



Assessing the Role Played by Local Government in Supporting Basic Education in the Philippines

Introduction

Many developing countries have devolved the responsibility for education services to local governments in an effort to improve educational quality and make public spending more efficient. Advocates of decentralization have argued that bringing decision-making closer to schools makes public policy more responsive to local needs, strengthens accountability, and fosters innovation. In some countries, decentralization has gone further in that schools have been given responsibility for developing their own improvement plans and a degree of autonomy over the use of their resources.

While the Philippines decentralized some public services to local governments in the early 1990s, basic education remains largely under the control of the national government. The 1991 local government code devolved responsibility for many basic services to local government units (provinces, cities, municipalities, and *barangays*!) including primary health care, hospital care, social welfare services, and a range of environmental and agricultural services. Local governments' responsibilities in the field of education were largely limited to maintaining basic education infrastructure and funding sports activities. The funding that each local government uses to fulfill its basic education responsibilities comes primarily from a surcharge on local property taxes that goes into a Special Education Fund (SEF) managed by a local school board (LSB). Over time, LSBs have used SEF funding for a growing range of purposes including, for example, employing



This note is part of a series outlining analysis and results from the Philippines Public Expenditure Tracking and Quantitative Service Delivery Study conducted by the Department of Education and the World Bank with the support of the Australian Government through the Australia-World Bank Philippines Development Trust Fund.

Box 1: The Philippines Public Education Expenditure Tracking and Quantitative Service Delivery Study

The aim of the Philippines Public Education Expenditure and Quantitative Service Delivery Study has been to answer four main questions on the use of the public education budget:

Resource flow, management, and control. What factors prevent resources from reaching their intended destination in a timely and transparent manner?

1. *Existence, use, and financing of inputs at the school level.* Do schools have access to essential inputs and how effective are the systems that govern their use?
2. *Equity.* How do the resources available to schools and the systems that manage these resources differ among regions and socioeconomic groups?
3. *School performance and resources.* How and why does the performance of schools differ and what drives those differences?

The study has tracked over 80 percent of the national government education budget (including teacher salaries and training, school maintenance and operating expenses, construction, and learning materials) as well as local government spending on basic education.

In order to assess how funds flow and how they are used at the school level, the study team conducted a nationally representative survey of government institutions and public schools in the last quarter of 2014. The Autonomous Region in Muslim Mindanao was excluded from the study because government funds for this region are managed separately and flow to schools through a different mechanism. In addition, integrated schools (which offer both elementary and high school education) and schools that did not have final grade elementary and high school students were excluded from the sample, primarily because the study aimed to measure outcomes at the end of elementary school and at the end of high school.

The sample for the survey included all regional offices of the Department of Education (DepEd) and the Department of Budget and Management (DBM), 51 division and 113 district offices of DepEd, 54 district engineering offices of the Department of Public Works and Highways, 74 provincial and city/municipality local governments, 249 public elementary schools, and 200 public high schools. At the school level, interviewers administered a questionnaire to each parent-teacher association, assessed the competencies of approximately 1,500 teachers, and interviewed 2,200 student households.

The data collected were used to explore the systems that govern the use of public funds and to assess how the availability of resources differed among schools. The study team combined information on the flow of funds to schools with information on school characteristics and quality to evaluate how financing and governance affected school performance.

additional school-level staff and paying school utility bills. However, responsibility for education policy, standards, curriculum, and the hiring of teachers and the bulk of education financing remains with the national government.

The purpose of this policy note is to assess the financing of basic education services by local governments in the Philippines. Using data that the PETS-QSDS team has carefully collected from a nationally representative

sample of elementary and high schools, it explores the magnitude of the funding that local governments are giving to schools and assesses the systems that govern the use of local government funds in the education sector (see Box 1). The policy note shows that local governments' contribution to overall public education funding is small and highly inequitable. It also shows that the systems used to allocate and manage these funds are weak and that greater transparency and accountability over these resources is urgently needed.

Trends in Local Government Financing of Basic Education

Education makes up only a small share of local government spending and has not changed much over the last decade (Figure 1). The composition of local government spending is aligned with their devolved responsibilities, with the bulk of funds being allocated to the provision of general public and economic services as well as health, nutrition, and population services. In 2014, only PHP 13.3 billion or 5 percent of local government spending was devoted to education.

Local government funding also represents a very small and declining share of overall public funding for basic education. While spending on basic education by local government units (LGUs) has fluctuated considerably over the last 10 years, in real terms, it appears to have been on a declining trend since 2007 (Figure 1). Combined with ever-increasing levels of national spending, the share of public basic education funding accounted for by local government spending declined from 11 percent in 2006 to only 6 percent in 2013.

