to obtain the views and opinions of the affected sectors.

2. Appropriation Ordinance of the Sanggunian concerned.

An ordinance is also needed to appropriate funds from the municipal, city or provincial budget for the financial contribution of the LGU to the alliance. It is essential to the validity of the appropriation ordinance that

it is devoted to a public purpose. Once approved, the ordinance allocates the agreed contribution for the alliance. Likewise, such ordinance shall expressly state the participation of LGUs in the alliance activities towards the achievement of stated common goals and objectives.
Ideally, the ordinance must appropriate a fixed amount, but it is sufficient if only the maximum is indicated (Cruz 1991). An ordinance that specifies a minimum rather than a maximum, for instance "not less than one hundred thousand pesos," is invalid for lack of certainty. This indicates that the LGU can release any amount in excess of Php100,000.

3.4 Critical Legal Ingredient No. 3 – Mandatory Review of the MOA

The MOA should not be a static document. It should evolve as an LGU alliance progresses in its implementation with necessary changes in the purpose, terms, membership and other conditions.

The MOA must be regularly reviewed and enhanced in order to:

1) Fit the changing needs of the alliance;
2) Effectively and efficiently implement programs and projects;
3) Evaluate the level of compliance of the LGU members;
4) Assess the impact of the entry of a new LGU as a member;

After its review, a formal act is required to amend the MOA as it is a well-settled rule that amendments by implication are not favored. Formalities include written amendments, approval by the alliance as a body, or approval by member LGUs through their respective Sanggunians.

As an illustration, an alliance provided in its MOA that any modification of the MOA must be mutually agreed through a written amendment, which will be executed by all parties. Another alliance provided that any amendment to any of the MOA provisions shall require the approval of the respective Sanggunian of the member LGUs. Finally, an alliance also agreed to accept any amendments to the MOA after the approval of the council. These provisos were all explicitly written into the MOA of these LGU alliances.

3.5 Critical Legal Ingredient No. 4 – Adoption of Joint Resolutions by the Alliance

The Alliance enters into agreements and decisions thru a joint resolution concurred by majority of the Council members composed of LCEs or other representatives of the member LGUs in the alliance. Joint resolutions are normally adopted by an alliance to recommend to the respective member LGUs. These joint resolutions, which will result in the adoption of appropriation ordinances in each member LGU, will also facilitate the sharing of manpower, technical and related resources among the LGUs in the Alliance.

The joint resolutions will also serve as recommendatory policies in identified areas of collaboration for ratification by each of the member LGUs' Sanggunian. The joint resolutions of the Alliance are clear proofs of consensus among alliance members. As the Alliance is a collegial, consensus-building body, the resolutions will help address common problems and issues that the member LGUs are confronted with. The use of these instruments is a critical strategy for implementation of agreed goals and objectives of the Alliance.

Some instances of this type of joint resolution are the ones enacted by the Metro Naga Development Council, as follows: Approving the formulation of a Metro Naga Trade and Industry Plan to be undertaken jointly by the Metro Naga Development Council through the Planning and Development Officers of the member LGUs and by the Department of Trade and Industry; Empowering the Local Development Council of a member LGU to appoint one private sector representative (PSR) to a pool of PSRs from which will be chosen those who will sit in the council; and Requesting the representatives of their congressional districts to provide 3 ambulance units to be given to 3 member LGUs of the council.

3.6 Critical Legal Ingredient No. 5 – LGU Ratification of Alliance Agreements and Decisions

The Alliance should request the respective Sanggunian of member-LGUs to ratify alliance agreements and decisions. Legislative support for alliance policies is crucial in a smooth transition and effective delivery of common basic services among member-LGUs. Ratification is similarly required for any amendment of the MOA provisions as these might affect the intrinsic agreements or objectives of the alliance.

LGU Ratification of Alliance agreements and decisions may be done through the following modes:

1) Ratification by the Sanggunian shall be through a resolution if it is a mere declaration of the sentiment or opinion of the lawmaking body on a specific LGU alliance matter. An ordinance is needed for legislative approval to appropriate funds from the municipal or city budget for financial contribution to the alliance. As earlier stated, the appropriation ordinance is also required to have the authorized sum to be released to be determinate or at least determinable. Ratification of alliance policy agreements may be also be through an ordinance for local application, which is one involving agreed policies of the alliance.

2) Another mechanism to ratify alliance programs is by incorporating alliance programs in the respective LGU's Executive-Legislative Agenda (ELA) of member-LGUs. This will ensure improved integration and mainstreaming of common programs proposed by the alliance into the respective LGUs' plans and programs.

3) Finally, ratification by the LGU can be through integration of alliance programs with the Local Development Plans (LDPs) of respective member LGUs. Section 106 of the LGC mandates each LGU to prepare a comprehensive multi-sectoral development plan to be initiated by its local development council and approved by its Sanggunian. The LDP serves as an action plan utilized by every LGU to develop and implement priority sectoral and cross-sectoral programs and projects until the desired development is attained over the long term. This will help ensure that the alliance vision will be aligned with each of the LGU's developmental goals.

3.7 Critical Legal Ingredient No. 6 – Harmonization of Policies by Member-LGUs in the Alliance

After the MOA is formally adopted, the LGU alliance proceeds to implement the common programs and projects. The alliance starts to initiate policies for adoption in each member LGU as well as implement programs, e.g., law enforcement for alliances organized for coastal and fisheries management.

It bears stressing that in order to properly implement LGU alliance programs, harmonization of policies is proper for two reasons:

1) A unified ordinance ensures that consistent regulations are adopted equally in all member LGUs while respecting the rule that the local legislative council shall enact ordinances and approve resolutions for local application for the general welfare of the LGU and its inhabitants in its territorial jurisdiction.

2) LGUs in an alliance must adopt substantially similar policies to ensure coordination and consistency in policies within the LGU alliance. The harmonized policies are recommended and emanates from resolutions made by members of the Council of Mayors and/or Vice-Mayors in the LGU alliance.

The Southeast Cebu Costal Resource Management Council (SCCRMC) was established in 2005 because of the realization that individual LGUs could not effectively implement individual CRM programs without collaboration with other LGUs. Since then, fisheries related policies have been successfully adopted by the eight member municipalities in the areas of fisheries and habitat enhancement; regulation of fishing gears and commercial fishing; and coastal law enforcement.

In the event that there is a conflict in policies adopted by the alliance and the member LGU, it is essential to note that the powers of LGU alliances should not result in a diminution of local autonomy of the local government units especially those concerning purely matters of local application. The principle of implied repeal is likewise applicable in this case. There cannot be two inconsistent or conflicting policies on the same subject. Either they are reconciled or, if they cannot, the latter repeals the prior act.

3.8 Critical Legal Ingredient No. 7 – Creating Legal Mechanisms to Address Non-Compliance to the MOA

As a general rule, it is believed that a MOA is a contract and breach thereof is considered a breach of contract. However, MOA is also considered a mutual agreement based upon consent and mutual respect among LGUs in the alliance. In case of the latter, it is difficult to impose sanctions against any non-contributing LGU.

Inter-municipal, inter-provincial, inter-regional management are voluntary and exhibit cooperative undertakings, i.e., MOU or MOA. However, it is not uncommon that interagency agreements such as MOAs have no true permanency by nature and are effective only as long as agencies and/or local chief executives are minded to honor them (Batongbakal 1991, Eisma et al. 2005).

The alliances can then create legal mechanisms to address non-compliance to the MOA by member LGUs. One way is to come up with a mutually agreed upon sanction against any erring member of the alliance. For instance, an alliance incorporated "soft sanctions" in its MOA, and provided therein that if an LGU fails to pay its contribution, a quarterly fixed interest payment of a certain % (between 3-5%) of the unpaid balance shall be imposed.

In addition, the alliance may have to settle inter-LGU disputes which may arise in the course of project implementation. Inter-LGU disputes refer to "any controversy relating to the terms, conditions or modes of implementing the policy, programs and projects at the alliance level or in a particular LGU within the alliance area, as well as conflict of claims or rights of a disputant LGU against another LGU which requires prompt action and early resolution."

To avoid filing of court cases that are susceptible to long, protracted delays, the following resolution modes are suggested:

1) The alliance can mediate and conciliate all disputes between member LGUs. Upon conclusion of the mediation efforts, the alliance as a body shall reduce to writing the terms of the settlement agreed upon by

the disputing parties. Mediation and Conciliation indicates a process whereby disputants are persuaded by a third party, in this case the alliance, to amicably settle their disputes. Some instances of disputes that can be solved by mediation and conciliation are municipal water boundary delineation, orchestration of local development plans, projects and activities, etc.

2) The alliance can also act as a body or assign an arbitration board to arbitrate the dispute upon written agreement of the parties to abide by the arbitration award. It shall conduct hearings and evaluate the evidence presented by the parties. It shall render the award in writing. Disputes that can be assigned to arbitration are sharing of revenues generated from fishery activities or allocation of fines from coastal law enforcement.

As an example, the Lanuza Bay Development Authority (LBDA) has incorporated in its MOA the various modes of settlement – conciliation, mediation and arbitration. The LBDA Council is constituted as a Dispute and Grievance Management Board. It assumes jurisdiction over the disputes and grievances that cannot be resolved by any of the above-mentioned settlement mode. The Board may assume to settle the dispute or grievance should it find proper by reason of urgency or for the best interest of the alliance.

3.9 Other Legal Instruments Used for Building and Sustaining Alliances

Aside from a MOA, the LGC is silent on other possible legal instruments to initiate an inter-LGU alliance. In the absence of clear policy guidelines, various alliances have now utilized other legal instruments for building and sustaining their cooperative arrangement. But it should be clear, at the outset, that these are more of exceptions rather than the rule. The following discussion will focus on the three other existing means used to build and sustain alliance, viz: Executive Order, Republic Act, and SEC Registration.

(a) Executive Orders

An Executive Order (EO) is an executive directive that has the force of law. In essence, EOs are formally written and passed into law for the establishment of LGU alliances in the exercise by the President or Governor of their executive functions.

A Presidential EO may also be considered as a legal basis for the creation of some LGU alliances based on the Constitutional provision, as follows:

> *"The President shall provide for regional development councils or other similar bodies composed of local government officials, regional heads of departments and other government offices, and representatives from NGOs within the regions for purposes of administrative decentralization to strengthen the autonomy of the units therein and to accelerate the economic and social growth and development of the units in the region."*

Aside from serving as basis for alliance formation, EOs were considered as a sustainable legal measure. From the time the EO is signed by the President, it served as a sign of financial support from the national government aside from the pooled LGU funds.

However, since EOs are Presidential pronouncements of support for the establishment of an alliance of LGUs, it is inherently flawed and cannot be relied upon for continuity of support from the national government. The inherent defect of EOs is the fact that an EO is considered as a discretionary act of the President. Likewise, support from the President may be highly susceptible to political relationships.