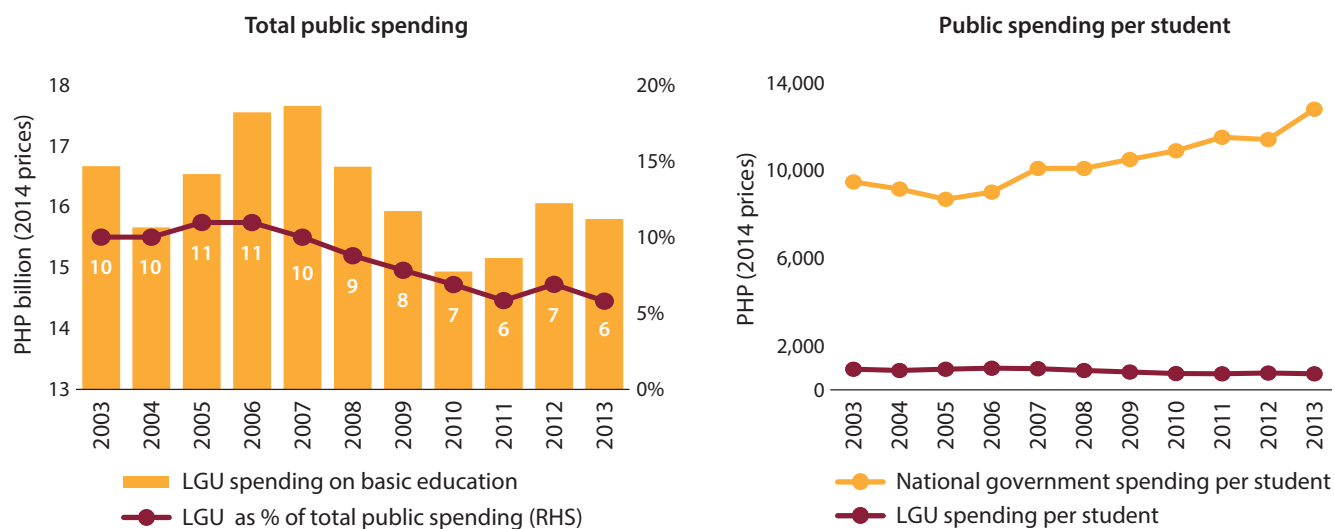
Local government trends in education spending have translated into declining levels of funding for each basic

education student (Figure 1). Between 2003 and 2013, LGU spending per student declined from PHP 951 to PHP 744, a fall of over 20 percent in real terms. This is in stark contrast to national government funding, which rose by 35 percent from PHP 9,500 to PHP 12,800 over the same period.

Local government support for education has declined even though local revenue for education has increased considerably. Each province, city, and municipality in the Philippines has a Special Education Fund (SEF), which is the source of the majority of its spending on basic education. These SEFs are funded by a 1 percent surcharge on property taxes raised by the local government.² Between 2007 and 2014 and partly as a result of increasing property prices, SEF income has risen in real terms by approximately 40 percent from PHP 17 billion to PHP 24 billion (in constant 2014 prices). However, over the same period, SEF spending actually declined, from PHP 15 billion to PHP 12 billion. The accumulated surplus of unspent SEF funds since 2007 amounts to over PHP 63 billion. While the reasons for this under-spending are likely to differ between local governments, earlier studies have pointed to problems with cash management and poor budgeting.³

Figure 1: Spending on Basic Education by Local Governments is Low and Has Been Declining

Total and per-student public basic education spending, 2003–2013

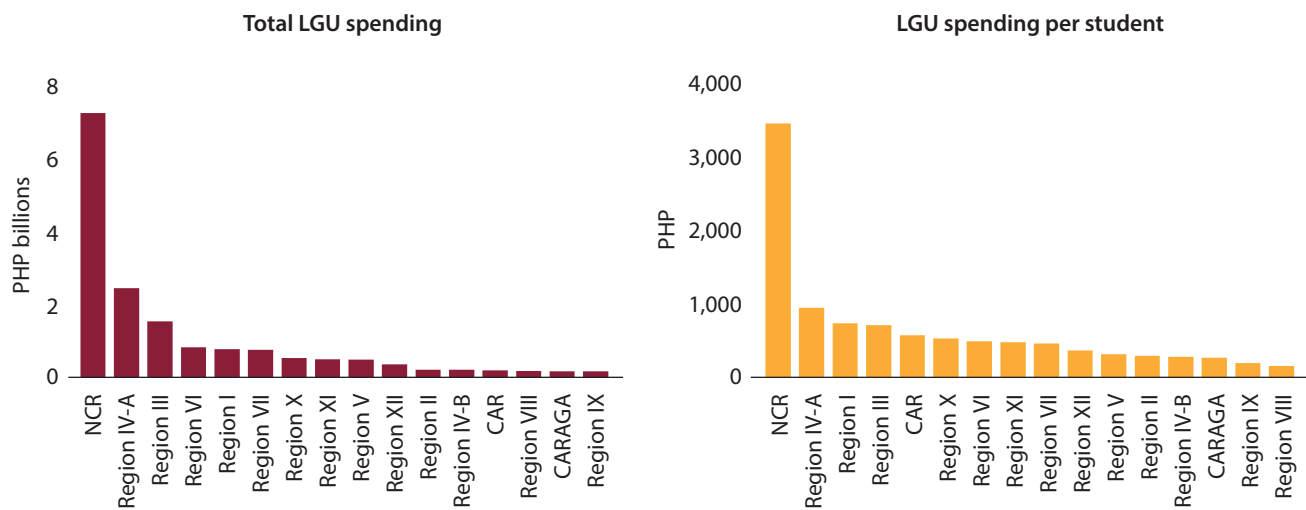


Sources: National government spending – DBM National Expenditure Program. Local government education spending – Bureau of Local Government Finance. Enrollment – DepEd FACT sheet. GDP and GDP deflator - Philippines Statistics Authority.

Notes: Student numbers include kindergarten.

Figure 2: There are Large Differences in the Amounts that Local Governments Spend on Education

Total and per student local government education spending by region, 2013



Sources: Bureau of Local Government Finance. Enrollment rates from DepEd FACT sheet.

Notes: Student numbers include kindergarten.

The aggregate patterns of local government education spending mask large disparities among regions, which are administrative units that do not have their own elected governments but encompass provinces, cities, and municipalities (Figure 2). The National Capital Region (NCR), the region with the highest overall levels of property tax revenue, accounts for over 44 percent of total local government education funding in the Philippines. This is a very large and significant source of additional funding for the school system, equivalent to approximately PHP 3,500 in additional funding for each basic education student in the region or about 28 percent over and above per student funding from the national government. Disparities between other regions are not as stark but still exacerbate funding inequalities between schools in different locations.

Local Government Support for Public Schools

Within each province, city, and municipality, a local school board (LSB) is responsible for the allocation and use of local government education funds (see Box 2). Its main function is to develop an overall plan and budget for local government funding of basic education in their locality, including funding from the SEF.⁴ The LSB is supposed to meet on a

monthly basis and to make decisions on the basis of majority voting, including the approval of the budget. The national government sets broad priorities for how local government funding should be used, largely related to supporting public schools falling under the jurisdiction of the LSBs.

Interviews with members of local school boards conducted as part of the PETS-QSDS study revealed that they meet less frequently than outlined in the Local Government Code. The study found that boards meet, on average, every quarter rather than every month as the code suggests. These meetings often focus on the overall finances of the board and the needs of schools, but the outcomes of these meetings are rarely communicated to schools and their principals. For example, it became clear from the study team’s interviews with elementary and high school principals that more than one-third of them were not even aware when or how often the school board meets. Moreover, it did not appear that school principals and other stakeholders are given an opportunity to provide feedback to their boards.

Obtaining reliable and accurate information on the amount of financial support that schools receive from local governments is difficult. While local governments report information on aggregate education spending in their annual accounts, these reports do not contain any detailed information on the type and level of support given to

Box 2: Legal Framework for the Role Played by LGUs and their Local School Boards in Basic Education

The Local Government Code (LGC) issued in 1991 (Republic Act 7160) set out the legal framework for the role of LGUs in basic education. It initiated the creation of provincial, city, and municipal local school boards (LSBs) as the main bodies for making decisions over the use of local government education funds. Each LSB is co-chaired by the head of the local government and either the DepEd's School Division Superintendent (for provincial and city LSBs) or the Public School District Supervisor (for municipal LSBs). Members of the parent-teacher associations and representatives of teachers and non-teaching staff are also represented on the LSB.

The main functions of the LSBs are: (i) to develop the annual school board budget in accordance with the amount of revenue in the SEF and with their determination of the supplementary maintenance and operating needs of public schools covered by the LSB; (ii) to authorize SEF disbursements; (iii) to act as an advisory committee for the local council; and (iv) to recommend school name changes.

The LGC and a series of joint circulars from DepEd, the Department of Management and Budget, and the Department of the Interior and Local Government have set out the main priorities for the Special Education Funds, including the provision of additional teachers, the construction and repair of school buildings, other capital investments for schools, educational research, the purchase of books and instructional materials, equipment purchases, sports, and other extra-curricular activities.

Sources: Government of the Philippines Republic Act 7160, (1991). "An Act Providing for a Local Government Code." Manila; Manasan, R. G., A.B. Celestino, and J.S. Cuenca (2011). "Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund," Philippine Institute for Development Studies, Manila.

individual schools. This makes it impossible to assess how funds are being used and how much local government education funding directly benefits public schools.

To overcome this constraint, the PETS-QSDS study collected detailed information on all sources of school revenue and expenditure from a nationally representative sample of elementary and high schools. Based on the World Bank's prior experience of collecting this information in the Philippines and other countries, the study team developed a questionnaire that would capture all cash and in-kind contributions received by schools from all national and local governments (provincial, city, and municipal LSBs and *barangays*), members of Congress, parent-teacher associations (PTAs), NGOs and any other sources. The study also collected information on contributions from parents as well as funds received from income-generating projects like the school canteen.⁵

Incidence and Overall Level of Local Government Support to Basic Education

The findings of this detailed exercise revealed that fewer than 50 percent of schools receive any kind of direct funding from local governments (Figure 3). On the whole, local governments tend to provide direct financial support to

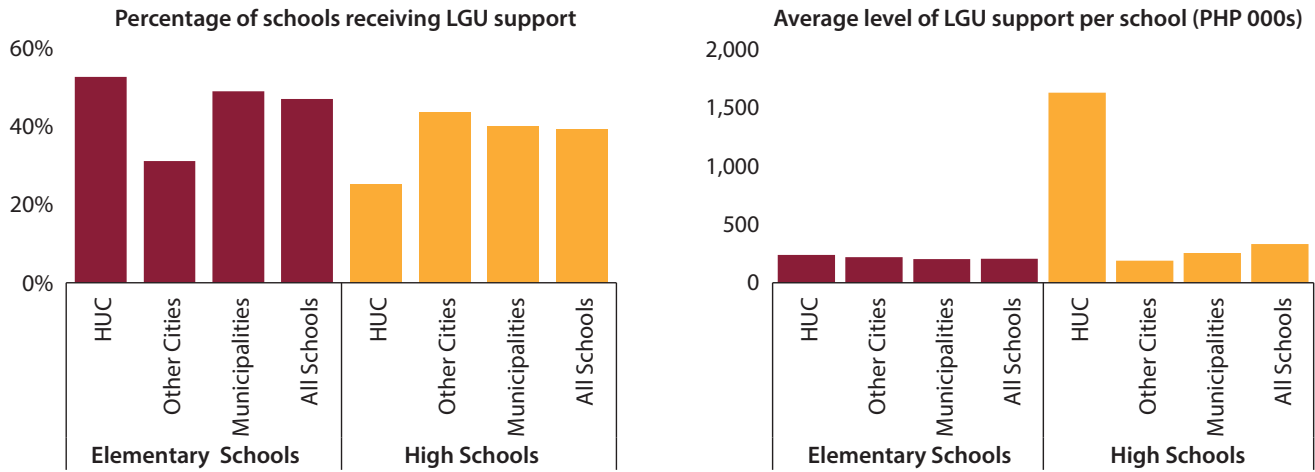
a slightly greater proportion of elementary schools than high schools. These differences were large in urban areas where 53 percent of all elementary schools receive support compared to only 28 percent of high schools. Although a greater proportion of elementary schools receive LGU support, a much greater share of total LGU funding goes to high schools. Direct funding of high schools by LGUs is equivalent to PHP 331,000 for every high school compared to only PHP 206,000 for each elementary school.