On the other hand, the Provincial EO does not have an expressed policy support as an instrument used for the formation of LGU alliances. The act of the Provincial Governor in putting together LGU clusters is implied from its authority to supervise component cities and municipalities within its territorial jurisdiction. The LGC does not expressly include in the express powers of Provincial Governors the power to create LGU alliances. Thus, this may be an unreliable means for sustaining LGU alliances.

(b) Republic Acts

LGU alliances may be created through an organic Congressional Act setting the specific powers and responsibilities and providing the necessary funding under the General Appropriations Act. As passed by Congress, these RAs are intended to ensure the necessary legal bases for LGU alliances or clusters.

Republic Acts have the force and effect of law as the Congress alone is given the inherent power to legislate. It is more permanent than a MOA or EO as such law, rule or act cannot be easily amended or modified. Any amendment or modification requires a tedious procedure that is similar to the enactment of any law by the legislature itself.

A classic example of an alliance of this type is the Partido Development Administration (PDA). It was created in 1994 thru RA 7820 to rationalize the integrated and coordinated approach for the development of lagging regions and districts in order to catch up with the more advanced ones. PDA covers 10 municipalities in Camarines Sur. It was incorporated with an authorized capital stock of fifty million pesos to be subscribed and paid by the member-municipalities.

One very distinct provision in RA 7820 states that the PDA is authorized to contract loans, credits, and other indebtedness repayable in foreign currencies from foreign governments, international financial institutions or fund sources for use in the development of the district. The President or through the Secretary of Finance is authorized to guarantee the repayment of any loan or any other financial obligation of the administration.

Finally, the existence of the PDA has a fixed duration of 50 years. The Regional Development Council (RDC) through NEDA is mandated to initiate dissolution by submitting a recommendation to the Board.

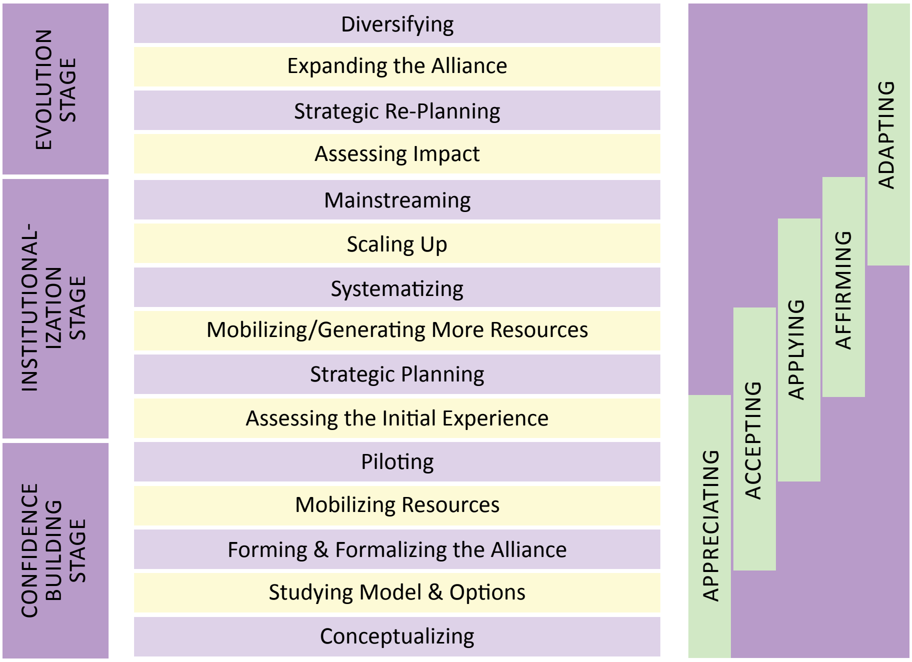
(c) SEC Registration

The Securities and Exchange Commission (SEC) registers non-stock, non-profit corporations pursuant to the Corporation Code of the Philippines. Eligible organizations include those that are established for religious, charitable, scientific, athletic, cultural, rehabilitation of veterans, and social welfare purposes.

The SEC is essentially created by law to regulate private corporations and non-government organizations. Upon registration with the SEC, the LGU alliance attains a separate juridical personality and the status of a non-government, private organization. With a duly registered alliance, the Articles of Incorporation and By-Laws of the alliance will govern the basic operational mechanisms in the same manner as any private corporation that is formed in accordance with law. It is now required to report annually to the SEC for regulatory compliance purposes.

However, LGUs are accountable to the national government in terms of executive supervision and legislative control. The Executive branch exercises general supervision over local governments. Therefore, there is now a conflicting scenario for LGU alliances that are registered with the SEC. Based on the foregoing, the oversight authority over these alliances will be transferred from the Executive branch to the SEC.

4.0 CRITICAL INSTITUTIONAL INGREDIENTS



STAGES IN ALLIANCE DEVELOPMENT

From the proceedings of the First Inter-LGU Alliances Summit in Bacolod City in August 2008 and the study conducted from May to August 2009 for the preparation of this reference material, three key stages in alliance-building can be distinguished, each consisting of several critical steps.

a. **Confidence-building stage** - getting the core alliance stakeholders onboard and trying their capacity to work together.

1) The idea that there is a need to form an alliance comes up.
2) Stakeholders study how to go about forming the alliance. They learn from existing alliances and weigh different options.
3) The alliance is actually formed and the institutional, legal, and financial arrangements are formalized.

4) Resources are mobilized, including staff.
5) Activities addressing one or two “trigger issues” are tried out.

b. Institutionalization stage - getting tried and tested approaches adopted as the accepted way of doing things throughout the alliance.

1) The initial experiences of the alliance are assessed.
2) A more comprehensive and strategic plan is formulated.
3) More resources are mobilized but at the same time the alliance gives serious attention to generating its own resources.
4) Systems are formally established and manuals are prepared.
5) More activities in larger areas are implemented.
6) Projects are mainstreamed as essential services, if possible.

c. Evolution stage - pursuing purposes other than the original one that drove the alliance.

1) The alliance’s accomplishment and impact are evaluated.
2) The alliance’s environment and assumptions in planning are re-assessed and new strategies are formulated.
3) The alliance is expanded in terms of membership and/or coverage.
4) New projects and services are undertaken.

Through these stages, alliance members undergo what is called the five “A”s of replication: Appreciating, Accepting, Applying, Affirming, and Adapting. First, they learn to appreciate the idea of an alliance, drawing inspiration from the success of pioneering alliances. Next, they agree to accept one or a combination of the various institutional, legal, and financial arrangements already tried out in existing alliances, adding and/or subtracting as they see fit. After this, they apply the approaches they have agreed to adopt and test the model they have chosen or developed. Then, based on their experience, they affirm the approaches, activities, and systems they want to maintain and mainstream. Finally, they learn to adapt to the changing environment, as well as to changes brought about by their own success or failure.

4.1 CONCEPTUALIZING

4.1.1 Critical Institutional Ingredient No. 1 – The Alliance Champion

The idea of forming an alliance has to come from somebody. But coming up with the idea is just a tiny part of the alliance-building process.

What is more crucial is that there is someone who gets the stakeholders together to initiate the discussion regarding the formation of the alliance. He/she sees it through the process of formal organization, and gets the alliance going until it is institutionalized and sustainability is assured. This someone is called the alliance champion.

The alliance champion may be:

a. **A charismatic and development-oriented local chief executive (LCE),** like Naga City Mayor Jesse Robredo in MNDC, former Negros Occidental Governor Joseph Marañon in NNARMAC, and Iloilo City Mayor Jerry Treñas in MIGEDC;
b. **A bigger or more progressive LGU**, like a provincial government vis-à-vis its component LGUs or a city vis-à-vis its neighboring municipalities; in a few cases the champion may be a national government agency, like DENR in the case of PAMBs;
c. **An NGO,** like Guiuan Development Foundation, Inc. or GDFI in the Alliance of Seven and Kitanglad Integrated NGOs or KIN in the Mt. Kitanglad Range PAMB; or
d. **A project,** like the Antique Integrated Area Development Project or ANIAD in the case of the LIPASECU Baywide Management Council.

An alliance champion must have most, if not all, of the following abilities or attributes to be effective:

a. An effective alliance champion is able to draw internal resources.

It helps, therefore, when both the LCE and the Sanggunian (or the manager and the board, in the case of an NGO) are committed to support the alliance.

b. **An effective champion is usually the biggest resource-provider among the alliance members.**

It is not surprising that many champion LCEs come from LGUs with higher income, such as cities or first-class municipalities. A foreign-funded champion project is also able to provide a significant amount of resources.

c. **An affective alliance champion is able to tap external resources.**

This is especially true of champion NGOs or projects. GDFI, KIN, and ANIAD all had foreign funding. But, increasingly, champion LCEs or LGUs are able to tap external funds from higher levels of government and even from international donors.

While an alliance should not rely on patronage, the right political connection can be a bonus when tapping public funds and government technical assistance.

d. **An effective champion has established relations with other alliance members.**

The champion's relations may be based on political ties, social ties, technical expertise, or financial leverage. Often, a champion NGO is effective when it maintains strict political neutrality. A champion LCE, on the other hand, needs to reach across the political aisle. One alliance secretariat head became an effective champion because he got all the mayors as principal sponsors in his wedding.

e. **Most alliance champions are visionaries who are able to articulate clearly their vision for the alliance.**

But they are not ideologues who stick fanatically to their personal vision; they realize that an alliance works better when the collective interest takes into account the interests of individual members. Harmony, after all, is critical to the sustainability of the alliance.

f. **A champion continues to be effective as long as he or she has strong influence among the alliance stakeholders.**

A mayor who lost his or her reelection bid cannot expect to continue to be an alliance champion. But a mayor who completes his or her three terms often continues to be influential among alliance members even if he or she runs for another position or takes a one-term leave from politics. A foreign-funded champion NGO or project usually becomes less effective when its foreign funding stops, unless it has successfully established sustainability mechanisms.

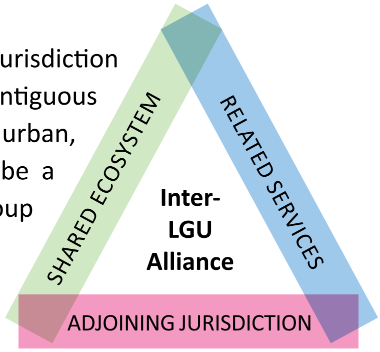
There can be more than one champion in an alliance. As alliance champions are defined by both their ideas and actions, it is possible to find a visionary leader working in tandem with a pragmatic manager, where separately neither can be called a true champion but together they function as one. While often the visionary leader gets the credit, the contribution of the pragmatic manager, who is often a "technical" person, cannot be underestimated.