Levels of direct support to education from local governments tend to be higher in highly urbanized cities (HUCs) than in other cities and municipalities, particularly in the case of high schools (Figure 3). LGUs in HUCs provide approximately PHP 1.6 million for each high school while LGUs in municipalities spend only PHP 256,000 per high school. This is not surprising given that LGUs in highly urbanized cities include the National Capital Region, which has the largest SEF revenues (see Figure 2).

On average, LGU contributions make up a very small share of overall public school funding across the Philippines. A comparison of school revenue from all sources shows that public schools receive the majority of their funding from the national government through the Department of Education (Figure 4). Other sources such as contributions from private individuals, NGOs, and school-level income-generating

Figure 3: Fewer than Half of All Schools Receive LGU Support, and the Amount of Funding Provided is Small

Percentage of schools that report receiving cash or in-kind contributions from local governments and average levels of support, 2013–14



Source: PETS-QSDS national survey – school level.

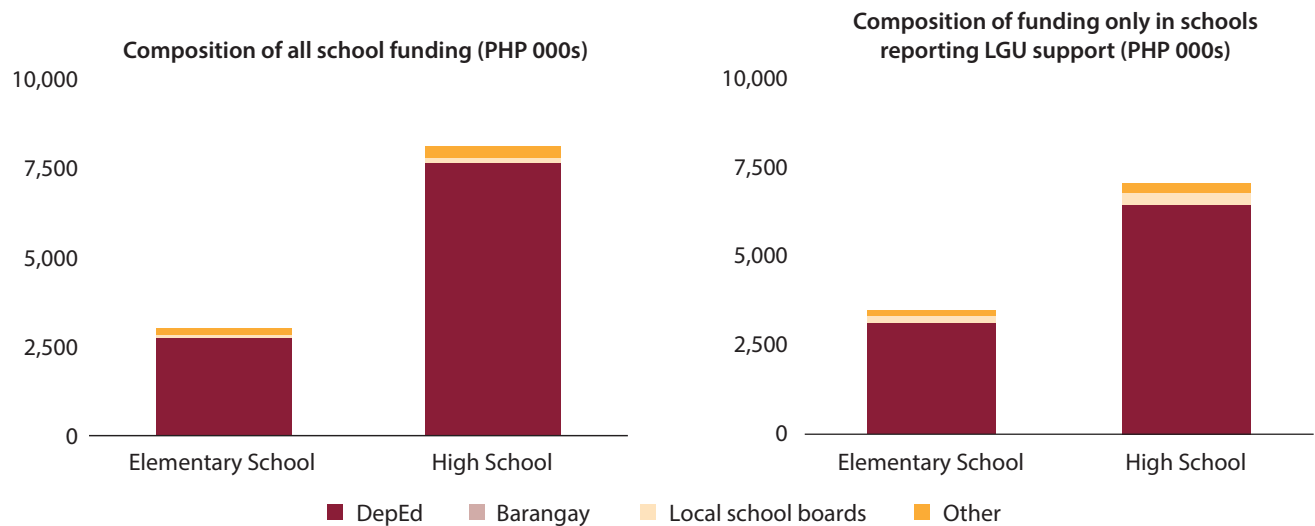
Note: The average level of support is only for schools that received LGU contributions in 2013–14.

projects (such as school canteens) are significant sources of funding for elementary schools, having made up around 5 percent of their total funding in 2013/14. LGU funding, on the other hand, represent less than 4 percent of the cash and in-kind funding that schools receive directly from all sources.

A comparison between levels of LGU direct school funding and total LGU education spending reported at the national level suggests that significant amounts are not being spent on activities that directly benefit schools. Rough estimates by the PETS-QSDS study team using carefully collected

Figure 4: The Contribution of LGUs to Direct School Funding is Also Low

Composition of school funding for all schools and only schools that receive some LGU support, 2013–14



Source: PETS-QSDS national survey – school level.

Note: The left hand panel reports the composition of school funding across all schools while the panel on the right reports the composition only for schools that reported receiving LGU funding.

finance data from school visits suggest that LGU spending on schools amounts to approximately PHP 9 billion. This represents only 58 percent of the PHP 16 billion that LGUs reported spending on education in 2013 (see Figure 1).

There is little information on how the LGU funds that are not spent at the school level are being used. The study team made considerable efforts to collect such information from the local governments directly and from the DepEd supervisors who sit on local school boards. However, little information was available and, even where it was, the data were patchy and did not correlate with the official aggregate spending figures reported by the LGUs. The study found that one destination for this indirect spending was additional allowances or bonuses provided by the LGUs to DepEd teachers; one-quarter of provincial LGUs and 15 percent of city and municipal LGUs reported making these payments. These payments are unlikely to have been recorded in the official school financial records. While this may account for the differences between actual and reported LGU spending, it is not possible to estimate the magnitude of this kind of expenditure. The study also found that around one-quarter of local governments had paid the utility bills of some of the schools in their jurisdiction. However, once again, the magnitude of this support often went unrecorded, which

makes it difficult to discover exactly where the majority of the reported LGU spending went.

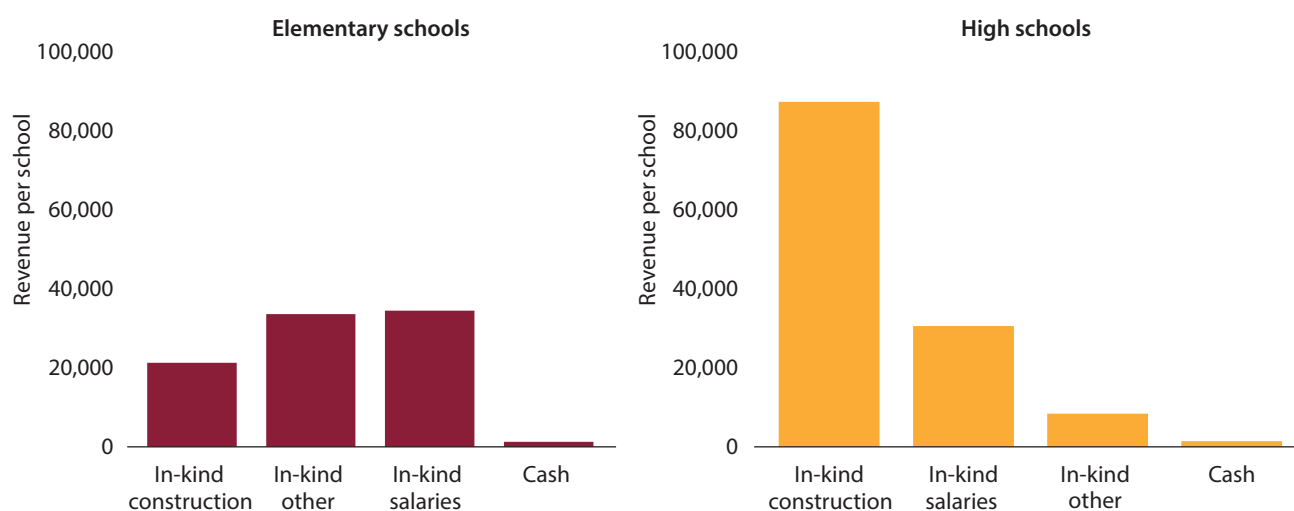
Use of LGU Support by Schools

The bulk of local government support for schools is provided in the form of goods and services rather than cash (Figure 5). In-kind contributions account for 90 percent of total LGU support for elementary schools and 98 percent of LGU support for high schools. In providing specific in-kind support, local governments must have detailed knowledge of what schools need and of what support they are already receiving from other sources. For example, in the area of construction and rehabilitation activities, local governments need to ensure that their efforts supplement rather than duplicate DepEd's plans for school infrastructure development. When there is an overlap, this constitutes inefficient use of education funding. The alternative to local governments providing schools with in-kind contributions is to give them cash that could be factored into their annual improvement and procurement plans. However, less than 10 percent of LGU contributions are provided in this form.⁶

Few of these local government in-kind contributions relate to the provision of teachers and other staff. In 2014, the

Figure 5: Most LGU Funding is Provided In Kind

Composition of LGU cash and in-kind contributions to schools (PHP), 2013–14



Source: PETS-QSDS national survey – school level.

Note: In-kind contributions refer to goods or services given to schools directly rather than as cash grants for the school to purchase the goods and services for themselves. Other in-kind contributions include school supplies, books, and instructional materials.

government decided to incorporate all local government funded teachers into the national teacher workforce funded directly by the national government. When the study team fielded their survey at the end of 2014, a significant number of local government teachers had already been absorbed into the national network, and fewer than 2 percent of teachers in elementary and high schools were funded by local governments. However, local governments continue to provide some support to schools to fund the provision of ancillary staff such as janitors and security guards.

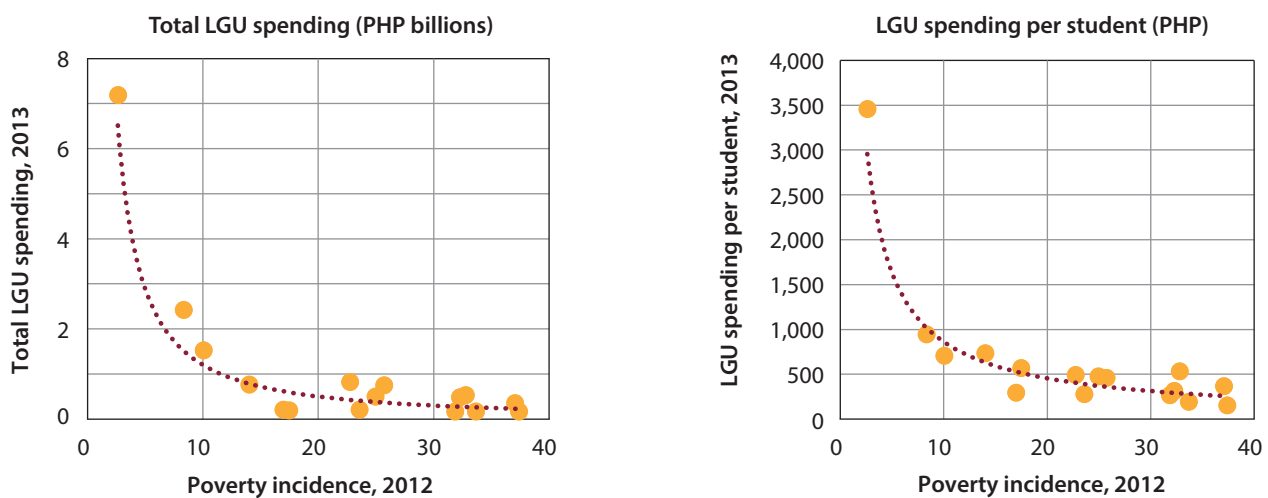
The construction and rehabilitation of school infrastructure absorbs a much larger share of total LGU funding for high schools than of total funding for elementary schools. Around three-quarters of all LGU funding in high schools is devoted to construction and rehabilitation compared to only one-third for elementary schools. Of all projects undertaken by local governments in 2013 and 2014, 68 percent involved the new construction of classrooms or water and sanitation facilities, with the repair of existing infrastructure accounting for the remaining projects. Most of the projects were completed on time, but satisfaction rates were relatively low with 54 percent of school principals saying that they were dissatisfied with these projects largely because of delays in implementation and the poor quality of the completed projects.⁷