Sometimes the champion is designated by the alliance members. This can happen when the local chief executives prefer to be collegial and take turns at being the formal alliance leader. Sometimes the LCEs may decide altogether to entrust alliance-building to someone outside their circle. The fear of political divisiveness may push the LCEs to designate a politically neutral person or group to act as alliance champion. The decision to designate a champion from outside the ranks of the LCEs can also be fund-driven as in the case of one alliance whose major donor will release funds to an NGO only.

4.1.2 Critical Institutional Ingredient No. 2 – A Common Base

When choosing the local government units that will make up the core of the inter-LGU alliance, the following are considered:

a. Adjoining Jurisdiction



The LGUs involved have adjoining jurisdiction such that together they form one contiguous geo-political area. The area can be urban, rural, or a mix of the two. It can be a mainland-island combination or a group of islands.

It is debatable if a sisterhood arrangement between two distant LGUs can be truly called an inter-LGU alliance. This reference material tilts towards the view that it is not. Adjoining jurisdiction is an essential ingredient consistent with the next two ingredients.

b. Shared Ecosystem

The LGUs share an ecosystem such as a coastal/marine area, a lake/lakeside area, a protected land area, or a combination of these.

c. Related Services

The LGUs provide similar or complementary services. There are many forms of similar services, some examples of which are solid waste management, provision of potable water, and law enforcement. An example of complementary services is the range of health services provided by different LGUs from household-level primary health care to district level hospital services.

Area Management

Almost all alliances involve some form of area and service management. Thus one way of classifying alliances is by the type of area the alliance seeks to manage.

AREA TYPES	EXAMPLES OF ALLIANCES
a. Urban	Metro Manila Development Authority
b. Urban-Rural	Metro Naga Development Council; Metro Iloilo – Guimaras Economic Development Council
c. Congressional District	Partido Development Administration
d. Island	Guimaras LGU Alliance
e. Coastal/Marine	Southeast Cebu Coastal Resource Management Council; Alliance of Seven; LIPASECU Baywide Management Council; Banate Bay Resources Management Council; Northern Negros Aquatic Resources Management Advisory Council
f. Lake/Lakeside	Lake Mainit Development Alliance
g. Protected Area	Northwest Panay Peninsula Natural Park; Mount Kitanglad Range Natural Park
h. Inter-Local Health Zone	ANIHEAD; Borongan Inter-Local Health Zone

4.1.3 Critical Institutional Ingredient No. 3 – A Common Purpose

Inter-LGU alliances are driven by a common purpose that binds the LGUs together. As already stated, in most alliances this purpose is a form of area management. Below are examples of how area management is recognized as a purpose in the Vision, Mission, and Goals of alliances:

NNARMAC's Vision: "Northern Negros with sustainable, biodiverse and well-managed aquatic resources resulting to improved quality of life of empowered communities."

MIGEDC's Mission: "To improve cooperation and partnership in socio-economic development and management of the environment and natural resources of Metro Iloilo- Guimaras in order to enhance its residents' quality of life."

LMDA's Goals: (a) To conserve aquatic resources and enhance their economic, ecological and recreational value; (b) To properly manage forestlands and improve the land cover within the watershed; (c) To promote greater involvement of government, the private sector, local communities and other stakeholders in the sustainable management of the lake and other critical resources.

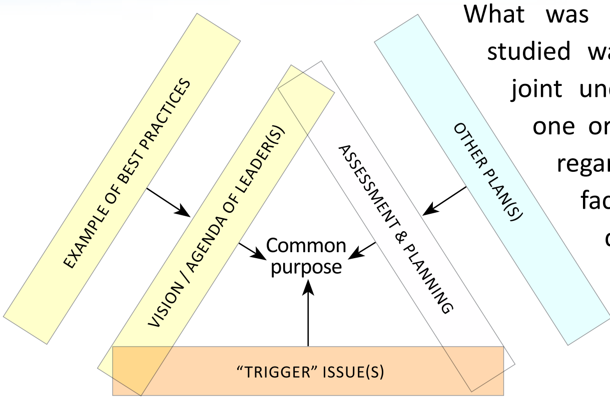
While at some point a formal statement of the common purpose is needed, this does not necessarily have to be in terms of vision, mission, and goals. In fact there were alliances where the formal strategic plan (with vision, mission, and goals) was formulated three to five years after the alliance started operating.

Sources of Ideas for the Common Purpose

The three factors that influence the shaping of an alliance's common purpose are:

(1) The agenda or vision of individuals or institutions initiating the alliance;
(2) The result of a more rigid and systematic situational analysis and planning;
(3) An urgent issue.

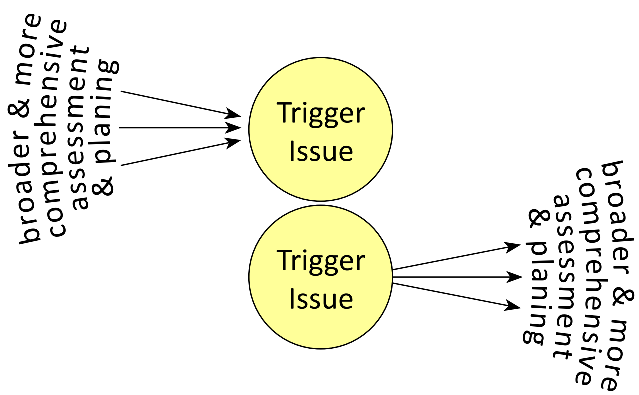
It can start with any of the three influencing factors and there is neither exclusivity nor strict sequential relationship between and among these factors.



What was common in the alliances studied was that their actual initial joint undertaking revolved around one or two "trigger" issues only, regardless of the influencing factor or factors that determined their common purpose.

Some alliances started with a broad plan but eventually narrowed down the action points to only one or two. Others addressed right away the "trigger" issues even without a comprehensive planning process, although eventually they found themselves needing a more strategic plan.

The first approach – from strategic to tactical – sometimes falls into the trap of being consumed by the comprehensiveness of the plan being formulated such that many stakeholders complain that the alliance is "all talk, no action". The second approach – from tactical to strategic – sometimes gives the impression that the implementers are "playing it by ear" and thus they run the risk of learning the hard and costly way. Of the two criticisms, "all talk, no action" seems to be more de-motivating, especially at a stage when confidence-building is essential.



Indicated Steps for Alliance Champions:

a. Start with the general idea of forming an alliance with a tentative purpose in mind.
b. Identify which LGUs should be involved based on the basic alliance ingredients of adjoining jurisdiction, shared ecosystem, and related services.
c. Initiate discussions with the local chief executives involved about forming an alliance and find out what their relevant interests are.
d. Identify the general type of alliance to be formed based on area and service management.
e. Identify and agree on the trigger issues to be initially tackled.
f. Identify other potential members and partners, based on the trigger issues.
g Formulate a common purpose by building a results-chain based on the desired outcome of tackling the trigger issues.
h. Plan how to study the different options in forming an alliance and arrange the necessary literature-search, orientations, workshops, and learning visits involved.

4.2 STUDYING MODELS AND OPTIONS

Objectives

The purpose of this phase of alliance-building is to have a basis for deciding how the alliance will be formed. Specifically the following questions have to be answered by the core group interested in forming an alliance:

a. Do we have legal guidance on what we are trying to do? What are the relevant laws or policies? What were used as legal basis by alliances organized before ours?
b. What are the models or structures being used by existing alliances? What are the institutional and financial arrangements involved? In what specific context do these structures and arrangements work best?

c. How are existing alliances doing? What key factors contributed to the success of some alliances and the lack of success in others? How can we avoid the negative factors?

Indicated Steps for Alliance Champions:

a. Read this material very well. Share copies with your core group and hold discussions because a number of alliances and ways of building an alliance is highlighted in this reference material.
b. Get hold of and study similar literature like the *Guidebook on Inter-Local Government Unit Project Management* published by AusAID under the Philippine-Australia Local Government Development Program and the Handbook on Inter-Local Health Zones published by the Department of Health.
c. Depending on the type of alliance you are contemplating on, secure a copy of the covering legislation and/or policy. There is RA 8550 or the Fisheries Code for coastal resource management; EO 205 for inter-local health zones; RA 7585 or the NIPAS Act of 1992. There is also EO 102 creating the Metro Naga Development Council; EO 559 creating the Metro Iloilo-Guimaras Economic Development Council; and RA 8978 declaring the Mt. Kitanglad range as a protected area.
d. Request for a copy of the MOA of alliances you are planning to study.
e. Organize an orientation-workshop where you can invite resource persons experienced in alliance-building and experts in the trigger issues you plan to address. The champions of pioneering alliances can be good resource persons.
f. Organize a visit by your core group to one or two successful alliances. *(A list of possible alliances to visit is provided in this reference material.)*
g. Discuss thoroughly your different options and agree which to try out. Do not attempt right away to modify what others have already tested and refined. But you can try to pick out the best features of the different options, put them together, and test them for consistency with each other. Remember that learning from your own mistakes is bound to be more costly than learning from the mistakes of others.

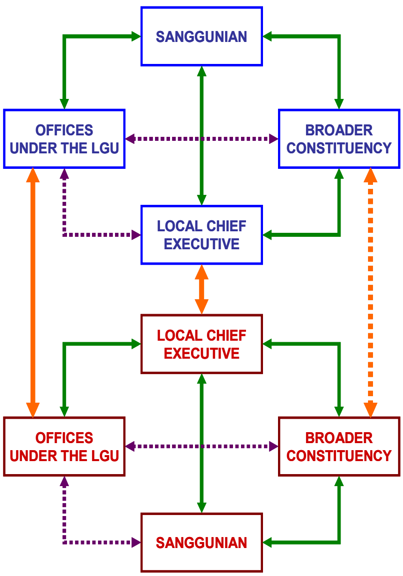
Normative Agencies

A normative agency sets norms and standards. It can be a registering agency like the Securities and Exchange Commission (SEC), a fiscal agency like the Commission on Audit (COA), an administrative agency like the Department of Budget and Management (DBM), or a supervisory agency like the Department of the Interior and Local Government (DILG).

None of the agencies above has the full authority over inter-LGU alliances. The significance of the role of each agency varies with the configuration of the alliance. For example, if an alliance wants to acquire legal personality through registration then the SEC obviously will have a significant role; otherwise, it has no role at all. It is important that those involved in studying the models or options to adopt in building their own alliance are aware of the potential roles of these agencies.

4.3 FORMING AND FORMALIZING THE ALLIANCE

During conceptualization, discussions may have been mostly between the local chief executives and the alliance champion. During the study of models and options, some operations people from LGU offices, members of the Sanggunian, and even potential partners outside the LGUs may have been involved already. But broader consultations and dialogues become all the more important during this critical step of forming and formalizing the alliance.