Equity and Local Government Support

Local government education support is unevenly distributed across regions and is highly inequitable. Comparing regional poverty rates and local government spending shows that, on the whole, poorer regions spend less on supporting basic education (Figure 6). For example, less than 10 percent of the population is poor in Region IV-A in Luzon, and it spends an average of PHP 950 per basic education student. In contrast, over 35 percent of the population is poor in Region XII in Visayas, and it spends only around PHP 370 per student. These large differences are primarily the result of differences in the amount of property tax revenue that local school boards are able to collect for their Special Education Funds. These findings are worrying since schools serving poorer children tend to need higher levels of funding in order to compensate for the more limited support that disadvantaged children tend to receive outside the school.

Looking at the per-student distribution of local government funding within regions reveals a different picture. Schools located in rural municipalities tend to receive significantly more per-student funding from LGUs than schools in urban areas. For example, the average LGU per-student contribution to high schools in highly urbanized areas is PHP 245 compared with PHP 369 to high schools in municipalities. The key driver of this is the smaller size of rural schools.⁸

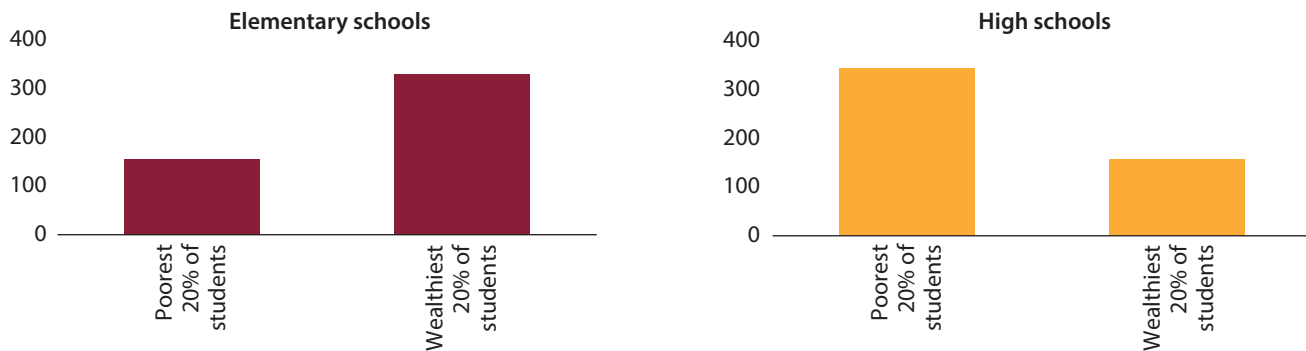
Figure 6: The Distribution of Local Government Education Spending is Inequitable
Total and per student LGU spending on basic education by region and poverty incidence, 2012–13



Sources: Poverty incidence data from the Philippines Statistical Authority, LGU spending from the Bureau of Local Government Finance.

Figure 7: Patterns of Local Government Funding are Inequitable

Average per-student LGU funding (PHP), 2013–14



Source: PETS-QSDS national survey – school and student household levels.

LGU contributions vary according to the socioeconomic status of students in very different ways in elementary schools and in high schools (Figure 7). The PETS-QSDS survey included a nationally representative sample of households of public elementary and high school students. Using information collected by the survey on consumption and asset ownership, it is possible to rank these student households by their estimated levels of household consumption per capita.⁹ This ranking shows that students from poorer households tend to attend elementary schools that receive less LGU per-student funding than is received by the elementary schools attended by students from wealthier households. In contrast, poor high school students tend to attend high schools that have higher levels of per-student funding than is received by the high schools attended by their wealthier counterparts.¹⁰ Taken as a whole, the findings suggest that local government funding tends to widen funding inequalities in elementary schools and to narrow them in high schools. However, given that LGUs provide relatively low levels of education funding, their impact on overall funding remains small.

Transparency and Accountability of Local School Boards

Information on overall levels of annual local government education spending was often unavailable to the survey team at the local level, and what little data they were able to find were inconsistent. This clearly limits the ability of stakeholders to hold local governments accountable.