At this stage, it is imperative to:

1) Conduct internal consultations within each LGU in order to build "ownership" over the common purpose of the alliance and ratify it, solicit ideas for an operational plan, and communicate the plan to a broader constituency;

2) Engage the Sanggunian during this step because it has to authorize the LCE to enter into agreement (with other LCEs) in behalf of the LGU. The

Sanggunian is also needed to pass a budget ordinance covering the LGU's commitment to the alliance.

3) Enjoin the technical people in an LGU to talk with their counterpart technical people in other LGUs. Similar counterpart discussions should happen among civil society and private sector leaders.

The following should be clear among the stakeholders:

a. What will the configuration of the alliance? (An all-LGU alliance, an all-LGU authority, an all-government alliance, a public-private alliance that is public in nature, or a public-private alliance that is private or NGO in nature?)
b. Who will be members and who will be partners?
c. What common purpose will bind all the members?
d. What trigger issues have to be addressed first?
e. What resources are needed and how funds will be raised?

Overall Legal Basis for Alliance-Building

a. The Constitution (Article X, Sec. 13)

b. Local Government Code (Sec. 33)

c. Local Government Code (Sec. 35)

Alliance Membership

Membership in an alliance is defined by the alliance's configuration. In most cases membership is institutional and there is standard representation. Thus:

1) A municipality is represented by the Mayor and an NGO by its Executive Director;
2) In SEC-registered alliances, membership is personal, however, the by-laws usually provide for automatic replacement of the member by his/her successor in office;

3) In some alliances, membership is already pre-defined. For example, the composition of the Protected Area Management Board (PAMB) is explicitly stated in the NIPAS Act (RA 7586);
4) The composition of the Inter-Local Health Zone is more open although it is subject to the approval of the National Health Planning Committee upon endorsement by the highest local chief executive involved.

But more often the membership of other stakeholders depends on the issue on hand. If the issue is law enforcement, as in the case of most coastal resource management councils, then regulatory and law enforcement agencies necessarily have to be involved. ***The general rule however is: It is better to start with just a core group of LGUs first and expand later than to try to get all parties together before forming the alliance.***

4.3.1 Critical Institutional Ingredient No. 4 – Active Involvement of the Mayors

Mayors compose the core of almost all alliances. An active mayor can spur his/her LGU into action in support of the alliance.

The experiences of existing successful alliances in this critical aspect point to the following realizations:

1) It is often thought that partisan politics would prevent mayors from coming together to form an alliance but the number of alliances existing and coming about shows that it is more of an exception rather than the rule. A mayor seldom sees another mayor as a political threat; his or her opponent in the next election will be local and not from the next town. During the study, a number of alliances pointed out that they have easily managed to gather mayors from different political parties and get them to work together.

2) The reluctance of some mayors to join comes more from a realization that they will be giving up power to some degree. The mayor must be made to realize that the benefits from joining an alliance more than offset the loss of power. These benefits include: better delivery of services, more efficient implementation of projects and activities,

improved participation of more stakeholders, access to more information and better technology, increased claim-making power for funds and services vis-à-vis the national government, better partnership positioning vis-à-vis funding agencies, etc. A mayor in some cases can push his/her idea more successfully through the alliance than when he/she does it on his/her own, especially when there is politically-motivated local resistance to the innovation.

Sometimes the active involvement of the mayor, especially in terms of attending alliance meetings, cannot be sustained. A mayor typically chairs more than ten other councils or committees and is busy with the day-to-day concerns of his office.

Some innovative solutions to address this problem are:

1) To allow an alternate. However, one drawback in allowing an alternate to represent the LGU is that he or she cannot make a commitment in behalf of the LGU like the local chief executive can. Southeast Cebu CRM Council tried to remedy this by having the vice-mayor as the alternate to the mayor. Because the vice-mayor's main regular responsibility is just to preside over the once-a-week session of the Sanggunian, he or she would have more time for the alliance than the mayor. And as the next-in-rank to the mayor, he or she is in a better position than any other alternate to make a commitment. This arrangement seems to work when the vice-mayors are politically allied with the mayors.

2) To rotate the venue of alliance meetings.

3) To direct the secretariat to regularly make the rounds and visit each mayor. The visit is often used to get the approval of the mayor in what is commonly called decision-making via referendum.

4) To take the mayors away from their daily routine. The Mount Kitanglad Range PAMB attests to the effectiveness of a learning visit someplace far as a means of getting the mayors together for an in-depth discussion of alliance issues, strategies, and action plans. The learning visit can be utilized for teambuilding and consciousness-raising as well.

Because of the role of the mayor, a change in administration can be potentially disruptive. It is important therefore to bring a new mayor onboard as soon as possible. Make it a point to brief new mayors thoroughly about the alliance.

Membership versus Partnership

The general rule is to keep the alliance membership small and make the other stakeholders partners instead of members for the following reasons:

1) LGUs are concerned about a large membership because it tends to dilute their control over the alliance.
2) A large membership is unwieldy and it is often difficult to get a quorum.
3) A large membership right at the formation step also means a larger number of people to convince about the necessity and direction of the alliance.
4) By distinguishing between who should really be members and who can just be partners for specific purposes, the initial membership of the alliance can be kept small.

To effectively handle other stakeholders, alliances have resorted to the following:

1) Most alliances have a council or board exclusively for the formal members of the alliance and a bigger, looser technical working group where partners can participate.
2) Some alliances, like MIGEDC, place partners with valuable expertise, such as those from the academe, in an advisory body.
3) In many alliances, there is a tendency to keep NGOs and academic institutions that are not "home-grown" as partners and not as members, the reason being – nothing can prevent them from leaving. LGUs point out that academic institutions in particular have short interest-span. They come for a specific research or outreach project then leave. NGOs from outside the area may stay longer but after a few years they also leave or they scale down their activities to such extent that they no longer play a significant development role as before.

The representation of community organizations, especially target beneficiaries of the alliance is broadly accepted. This means to ensure that the interests and needs of the diverse population groups, such as men and women, youth, extreme poor, are represented in the alliances through community organizations or through consultations with representatives of the specific groups. However, experiences showed that community organizations which became alliance members had the tendency to look after themselves first and had difficulty in distinguishing between the two hats they wore – one as alliance decision-maker and the other as potential beneficiary of the decision. Independent community organizations need to be brought in to balance the vested interest of beneficiary organizations. Sectoral consultations have to be improved and institutionalized so that the interest of the whole sector is represented and not just of the organization sitting as alliance member.

4.3.2 Critical Institutional Ingredient No. 5 - Implementing Structure

An alliance needs to go beyond coordination and thus should have an implementing structure to achieve its purpose. Ideally structure follows function. But even if the clear tasks of the incipient alliance are limited only to one or two urgent issues on hand there is already a push to define a structure because of the need to formalize the alliance. There is a tendency, therefore, to copy an existing model.

It is important, however, to remember some principles in designing an organization:

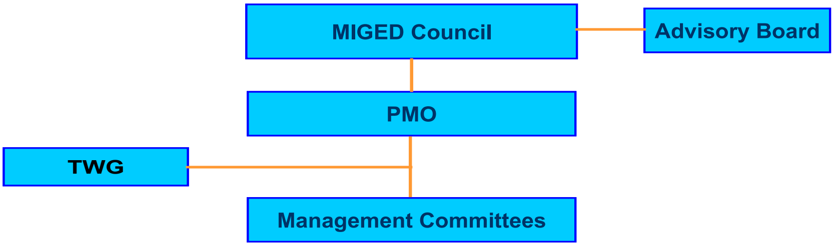
a. As discussed in the previous section, it is important to distinguish between membership and partnership in the structure.

This is shown in the structure of MIGEDC where:

1) There is a council composed of member-LGUs.
2) There is an advisory board composed of a representative from an NGO instrumental in helping strengthen the alliance and representatives from the academe and the business sector; they are not members of the council.

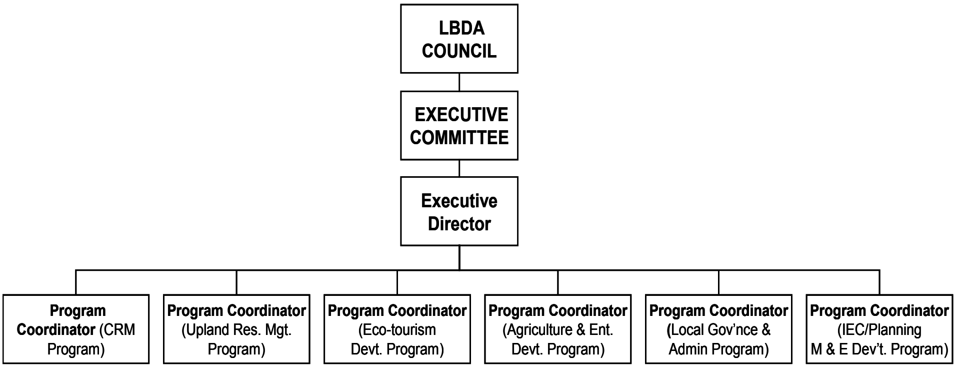
3) There is a technical working group (TWG) made up of LGU department heads and partners from NGOs and line agencies; they are also not council members.

b. There should be a complementation between visionary leaders and pragmatic managers.

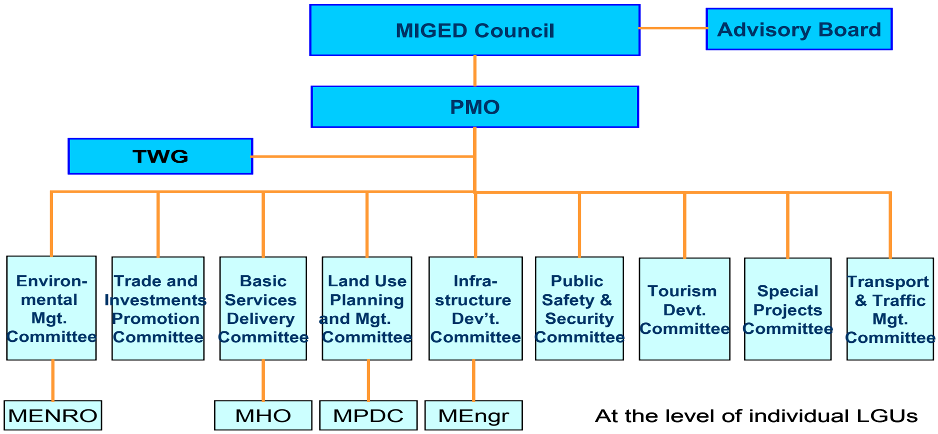


Local chief executives are often too busy with the affairs of their respective LGUs that they need people (often described as technical) to help them operationalize the thrusts of the alliance. This calls for one or more management units in the alliance structure. Members of the alliance may or may not be in the management unit but the management unit should have clear accountability to the council or board members.

The stripped down organizational structure of Lanuza Bay Development Alliance below shows how vision is translated into action by several management units.



c. Local point persons or local counterpart teams. In many cases the alliance structure cannot be mirrored at the LGU level because of lack of staff and resources but nonetheless there should be a local point person or local team for service delivery or project implementation in each LGU.



Indicated Steps for Alliance Champions:

a. Have an initial consensus among prospective alliance members on the configuration, membership, and purpose of the alliance.
b. Plan the series of internal consultations/discussions within each of the involved LGUs. If necessary, organize a roving core group that will assist each mayor in making a presentation to his or her Sanggunian and LGU department heads.
c. Plan a series of consultations with the broader constituency, especially target partner institutions and representatives of the diverse community members. The same core group above can handle the communication process.
d. Have a consensus on the initial issues to address and design a tentative alliance structure, with the appropriate definition of roles and functions.
e. Have a draft memorandum of agreement prepared, preferably with advice from a lawyer, the local finance committees of the LGUs, and government auditors.

f. Plan and conduct negotiations with each LGU regarding their roles in and contributions to the alliance. Part of the negotiations is the location of the alliance office, as well as its furnishing and staffing.

g. Have the memorandum of agreement finalized. Note that steps [d], [e], and [f] may be iterative. It took some alliances several revisions before the MOA could be finalized.

h. Work for the passage of a Sanggunian resolution applying to join the incipient alliance and another resolution authorizing the mayor to enter into agreement in forming and funding the alliance.

i. Arrange for the joint signing of the MOA in a high profile event, signifying the launching of the alliance.

j. See to the designation of bank signatories and opening of an alliance bank account.

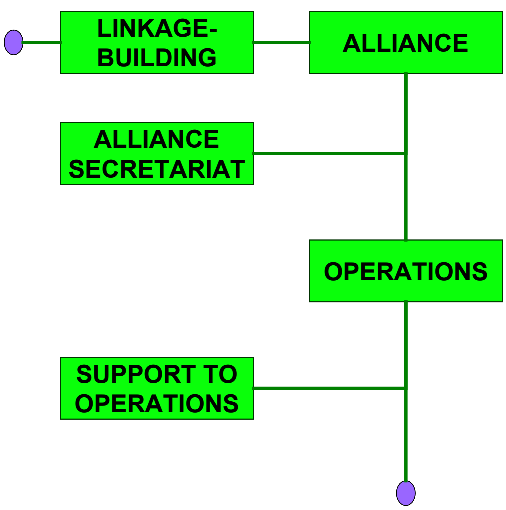
4.4 MOBILIZING RESOURCES

Alliance Personnel

The key tasks during the confidence-building stage can be grouped as follows:

a. **Operations** which basically involve implementing services, projects, and activities related to the trigger issues being addressed by the alliance during this stage;

b. **Administrative support** to operations which involves facilitating implementation by providing funds, materials, office supplies, equipment, and means of going to operations sites.



c. **Alliance secretariat services** which involves arranging and documenting alliance meetings and activities (not related to operations), handling communications, arranging capacity development and team-building for alliance members, and preparing alliance reports and information materials

d. **Linkage-building** which involves identifying potential partners, reaching out to them, and cultivating good relations with them

Given these key tasks, the personnel needed are:

a. Technical people for operations;

b. A managerial type of person to supervise operations;

c. Administrative or clerical staff for administrative support and secretariat services; and

d. Somebody of high standing in the LGU for linkage-building. This can be the alliance champion or any of the local chief executives.

There are three (3) options in acquiring alliance personnel:

1) **"Hire all"**, is seldom chosen because it is viewed by many stakeholders as adding another layer of bureaucracy. Besides, it is costly, which means alliance members will be required to increase their cash contributions.
2) **"Hire none"**, and contribute in-kind instead, in this case, personnel already in their employ. This option is generally preferred by members.
3) **"Hire some"**

The "Hire All" and "Hire Some" option may be reconsidered at a later stage when the alliance is already able to generate significant revenues. At that point, insulating the alliance operational units from politics to help ensure sustainability may also be an important factor for these two options to be reconsidered.

When it comes to technical people for operations, the ideal personnel to assign to the alliance are those already performing in their respective organizations the tasks they will be handling in the alliance. This means they are simply moving from one circle of supervision to another, but for the same tasks. This lessens the notion that being assigned to the alliance is an additional burden. This will also make it easier later to mainstream alliance projects as regular services and to absorb back the assigned personnel in his or her parent organization.

Contributing organizations, especially the LGUs, should definitely avoid hiring unqualified casual or temporary employees for instant assignment to the alliance to handle the technical aspects of operations.

There are at least three ways an LGU employee can be assigned to the alliance. He or she can be:

a. Seconded to the alliance for an extended period to be full-time staff;

b. Detailed to the alliance; government regulation limits the detail period to 29 days so a new detail order has to be issued for any extension;

c. On call to a technical working group whenever there is a TWG meeting or activity.

The LGU may have a problem when it comes to assigning an executive to a management position in the alliance because the logical choice, somebody senior like a head of office or unit head, is also needed by the LGU. Because not all of his or her regular responsibilities in the LGU can be unloaded, alliance work will be seen as an additional task. The same can be said even in the case of an NGO or a line agency assigning a senior manager to the alliance.

The “Hire some” option, therefore, is often used in filling top management positions, especially when the alliance is already scaling up or expanding.

4.5 PILOT-TESTING THE CAPACITY OF MEMBERS TO WORK TOGETHER

4.5.1 Critical Institutional Ingredient No. 6 – Trigger Issues

Most alliances start with one or two trigger issues that need urgent attention and clearly call for concerted action. The issues are obvious, clearly detrimental, and could worsen if not addressed, they are ideal for the new alliance to tackle.

There are three types of action involved in addressing the trigger issues:

a. Actions the alliance should take, through its board or council, technical working group, or management units, e.g., developing information/education materials, giving policy recommendations, delineating boundaries, mobilizing external resources, procuring medical supplies in bulk.

b. Actions that individual members have to take, but in concert and thus have to be coordinated by or with the alliance, e.g., passing uniform ordinances, conducting sea patrols, conducting information drives (using alliance-developed materials).

c. Actions that an individual member can take on its own, especially with regards to services already regularly provided even before the alliance came about, but consistent with the plan and direction of the alliance, e.g., conducting trainings for fishers or farmers, strengthening tribal organizations, providing health services.

But since this step in the alliance-building process is meant to test the capacity of alliance members to work together, more of the activities should be of the first two types.

Indicated Steps for Alliance Champions:

a. Keep the action planning simple. Focus on getting the members to agree on their specific responsibilities.
b. Maximize opportunities for the alliance members to come and work together, even if it means sacrificing efficiency in some instances. Utilize these occasions for team-building.

c. In addition to developing result indicators for planned activities, develop measures of success or process indicators for working together. Some examples can be promptness in remitting contributions to the alliance, functional conflict-resolution mechanisms and conflicts avoided or resolved, attendance of local chief executives in alliance meetings and affairs, etc.
d. Be lavish in giving recognition to joint efforts.

4.6 ASSESSING THE INITIAL ALLIANCE EXPERIENCE

Not many alliances systematically assess their initial experience of working together so this reference material cannot give specific examples. But it is a step everybody accepts as necessary.

So based on other experiences of some alliances, the following are suggested:

a. As indicated in the previous section, alliance members have to be clear why they are working together and they have to develop both result and process indicators even for the initial action plan to address trigger issues.
b. Operations people should have tactic sessions where they plan in detail how to implement activities in the action plan and to reflect on previous activities – what actually happened, why it happened, and what corrective actions had been and could be taken. The effect of doing the activity, as well as the effect of its outcome, on relationships between and among alliance members should be looked into.
c. Prior to preparing the annual alliance action plan for incorporation in the annual investment plans of individual members, the alliance should assess how far the result and process indicators are being achieved.

4.7 STRATEGIC PLANNING

4.7.1 Critical Institutional Ingredient No. 7 – The Strategic Plan

Trigger issues are just starting action points and they only form part of a wide range of issues confronting the alliance. After getting a feel of working together and getting a boost from early small successes, most alliances start to think strategically and adopt a more comprehensive or holistic approach. In many alliances this comes after three to five years of working together.

At this point, alliance advocates must be conscious of the following:

1) Having a strategic outlook is important because otherwise the alliance might be overwhelmed by the many problems confronting it and becomes paralyzed into inaction or driven to respond with many but palliative solutions.

2) The most common way of doing strategic planning involves an analysis of the organization's environment and the organization itself. But because the alliance already has a commonly agreed-upon purpose, it is possible to start with identifying the changes in the environment since the establishment of the alliance. The purpose of the alliance is then revisited to see if there are changes that are not addressed. If there are, the alliance has two options: refine the purpose or agree not to address the changes.

3) As a result of strategic planning, the alliance may start addressing issues other than the initial trigger issues. At this stage, more often than not, the new activities will still be in line with the binding purpose of the alliance.

For example, from the trigger issues of discount cards for senior citizens and fuel rationing, MNDC went into pooling of heavy equipment, coordination of rescue services, job placement, investment promotion, generation of off-farm employment, and integrated health services, all still within the framework of urban-rural management. From organizing to oppose the construction of a mini-hydropower plant, LMDA included in its strategic plan further environmental protection measures such as watershed rehabilitation, riverbank protection, marsh rehabilitation, establishment of fish sanctuaries, and resource assessment.

4.8 MOBILIZING/GENERATING MORE RESOURCES

Two signs of a mature alliance are: 1) its capacity to attract and mobilize external resources; and 2) the extent of its networking and public relations. The two are actually mutually reinforcing.

In MNDC, there is a specialized project development unit that makes it easier for the alliance to mobilize external funds. This unit periodically studies the local situation and prepares project proposals. Because of the extensive network of MNDC and the various awards and recognition that it has received, opportunities for external funding crop up from time to time so the project development unit makes sure that it has stock project proposals and is ready to come up with a more specific proposal on short notice if needed.

Following up submitted project proposals is critical in resource mobilization. This is a responsibility the alliance champion assumes in many cases. Networking in the Philippines is still highly personal. The challenge is how to transfer the existing linkage from the alliance champion to the alliance itself so that networking becomes institutional rather than personal.

4.9 SYSTEMATIZING

4.9.1 Critical Institutional Ingredient No. 8 – The Manual of Operations

Alliances find it useful to sort and compile decisions, orders, and policies passed by the alliance council or board and to supplement these with suggestions based on actual practice so that the alliance can have a manual of operations. This helps preserve institutional memory and ensures continuity even when there is turnover in alliance membership and staff. The manual of operations also helps transform personal relations into more lasting institutional relations.