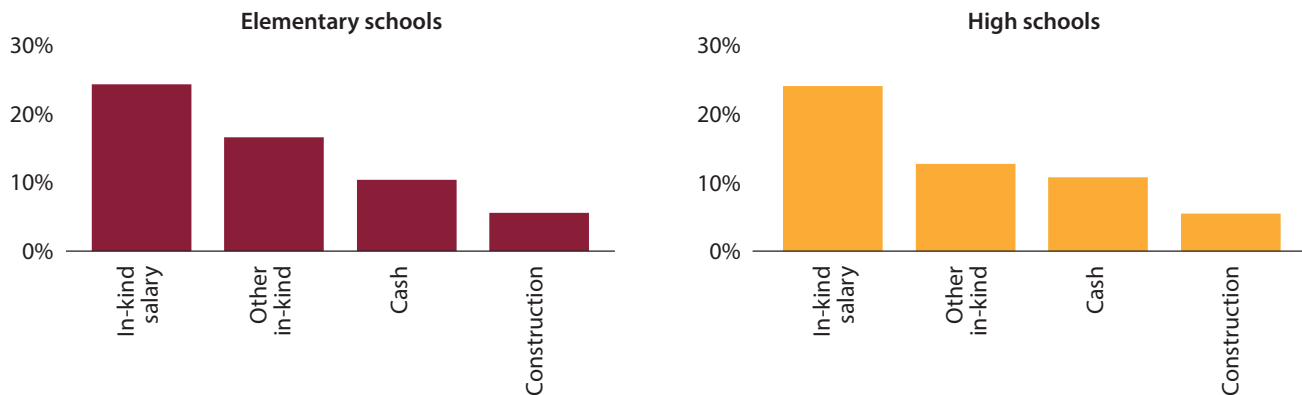
The PETS-QSDS study collected financial data on the Special Education Funds (SEFs) from the Bureau of Local Government Finance (BLGF) at the national level and from LSB offices in cities, municipalities, and provinces. The team then attempted to match these two sets of data, which revealed significant inconsistencies between the nationally and locally reported spending aggregates. The team found that the information reported at the national and local levels was consistent in the case of only 16 percent of LSBs, while, for 22 percent of LSBs, there were inconsistencies in the levels of spending reported at the national and local levels and one-half of all LSBs did not report any SEF expenditure at the local level to compare with national data.

The information on those schools that received local government support and on the kind of support that they received also revealed discrepancies. The PETS-QSDS study tracked the spending that local governments had reported providing to elementary and high schools within the schools themselves. Depending on the type of funding in question, local governments reported providing funding to a large number of schools under their jurisdiction. However, when the team checked this information at the school level, a significant proportion of schools reported that they had not received these funds. For example, 24 percent of elementary schools to which local governments claimed to have provided in-kind support for salaries denied ever having received this support (Figure 8).

The team found additional inconsistencies in reporting between schools and local governments. For example, of all the elementary schools that reported having received

Figure 8: Comparing Expenditures between LGUs and Schools Revealed Many Discrepancies

Percentage of schools where LGUs reported providing some funding but schools reported receiving none



Source: PETS-QSDS national survey – provincial, city and municipality local school boards.

support from their local government, the LGUs themselves only reported providing support to approximately 40 percent of them.

These findings demonstrate that local government reporting and accounting procedures for the use of education funds are weak. This hampers the ability of schools, parents, and other stakeholders to assess the fairness and effectiveness of spending priorities and resource allocations and to hold local governments accountable.

Policy Directions for Improving Local Government Support for Basic Education

This note has shown that, in recent times, local governments have failed to spend the revenue that they have collected in their Special Education Funds. Other studies have shown that existing levels of public education spending are inadequate to deliver the quality of services outlined in existing national norms and standards. While local government funding constitutes a small percentage of overall education spending in the Philippines, it is imperative that all of these funds should be used to support education improvements. The national government needs to strengthen its monitoring of local government SEF surpluses and to consider putting a cap on the level of these surpluses to ensure that the vast majority of these funds is spent on education.

While reporting deficiencies prevented the study team from making a completely accurate assessment, it is clear that a relatively low share of local government education spending reaches schools. The funds that do reach schools are largely provided in-kind, which limits the control and flexibility that schools have to use the support according to their own priorities. Providing a greater proportion of local government funding to schools in the form of cash, as is the case with the national government’s funding for school maintenance, operating, and other expenses (MOOE), would increase the autonomy of schools and provide them with greater flexibility and predictability, all of which would increase the positive impact of local government funding on educational outcomes.

Both the revenue base and the allocations of local government education funding are inequitable. This policy note has shown that the revenues available to local governments vary widely and are negatively correlated with poverty rates and other markers of disadvantage. Addressing this issue will be difficult, but the national government should consider adjusting its own funding allocations to compensate for the inequalities arising from these differences at the local government level. For example, the national funding formula for school maintenance, operating, and other expenses (MOOE) could be adjusted to account for differences in SEF revenues between localities.¹¹

This note has shown that local government spending tends to favor better-off schools, at least in terms of support for facilities. Therefore, it is vital that the allocation of local

Box 3: The Seal of Good Local Governance

Building on earlier attempts to promote greater local government transparency and accountability in the use of public funds, the national government introduced the Seal of Good Local Governance in 2014. In order to receive the Seal, local governments must demonstrate good performance in three core areas (good financial housekeeping, disaster preparedness, and social protection) and in at least one essential area (business friendliness and competitiveness, peace and order, and environmental management).

Support for basic education falls under social protection. In order for a local government to receive the seal, it must demonstrate that it has completed 70 percent of the local school board's annual plan and that the plan is aligned with schools' own improvement programs. The DepEd superintendent currently certifies the achievement of these two conditions.

Recipients of the Seal are also eligible for the Performance Challenge Fund (PCF), which provides additional funding for local governments to pursue their own priorities. In 2015, 41 of the 80 provinces, 28 of the 143 cities, and 170 of the 1,491 municipalities were awarded the Seal.