Because most alliance members, especially LGUs, do not have a manual of operations themselves, some pioneering alliances had to borrow from the private sector and adapt it to their own use and context. The next generation of alliances probably will find it easier because they have the manuals of pioneering alliances to refer to.

In general, the manual of operations describes the following:

a. Purpose and guiding principles of the alliance
b. Legal authority of the alliance
c. Composition of the alliance, requirements for membership and withdrawal
d. Roles, responsibilities, and rights of members
e. Alliance structure and roles and responsibilities of the various bodies/units
f. Partners and relations with partners, commitment, conflict of interest
g. Revenue generation schemes, sources and uses of revenue, schedule of fees
h. Personnel policies - selection and separation process, job description and requirements, rights, compensation and benefits, job risks and measures to minimize risk
i. Financial policies – bank accounts, request/disbursement/liquidation procedures, account items, procurement/custodial rules and procedures, financial recording and reporting, auditing
j. Planning, monitoring, and evaluation
k. Ownership of research outputs, publications, and project assets

4.10 SCALING UP

The Case for Scaling Up

The term "scaling up" is used here to mean doing more of the same activities as before to reach more targets. As additional activities are planned, chances are they will start on a small or pilot scale before going full blast. When one CRM alliance in Western Visayas went into marine sanctuaries, only two were established first. But after the model was sufficiently established and the mechanics were set, the alliance rapidly scaled up to add sixteen more marine sanctuaries.

While scaling up should not be rushed, it also cannot be delayed for long because of the following reasons:

a. The novelty of the alliance and the initial enthusiasm of the stakeholders may already be going into a plateau or even waning;

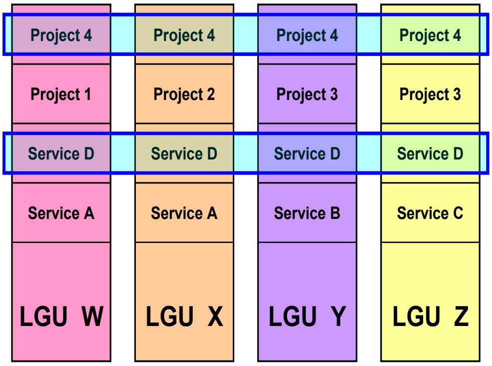
b. The Sanggunian may be asking already what the LGU is getting in return for its contribution (an NGO Board might also be asking the same question); or

c. Turnovers in member-organizations and partner institutions may be producing a significant number of newcomers already who have to be convinced to appreciate and accept the concept of the alliance.

4.11 MAINSTREAMING

4.11.1 Critical Institutional Ingredient No. 9 – Transforming Projects into Essential Services

The common purpose, in the context of area management, may be in terms of essential services that the LGUs are obliged to provide year in and year out. It may be in terms of projects that have a fixed start and end. Or, it may be in terms of both services and projects.



The means by which the common purpose is operationalized is important. Some undertakings are one-shot deals like boundary delineation, for example. So, they really have to be in terms of projects. But many alliances find that the packaging of continuing activities as a project is also attractive especially when external resources are available. Eventually, however, the mainstreaming of such a project becomes a concern. It has to be transformed into essential services to be sustained. Such a transformation from project to service can be an augmentation of an existing service or an entirely new addition to an existing set of services. In coastal municipalities, training of fishermen and sea patrols may be existing services but monitoring of seawater quality may not be. So, the latter will be an additional service if mainstreamed.

Program-type interventions aimed at behavioral and structural changes over the long-term are also better conceptualized in terms of essential services. Because their span is usually over a local chief executive's one term in office, programs are more susceptible than essential services to changes in local political players and political climate. This susceptibility is compounded when the shape or even the continuance of a program depends on the commitment of more than one LCE as in the case of an alliance There is, therefore, an even pressing need to insulate the long-term program from local politics.

Relative Specialization

Interestingly, as mainstreaming is being done, member LGUs may take on specialized roles. This specialization may happen because: (1) The LGU has natural advantages in terms of resources and/or location; and (2) The LGU may have agreed to this when assigned by the alliance.

Gainza in Metro Naga became the "sleeping quarters" of the alliance, hosting boarding houses and dormitories because of its proximity to Naga City. Magarao, another town in Metro Naga, wanted to become industrialized but was prevailed upon by other alliance members to remain the food bowl of the alliance.

In the case of MIGEDC, the following relative specialization is happening:

1) Guimaras Province - agri-eco-tourism center
2) Pavia -agro-industrial center
3) Leganes - center for light industries
4) San Miguel - agricultural basket
5) Oton - "dormitory"
6) Sta. Barbara - international air travel gateway
7) Iloilo City - remains as the residential, financial, commercial, governance and educational hub not only for MIGEDC but also for the entire Western Visayas

4.12 EVOLUTION STAGE (Assessing, Strategic Re-Planning, Expanding the Alliance, and Diversifying)

4.12.1 Critical Institutional Ingredient No. 10 - Capacity to Adapt to Changing Conditions and Challenges

As the alliance goes through the next repetition of assessment and strategic planning, it is possible that it will set new directions for itself but related to the original purpose. Lanuza Bay Development Alliance, for example, realized that its coastal resource management efforts will be adversely affected by the continuing degradation of forests deeper inland. Its experience with legislating and enforcing fishery ordinances also made it realize that governance is a critical element in CRM. So LBDA evolved from being a CRM alliance into an ecosystem-based natural resource management alliance, effectively expanding its area of coverage from 127,000 hectares to 248,000 ha and adding two new management units (for upland resource management and for governance) because of its diversified interests.

Another alliance, PALMA, started with the pooling of heavy equipment for infrastructure projects. Then it realized that investments in infrastructure would simply be wasted if there were floods and landslides so it started to address environment issues. Farther down the road it evolved into an alliance concerned with economic development and good governance.

An alliance should have the capacity to adapt for it to continue to be relevant, to sustain the interest of members, and to strengthen relation with partners and covered communities.

5.0 CRITICAL FINANCIAL INGREDIENTS

5.1 Introduction

Financial stability and sustainability is crucial in the success of the alliance. An alliance is financially stable when it has funds sufficient to cover the cost of its operation. To ensure sustainability, the alliance must have the ability to generate funds needed to perform its responsibility of coordinating the efforts of its members or in implementing alliance's projects.

In this section, ten critical financial ingredients are presented and discussed. The ingredients were distilled from the experiences of existing alliances that participated in this project. Their experiences show that the financial aspect is very challenging. Guidelines concerning use of government resources (funds, staff time, equipment and others) in an alliance set up are still lacking or insufficient. The varied interpretations of existing government accounting rules and procedures in an alliance set up add to the confusion. Nevertheless, the alliances have adopted finance-related practices they find suitable to their operation.

Given this limitation, this section does not offer answers to all possible questions regarding financial arrangement of alliances. The list of critical ingredients provides a guide. The proper mixing of the ingredients is best left to the alliances.

5.2 Critical Financial Ingredient No. 1 – Commitment to Share Resources Among Members

Critical to the start of the alliance is the agreement among members to share the responsibility of financing the alliance. This commitment becomes binding when contained in a legal instrument for alliance creation such as the Memorandum of Agreement (MOA), Executive Order (EO), and Republic Acts.

The finance-related elements to be included in the MOA would depend on the level of flexibility decided upon by the members. Preference for full flexibility means including only the agreement to contribute. All other elements can be responded to only when the need arises and decisions are contained in a board resolution.

On the other hand, preference for certainty means including in the MOA all finance-related elements. When the alliance finds it appropriate and reasonable to change any of these elements it can do so. The Amendatory Clause in the MOA make possible the modification or amendment of the MOA by mutual agreement of members.

5.3 Critical Financial Ingredient No. 2 – Use of an Accepted Formula for the Monetary Contribution of Members

Members' agreement on the formula for funds contribution is important. The formula is discussed by members with consideration of each member's capacity to pay, contribution to the issues faced by the alliance and the expected share in the benefits from joining the alliance.

The possible formulas in the pooling funds are:

1) **Equal annual fixed amount** – Members agree on a uniform fixed amount.

2) **Equal minimum amount** – Members may also agree to contribute an annual minimum amount. With this formula, the members make corresponding adjustment in their contribution in response to any increase in operation cost and program implementation of the alliance. Some LGU members progressively increase their contribution because of the realization that they stand to benefit more from the activities of the alliance.

3) **Negotiated amount based on planned activities** – The amount members contribute may also be negotiated and the decision is carried in a board resolution. The negotiation can be done yearly or when the need arises. In one alliance in central Visayas, the Board deliberates on members' contribution intended for next year before the budgeting period which usually starts in June. This is to ensure that an allocation

is reflected in the Annual Investment Plan before its submission to the local legislative council not later than October 16.

4) **Differentiated amount based on income classification, revenue, contribution to the problem/issues faced by the alliance** – Equity is considered in differentiated contribution. The member-cities or provinces receiving higher IRA shares contribute higher amounts than the member-municipalities. However, the richest member-LGU may also be contributing the least to the problem faced by the alliance. Hence, it is inclined to contribute less. Among alliances to protect the coastal environment, the contribution may be based on the size of the area of the marine resources belonging to member-LGUs.

5) **The monetary contribution of members is equivalent to some percent of the 20% IRA Development Fund**. This can be a uniform percentage similar to one alliance for economic development in Region 6 where each member contributes an amount equivalent to 2% of their 20% IRA Development Fund. Members with higher IRA may also decide on a higher percentage. This is the case of one alliance for local development in Region 5 where the member-municipalities and the member-city contribute an amount equivalent to 1% and 2% of their IRA, respectively. As a result, the contribution of the member-city is more than half of the total contribution of all members.

The experience of alliances shows that the generous and most committed member financially sustain the alliance. Considered as the "carrier LGU" or "big brother", this member-LGU bears much of initial burden of collaboration and ensures sustainability. An alliance, however, must be "weaned" from dependence on a member. Such is happening in one alliance in Mindanao. The provincial government has reduced its contribution to the alliance from an annual amount of P1,000,000 for four years (2004 to 2007) to P500,000 in 2008. The provincial government has seen that the alliance can already manage on its own and there are other alliances in the province that need financial support.

5.4 Critical Financial Ingredient No. 3 – Timely Collection of Committed Funds

Aside from the amount of contribution, the commitment of members to the alliance can also be measured by their promptness in remitting committed funds.

The member-LGUs may remit the whole amount at one time or make installment payments until the whole amount is paid. Unfortunately, the experience of existing alliances shows that delayed or no remittance is common.

The following measures must be undertaken to ensure timely collection of committed funds:

At the Alliance level:

1) Provide a clear statement on the schedule of payments in the MOA or other legal instruments that created the alliance;
2) Set realistic schedule of payments;
3) Give reminders for payments;
4) Employ incentives;
5) Involve the local legislative councils in the activities of the alliance;
6) Treat sanctions with caution;
7) Ensure transparency in financial transactions.