Source: Department of the Interior and Local Government (2014). "Seal of Good Local Governance." Circular No. 2014-39. Manila.

government funding is improved to ensure a closer fit between funding levels and needs at the school level. Introducing a simple and transparent funding formula, similar to the national funding formula for MOOE, could go a long way towards making the allocation of local government funding more equitable. The guidelines for LSBs on using local government funds also need to be consistent with national guidelines to ensure that there is no duplication and that local government spending complements national government funding.

The findings of the study also show that schools and school principals are rarely involved in local government funding decisions. Unless LSBs take into account school planning processes, there is a significant risk that local government funding will not help schools to meet their most pressing needs. Increasing coordination between LSBs and schools themselves would mitigate this risk and provide LSBs with more information on which to base their allocations of support to basic education. Moreover, it would allow for greater coordination between local governments and other sources of school funding, which would prevent any potential overlaps and enable more efficient and equitable use of all sources of funding.

The outcomes of the funding decisions of LSBs are not transparent, which makes it difficult for education stakeholders to hold local governments accountable. There are no consistent reporting formats to document the amount of funds that LSBs allocate to schools, the amount that the schools receive, and the amount that the LSBs allocate to other education-related activities. Developing a simple reporting format, to be issued as part of a revision of

SEF guidelines by the national government, and the passing of regulations requiring that these reports are published on LSB bulletin boards and school notice boards would also increase transparency.

A recent initiative by the Department of the Interior and Local Government (DILG) to encourage greater accountability and transparency has been an important first step. LGUs that perform well in several areas receive the Seal of Good Local Governance as well as additional performance-based funds, and this scheme has provided LGUs with a strong incentive to increase transparency and to improve the use of SEF funds (Box 3). While the awarding of the Seal is already conditional on whether the annual plan of the LSB is aligned with the plans of the schools themselves, it could also be used to address some other issues highlighted in this note. For example, the category of "good financial housekeeping" could be expanded to include more detailed reporting and the publication of how SEF funds are used and to set targets for the proportion of funds that should reach schools.

Any changes in the way in which local governments use their SEFs will require agreement between DepEd, the Department of Management and Budget (DBM), and the DILG, an updating of the existing joint circular on the SEFs, and a set of clear operational guidelines. These guidelines will need to clearly articulate priorities for the use of SEF funds, to devise ways to record the outcomes of school-level improvement plans, and to document clearly any elements of an LSB school funding formula to allocate resources. Moreover, the guidelines should stress the need for local governments to devote the majority of their funding to school-level activities and should include indicators to measure this.

Table 1: Improving Local Government Support for Basic Education

Findings	Policy suggestions
A low share of local government funding reaches schools and most is provided in-kind	<ul style="list-style-type: none"> • Raise the share of local government funding provided directly to schools • Introduce a formula-based funding model to allocate more cash directly to schools to support their annual improvement plans
Local government funding is inequitable	<ul style="list-style-type: none"> • Reduce inequalities between local school board areas by adjusting the national funding formula • Introduce a simple and transparent local government funding formula to strengthen the link between funding and school needs
Schools are rarely involved in funding decisions	<ul style="list-style-type: none"> • Make better use of schools' annual improvement and procurement plans in LSB planning • Ensure that the link to school improvement planning in the Seal of Good Local Governance is properly measured and monitored
Transparency and accountability for the use of funds is weak	<ul style="list-style-type: none"> • Improve reporting formats for the use of SEF funds and ensure that the results are publicly disseminated • Build on the Seal of Good Local Governance and associated performance-based funding by, for example, requiring LSBs to report planned school level funding allocations.

Endnotes

- 1 *Barangays* (or villages) are the smallest administrative unit in local government in the Philippines. Above them come the municipalities and above municipalities come provinces/cities.
- 2 In 2014, SEFs were the source of approximately 85 percent of municipality spending and 70 percent of province and city spending on basic education.
- 3 Manasan, R. G., A.B. Celestino, and J.S. Cuenca (2011). "Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund," Philippine Institute for Development Studies, Manila.
- 4 Within cities, the LSB allocates all of the funds within the SEF, whereas municipal LSBs are required to give 50 percent of their SEF revenue to their provincial LSB to provide resources for provincial spending. Some local governments also allocate money from their own General Fund (GF) and other sources to provide additional support to education.
- 5 A full description of the information collected in the PETS-QSDS study and the approach used to calculate total school revenue and expenditure is included in a set of additional annexes and tables accompanying the main PETS-QSDS report.
- 6 The effectiveness of school-level planning and implementation mechanisms is discussed in more detail in a separate note - Assessing School-based Management in the Philippines.
- 7 The quality of school infrastructure and of national and local government projects is discussed in more detail in a separate note - Building Better Learning Environments in the Philippines.
- 8 Average school-level funding is indeed higher in urban areas. For example, the average high school in a highly urbanized city receives PHP 458,000 compared with the average of approximately PHP 107,000 received by high schools located in municipalities.
- 9 The household questionnaire included a short module on consumption and a set of questions on assets that have been used by the Department of Social Welfare and Development (DSWD) to undertake a proxy means testing (PMT) approach to estimating household consumption per capita. The results reported here are based on information gathered using the PMT approach, and a full description is included in a separate note.
- 10 These findings are supported by the study team's analysis of school facilities. Elementary schools receiving LGU support tend to have better school facilities (such as IT equipment, playgrounds, clinics, and libraries) than those that receive no funding. The opposite is true for high schools.
- 11 A fuller discussion of national government funding of schools through the maintenance, operating, and other expenses (MOOE) budget is provided in a separate note- Providing Schools with Adequate Operating Expenses to Deliver Quality Education in the Philippines.