At the Member-LGU Level:

1) Include committed funds in the Annual Investment Plan;
2) Maximize taxing powers to be able to generate higher revenues (e.g. increased real property tax collection);
3) Synchronize schedule of local budgeting with national budgeting.

5.5 Critical Financial Ingredient No. 4 – Sharing of Monetary and Non-Monetary Resources

On top of regular funds contribution, there are other monetary contributions that member-LGUs make. These include:

1) Payments for personnel detailed to the alliance;
2) Travel expenses of LGU representatives to alliance-related activities;
3) Payment for food when hosting an alliance meeting;
4) Payment for utilities (such as electricity, telephone, internet service) in the alliance office;
5) In other alliances, member-LGUs also contribute for specific programs or activities of the alliance.

Aside from funds, alliances need human resources, office space, office equipment and supplies, among others. Provision of these resources is part of members' obligation usually stated in the MOA and other internal documents.

Alliances usually have two types of personnel requested from member-LGUs:

1) Administrative staff – The assignment of the LGU personnel to do administrative work for the alliance is usually through a special order signed by the local chief executive. The LGUs fully shoulder the payments of their personnel detailed/assigned or appointed to serve in the alliance subject to Civil Service Law and the existing accounting and auditing rules and regulations.

2) Technical personnel – Key LGU personnel like unit-heads (Planning and Development Officer, Agricultural Officer, Accountant, Treasurer) and other technical persons may compose the Technical Working Group of the alliance or member of the operations team. Their alliance work is additional task without additional compensation. If the time they spend for the alliance is assigned monetary values, then the contribution of the member-LGUs to the alliance would be higher. Similarly, the time spent by the local chief executives to the alliance should also be assigned monetary values in order to properly assess the total contribution of the members to the alliance.

In many alliances, the executive director or program manager is from a member-LGU. In one alliance in Mindanao for the protection of a lake, the program manager who was personnel in one member-LGU was assigned full-time to the alliance since 2002 until the regular executive director was hired in August 2008. In another alliance for local economic development in Region 6, the executive director, who is the city planning officer, is assigned part-time to the alliance. The assistant executive director, who is the assistant City Environment Officer (CENRO), has been assigned full-time to the alliance since its creation in 2001. In another alliance for coastal resource development in Region 6, the executive director used to be the AT in Fisheries of one member-LGU. Currently, the executive director is with the Provincial Agriculture Office as Aquaculturist II and is also the interim executive director of another alliance for coastal resource management in the same province. In one alliance for health development in Region 6, the program manager is also the municipal administrator of one member-municipality.

The detailed LGU personnel are entitled to honoraria from the alliance subject to the approval of the Board and availability of funds, and in accordance with the existing accounting and auditing rules and regulations. In reality, this is mostly in papers. In many alliances, the member-LGUs finance the travel expenses of their representatives during attendance to meetings or any other alliance-related activities like trainings and cross-visits and other program-specific activities. One practice in few alliances is to rotate the venue of alliance meetings. The host LGU would usually cover food expenses if not the entire meeting expenses.

It is common that the host-LGU, which could be the LGU of the Chair of the Board or any member-LGU, provides office space for the alliance. A room may be designated as the alliance office or the office may be housed in one office of the member-LGU. Office equipment may be also donated by member-LGUs.

On the other hand, there are alliances with hired full-time administrative team (head and staff). This usually happens when the alliance has enough pooled funds from members' contribution or has received an external grant to implement a project. The hired positions are funded solely from these funds. Even with full-time personnel, the technical personnel of the alliance are still detailed personnel of the member-LGUs.

5.6 Critical Financial Ingredient No. 5 – Capacity and Will to Generate Own Resources

The alliance may choose not to rely heavily and indefinitely on its pooled funds out of members contribution. The member-LGUs may suffer from contribution-fatigue. This stage can be easily reached when member-LGUs perceive that they do not receive benefit or value for their contribution. This situation is happening in a number of existing alliances. This is one of the reasons cited for the weakening of alliances.

To ensure financial sustainability, the alliance must develop the capacity to generate its own resources. With enough revenues generated, member contribution may be reduced. This may also mean less reliance on external sources of funds for alliance projects.

So far, few alliances have shown the capability and will to generate own funds. One alliance for CRM in Region 7 derives income from the share in the penalty from apprehended illegal fishermen. The alliances for local economic development tap the LGU powers to establish local enterprises and public utility to generate additional revenue and increase sources of income as provided for in Sections 313 and 325 of the 1991 LGC.

5.7 Critical Financial Ingredient No. 6 – Capability to Tap External Sources of Funds

To augment the cash contribution of members, grants and other forms of support are accessed by alliances to finance special programs and projects. In a few alliances, accessing external funds is a clear policy.

Accessing external funds requires skills in writing project proposals, knowledge of granting agencies, and lobbying for the submitted proposals. This capability should be built among members of the alliance during initial years.

The types of grants accessed by alliances are:

Grant Source	*Description and Application*
Provincial grant	Usually monetary assistance to augment alliance funds for operation or to finance special projects or activities
Grants from lawmakers	Usually monetary assistance to finance special projects or activities
National government grant	Usually monetary assistance to augment alliance's funds for operation and to finance special projects or activities
Grants/support from national government agencies	Technical assistance for specific programs or activities
Grants from foundations (Ayala Foundation, ABS-CBN Foundation, SM Foundation, International Youth Foundation, Petron Foundation, the Philippines Business for Social Progress), NGOs, private sector	Monetary, technical assistance, or equipment for specific projects and activities of the alliance
Grants from international funding agencies (GTZ, NORAD, JICA, the EU, WHO, UNICEF, CIDA, SIDA, DANIDA, USAID, UNDP, World Vision) etc...	Monetary, technical assistance, or equipment for specific projects and activities of the alliance

The choice of the source of funds or support depends on the use of funds and the opportunity available:

1) To finance simpler projects, grants and support from the province, congressional funds, and the national government are usually tapped.
2) To finance projects with bigger scope, the national government and international funding agencies are usually tapped.
3) Provincial grants have been one of the incentives to create the alliance and to sustain its operation. The experience of existing alliances show that provincial grants are given:

    - during the early years of the alliances to augment the start-up capital
    - annually as a "matching" grant
    - as a one-time cash assistance

4) Alliances that are SEC-registered have better access to international monetary grants.

The alliance may choose to become a non-voting member of the Regional Development Council (RDC). As a member of the RDC, access to information about programs of the national government agencies that may be useful to the alliance becomes easy.

The alliances, however, should be wary of the common pitfall with reliance on external sources of funds. There is always the need to cope with the different requirements of the different funding agencies, necessitating some modification in the alliance objectives. One danger the alliance has to face is in becoming "funding driven" to the detriment of the implementation of a consistent strategy. The general tendency is for the alliance to be sidetracked from its original focus resulting in lack of clarity in its direction.

To avoid dependency, alliances should remain as decision-makers of their operation and project implementation. It must be understood by the alliance that they are the ones who will take on the role of implementing and sustaining the project. The grants are opportunities to take but should not be viewed as insurance for funds. The alliance should consider what steps to take to ensure that the programs continue even after the grant is over.

Aside from grants, alliances must also explore other options to generate external funds to finance development and resource-generating projects such as:

1) Loans, credits, and other forms of indebtedness to finance a project (Title Four, Credit Financing, 1991 LGC). However, there is reluctance on the part of member-LGUs who may not directly benefit from a certain project. Loans should be for "purposes mutually beneficial to member-LGUs" or may become acceptable only when all alliance members stand to benefit from the project to be financed out of the loan.
2) Engage in build-operate-and-transfer schemes (Section 302 of the 1991 LGC) and bond flotation (Section 299 of the 1991 LGC). However, no alliance has so far tried these project financing schemes due to lack of information on how to go about the process, lack of interest due to tediousness of the process, fear of risks involved and the potential political impacts because of the long term arrangement that binds the next administrations.

5.8 Critical Financial Ingredient No. 7 – Matching of Resources with Goals and Programs

The available resources of the alliance should match its programs, projects and activities. The alliance should determine the final output that is within the capability of the alliance to produce. This is to avoid frustrations among members that may lead to dwindling support for the alliance. For this reason, the purpose of the alliance must be properly identified. Specifically, the annual work and financial plan usually prepared by the Technical Working Group should reflect matched available resources and activities.

The alliance can start on an important issue that can be responded to through an alliance. It should avoid addressing issues that require municipal level efforts or can be best addressed by the province or higher level of government. Common are alliances with a long list of programs they want to engage in. With inadequate resources, many programs are set aside or the funds are spread too thinly on the programs resulting to low impact.

The alliance may decide to be a coordinating body of common projects of member-LGUs. Fewer expectations accompany alliances with coordinating functions than alliances that implement projects.

5.9 Critical Financial Ingredient No. 8 – Proper Funds Management Arrangement

The institutional arrangement of the alliance determines the way funds and other resources are being managed. Existing alliances manage their funds either by having a trustee-LGU or by having their own financial management system.

A) ALLIANCES WITH TRUSTEE-LGUS:

Characteristics:

1) Alliance members remit their contribution to the alliance through the trustee-LGU.
2) The alliance is usually not registered in any other institution to acquire other personalities such as registration with SEC.
3) The funds of the alliance are kept in a trust fund of the trustee-LGU.
4) The funds are managed and controlled using government accounting and auditing rules and regulations.

Process of remitting funds from the LGU to the alliance:

1) Starts with the alliance board resolution,
2) Followed by a letter of request from the alliance for the release of funds, and for each LGU to prepare the voucher and check for release.
3) Once the trustee-LGU receives the check, it issues a receipt, and
4) Trustee-LGU deposits the funds in a trust account intended solely for the alliance. This isolates the funds from all other funds of the trustee-LGU and improves access to it.

Process of Disbursements from the fund:

1) Subject to government accounting and audit procedures.
2) The executive director or project manager prepares, certifies, and recommends for approval of the alliance Chair as to the validity, propriety, and legality of the claim or disbursement of fund.
3) The checks are drawn by the local treasurer and countersigned by the alliance Chair. Funds released from the trustee-LGU follows the usual government procedure.

The trustee-LGU is the LGU of the treasurer of the alliance who is chosen from among the local chief executives of the member-LGUs. In many alliances, the LGU of the chair of the alliance becomes the trustee-LGU and the LGU treasurer becomes the treasurer of the alliance or the LGU accountant becomes the alliance finance manager. Usually, accessibility is a big factor in the choice of the treasurer and correspondingly, of the trustee-LGU.

The election of the treasurer is supposed to be yearly but in most alliances, they wait after the local election to choose the treasurer of the alliance. For this reason, the treasurer and the trustee-LGU may become "permanent". Such is the case of one alliance of ten municipalities in Region 6 who has not changed the trustee-LGU since the alliance was established in 1996. As a response to the tendency of having a "permanent treasurer and trustee-LGU", the alliance may decide to share the responsibility and the experience of fund management. In this case, the alliance decides to rotate among the member-LGUs the chance to manage the funds.

B) ALLIANCES WITH OWN ACCOUNTING SYSTEM:

Characteristics/Process of Remittance and Disbursements:

1) These are alliances with a corporate identity (i.e. registered at the Securities and Exchange Commission).
2) Funds are kept in a private account under the name of the alliance.
3) The funds are managed by the alliance, with the disbursements, liquidations and other movements of funds directly under the control of the Board of Trustees.
4) The set of signatories for the bank account are from among the governing board and operating officers.
5) These alliances issue official receipts in the name of the alliance for funds received or revenues generated.

The current account is usually preferred over savings account for better internal control and ease of audit trail. The signatories of the private account usually include the alliance chair and the treasurer with the executive director as alternate. In one alliance, two separate bank accounts are maintained for the general fund (current account) and for the trust fund (time deposit). The general fund is used for operational expenses and the trust funds are for the approved special projects of the alliance.

There are foreign monetary grants accessed by the alliances where part of the agreement is keeping the funds in a private account. In this case, the alliance adopts a resolution identifying the bank and the authorized signatories. Then proceed to open an account. Funds may be audited by auditors engaged by the funding agency and conducted usually at the end of the project. The alliance may also commission an external auditor.

One alliance in Region 7 is registered with the Bureau of Rural Workers of the Department of Labor and Employment. The alliance maintains a savings account with a rural bank located in one of the member-LGUs. The signatories are two members of the Technical Working Group and the Treasurer of the alliance. Savings account is preferred because of the frequent withdrawals. Usually, the funds withdrawn are for fuel expenses of the patrol boat during seaborne operation.

Another alliance that is unique in terms of funds management is the alliance in Region 6. The pooled funds of the alliance are entrusted to the personnel of a university located in one of the member-LGUs. The chair of the alliance is authorized to appoint a treasurer with approval of the Board of Trustees. The pooled funds are kept in a checking account with a private bank under the name of the alliance.

Although maintaining a bank account under the name of the alliance and having own financial management system has been practiced by a number of alliances, it does not mean these are acceptable, especially when government funds are involved. Clear advice from the Commission on Audit is needed on this matter. For instance, if an alliance becomes an NGO once SEC-registered, then COA Circular No. 2007-001 dated October 25, 2007 applies. The circular provides that LGU funds granted to NGOs/POs retains their character as public funds and flow of funds should follow the normal procedure of allotment release by the DBM and the fund allocation/transfer and disbursement by the LGU.

5.10 Critical Financial Ingredient No. 9 – Use of Approved Guidelines in Fund Utilization

Decision making in alliances should be transparent. One important area of decision making is the use of funds. To facilitate transparency, clear guidelines in the utilization of funds are essential. The alliances with funds entrusted to a member-LGU have no problems with financial accounting, budgeting and management given that the usual government rules and procedures apply. For alliances practicing self-regulation, efficiency and control can be promoted by having operating procedures for travel, cash advance, liquidation, re-imbursement, procurement of goods, donations, cash receipts, and petty cash. These guidelines are usually contained in the Manual of Operations.

5.11 Critical Financial Ingredient No. 10 – Transparency in Financial Transactions

To ensure transparency in financial operations, alliances must observe the following imperatives:

1) All financial transactions of the alliance must be accurately recorded. Accountants and bookkeepers are important in alliances. For alliances with funds entrusted to a member-LGU, this is no problem given that fund utilization is subjected to the usual government rules and procedures and the trustee-LGU provides the manpower complement. For alliances practicing self-regulation, this is a challenge. A member-LGU may detail a personnel on a part-time (and additional work) basis. From the experience of the alliances, this does not result to regular and on-time reports. Moreover, the alliances must be prepared at all times for auditorial visit.
2) Reliable periodic financial reports to account for the use of the alliance funds must be generated on a timely basis for sound financial decision making, ensuring commitment of members through payment of monetary contribution and in avoiding mismanagement or perception of mismanagement of funds.
3) The reports should be able to help to effectively monitor the efficiency of fund utilization by the alliance as well as its performance. In particular, it must help the alliance in assessing if continued engagement in a

particular program/project/activity is warranted. Similarly, the report should help members in assessing the effectiveness of the alliance and to determine if continued membership and financial participation is warranted.

4) The quality of financial reports should be improved from the way they are traditionally presented. A way to improve the report is not only to reflect the revenues and the uses of funds but also impact indicators of fund utilization. In this way, the member-LGUs can see value for their money, which may encourage stronger commitment to the alliance.

6.0 CONCLUSIONS AND RECOMMENDATIONS

Although the critical ingredients have been identified, the mixing is best left to LGUs planning to build or revive an alliance and to existing alliances that strive to be stronger. The optimal mix of critical ingredients would depend on factors unique to each alliance such as the purpose of the alliance, stage of growth, the level, number and relationship of members, and the political, economic and social environments where the alliances are operating.

It is recommended that serious effort to support alliance formation should emanate from the national government. There must be clear legal guidelines for the formation, implementation, and monitoring of LGU alliances. Although enabling legal and policy framework for LGU alliances to undertake its cooperative and coordinative agenda exists, there is a need to review the present provisions of relevant laws to warrant a sustainable LGU alliance. Supplemental provisions in the LGC are needed to support LGU alliances. One such example is recognizing alliance-building as a basic service of LGU. As one of the basic services, budgetary allocation is mandatory and cannot come only from the 20% development fund of an LGU.

There should be clear guidelines on utilization, accounting, and auditing of government funds in an alliance set up. In the current set-up, a definite statement from the COA regarding the fund management practices of the LGUs is important. For instance, the appropriateness of funds transfer from the LGU to private accounts and the sourcing of contribution from the 20% IRA Development

Fund must be clarified. One opinion suggests that the MOA has to be submitted to the Commission on Audit for review and information purposes. There is also one opinion that member contribution to the alliance must be sourced from the regular fund of the LGU.

LGU alliances are voluntary cooperative agreements thus mutual accountability is assumed to exist. This accountability can be reinforced with the assistance of responsible higher-level government agencies. For example, a provincial government providing financial and technical assistance to an alliance can leverage this to persuade the alliance members to be more transparent, participatory, and accountable. The Bureau of Local Government Supervision of DILG can monitor the alliance's compliance with national laws and policies. The Bureau of Local Government Development can help in the capacity development of the alliance, especially in terms of planning, monitoring, and evaluation. In the case of alliances registered with SEC, that agency can strictly enforce disclosure and reporting requirements so that there is more accountability.

The policy on SEC registration of alliances must be clarified. SEC Registration is presently possible for natural alliances earlier formed and public-private alliances. Under existing laws, SEC registers non-stock, non-profit corporations for various purposes. With a duly registered alliance, the Articles of Incorporation and By-Laws govern the basic operational mechanisms in the same manner as any private corporation that is formed in accordance with. However, subsequent applications for SEC registration of natural alliances were disallowed in accordance with Department of Interior and Local Government (DILG) Opinion No. 49 s. 2002. It elaborates that:

a. The Local Government Code provides that any cooperative undertaking may be agreed upon by the participating units through a Memorandum of Agreement, not incorporation and subsequent registration in the Securities and Exchange Commission (SEC).
b. LGUs are themselves municipal corporations created by law and recognized by the Constitution. Their attributes are not to be governed by the SEC, which is created by law to regulate private corporations.
c. LGUs, as public corporations, do not fall under the jurisdiction of the SEC. Cooperative undertakings like an association of LGUs, therefore, shall be governed by the Memorandum of Agreement and the pertinent provisions of the Local Government Code and other applicable existing laws.

Moreover, aside from the SEC registration, there should be a clear statement on whether other means of forming alliances can be utilized outside the purview of the Local Government Code. This is demonstrated by Executive Orders and Republic Acts.

The experience on LGU alliance-building has been fraught with these challenges. But there are clear indications that LGU alliances are institutions that will become more relevant as more LGUs realize their clear potential for sharing efforts, services and resources. More efforts will also be poured into sustaining these alliances as it was originally envisioned in our laws. Indeed, LGU alliances are here to stay.

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LMP

DEVELOPMENT PARTNERS:

Canadian International Development Agency

Agence canadienne de développement international

CIDA as Co-Convener

gtz

European Union

ADB

Asian Development Bank

WORLD BANK

Philippines Development Forum

The Philippines Development Forum or PDF is the primary mechanism of the Government for facilitating substantive policy dialogue among stakeholders on the country's development agenda. It also serves as a process for developing consensus and generating commitments among different stakeholders toward critical actionable items of the Government's reform agenda.

The PDF evolved from the Consultative Group Meetings, which were meetings held every 18 months or so among the Government and members of the international development partner community, which together comprised the Philippine Consultative Group (CG). The CG is co-chaired by the Philippine Government, represented by the Department of Finance, and the World Bank. In 2004, while planning for the March 2005 CG Meeting, it was agreed by the Government and the World Bank that there was benefit in widening the participation in the CG Meetings and bringing in other stakeholders (such as civil society, academe, private sector, and legislative representatives) into the dialogue. It was also agreed that the CG Meeting should be more a part of an ongoing dialogue rather than just an annual event. Thus, the format of the CG Meeting was restructured, and the PDF process was launched. Majority of partners also indicated the desire to hold the main PDF event every 12 months or so.

The PDF process involves continuous dialogue on thematic areas through working groups, which are expected to hold meetings in between the formal PDF meetings to follow-up on the issues and agreements at the last meeting. Currently, the PDF has eight working groups, each focused on one of the following themes: MDGs and social progress; growth and investment climate; economic and fiscal reforms; governance and anti-corruption; DECENTRALIZATION AND LOCAL GOVERNMENT; sustainable rural development, Mindanao and infrastructure. The working groups facilitate wide consultations across a broad range of stakeholders on these specific themes; each is led by a Government agency as lead convener (represented by the head of that agency) with a development partner as co-lead convener.

The Working Group on Decentralization and Local Government (WG- DLG) serves as a venue for discussing substantive policy issues related to governance at the local government unit (LGU) level. The Department of the Interior and Local Government (DILG) acts as the Lead Convener while World Bank acts as a Co-Convener.

The Sub-Working Group on Inter-Local Cooperation (alliance building) was created within the WG-DLG. It provides as a forum for knowledge sharing, coordination of actions, identification and discussion of policy issues specifically relating to inter-local cooperation mechanisms among LGUs. It then recommends possible policy reforms to the WG-DLG to address these issues.