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Entrepreneurial Approaches Of Lgus In Governance: The Philippine Experience

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Introduction

The reinventing government paradigm launched by Osborne and Gaebler in 1992 has changed the landscape of governance in many parts of the world. The concept has somehow transformed the role of government from the traditional service provider to an innovator by steering local economy as entrepreneur aiming to meet the needs of the growing clientele. It moves all stakeholders in the community towards self-sufficiency and self-governance. It creates an environment conducive to business development. It promotes a vibrant economic tempo so that the citizenry are inspired to participate actively in providing not only economic but also social, educational and health services.

The huge amount of budget deficit in the national government impinges on the quality of services to the constituents especially among local government units (LGUs) that ordinarily depend on the internal revenue allotment (IRA) from the central government. As the target revenue collections have been hardly met and notwithstanding government’s policy of expenditure control and restraint, the budget deficit has often surpassed its maximum set limit. “Local governments should not rely heavily on the IRA and instead become financially independent. Local governments can contribute a lot in efforts to finally take the country out of the lingering fiscal problem, which has discouraged investments and dragged the economy down. All they need is political will” (Endriga, 2005).

Yet, needs and services continue to increase among the citizens. Urban as well as rural communities cannot stop the tide of commerce, industry and technology. Leadership in the LGUs must rise daringly to meet the challenges of entrepreneuring governance to be effective and efficient development managers.

From a macro-economic development framework to a micro-economic development shift, the focus of the present administration is towards the development of rich local resources (Philippine Medium Term Development Plan, 2004-2010). There is undoubtedly a great worth in tapping otherwise undiscovered wealth among communities not only in terms of human capital and assets but more importantly the Filipinos’ social and community pride and natural resources. Economic development is established as part of a new local government portfolio. The consequence of urbanization specifically technology explosion creates great demands and need to be satisfied.

Local governance, therefore, cannot but be in tune to the national government economic development thrust. More than ever, local chief executives and their governing boards are expected to utilize fully the use of their natural resources. Indeed, if only they put their minds and hearts into building together for a robust local business venture, their creativity can be limitless.

The 1991 landmark legislation, R.A. NO. 7160, otherwise known as the Local Government Code (LGC) enabled LGUs to assume greater responsibilities in enhancing the lives of their constituents and in promoting growth and development of their respective communities.

Local governments by their nature are strategically positioned in the hierarchical system of government. They have the comparative advantage not only in preserving the status quo, but also have an edge in accelerating development programs in their territorial jurisdiction. Moreover, in general they have a very high degree of political visibility and a small economic development unit is likely to generate more media coverage and public attention (Panganiban, in Tapales Local Government 1999).

This paper is anchored on the concept of Osborne and Gaebler who argue that the model of bureaucratic organizations that worked well in the past are now obsolete and inadequate to cope with the changing environment, competition and dwindling resources. They point out that due to fiscal pressure local leaders had no choice but to innovate the traditional way of doing business. Their alternative paradigm to this bureaucratic motif is to establish an entrepreneurial
government which contrary to the present one, is in search of a better and efficient way of managing local governments. Their view of government is not simply based on collecting taxes and spending it, but rather one that generates income other than the traditional dole out mode. They describe their new paradigm as a system that:

Is willing to abandon old programs and methods. It is innovative, imaginative and creative. It takes risks. It turns city functions into moneymakers rather than budget busters. It eschews traditional alternatives that offer only life-support systems. It works with the private sector. It employs business sense. It privatizes. It creates enterprises and revenue generating operations. It is market oriented.

That local economies are the building blocks of national economy cannot be refuted. While national economic development is principally the task of national government, it is now expected that LGUs play a key role in national economic strategy in the midst of regional and global competition for markets and resources.

Entrepreneurial Approaches

There are three major entreprenuring approaches left open from which local units may choose:

First option: LGU as entrepreneur or producer in itself engage in entrepreneurial activities where private sector fails to come in. LGU entering the entrepreneurial venture in direct production through the establishment of public economic enterprises as industrial parks, enterprise zones, etc.

Second option: LGU as facilitator, promoter of entrepreneurship among its constituents. More than just inviting them to engage in business in the community, however, the LGU sets an environment conducive or attractive for an economic enterprise to blossom, be nurtured and grow into. A way of extending goodwill to investors is to provide tax holidays or exemptions from regulatory burdens. As the enterprises progress, a boom in tax revenues will begin to flow into the coffers of the LGU.

Third option: LGU as both entrepreneur and promoter. In this case, however, utmost care should be taken by the LGU ensuring that its interests do not jeopardize those of its clientele.

From the foregoing array of options an LGU can strategically select to be able to respond to the demands of the community. It is clear that the main objective into entering in any of these options is to bring about more income on the part of the LGU and the people. Higher income on the part of the LGU means greater chances of providing more efficient and better governance. For the beneficiaries, the local constituents, more income from producers means higher purchasing power.
Legal and Structural Framework of LGUs

Creation and Structure

The fact that a separate article on local government is entirely devoted to it is recognition on the importance of existence of these political organs of the state for the performance of local functions. The creation of these political subdivisions has deloaded the national government of its task in managing governmental affairs. Devolving certain powers would enable the central government concentrated in Manila to its own problems leaving behind local matters to them. The 1987 Constitution identifies the composition of local government: “the territorial and political subdivisions of the Republic of the Philippines are provinces, cities, municipalities and barangays” (Section 1, Art. X). “There shall be autonomous regions in Muslim Mindanao and the Cordilleras” (Section 17, Art. X, 1987 Constitution)

The Constitution mandates the creation of these regions by an organic act to be enacted by the Congress subject to a plebiscite (Section 18, Art. X). The organic act defines the basic structure of government for the autonomous regions taking into account peculiar conditions, ethnicity and diversity in language, religion and other regional differences.

By statutory provisions, local governments are considered political bodies corporate for the administration of the affairs of the community within their territorial boundaries. As incorporated entities, they are classified as municipal or public corporations and as such possess dual character. In their public or governmental aspect they act as agents of the state exercising a part of sovereign governmental powers to protect and promote the general welfare of their constituents. They are empowered to impose and collect taxes, preserve peace and order, establish schools, etc. In their private or corporate character they operate similar to a business corporation (Section 14, Chap. 2, LGC).

Local governments may be created, merged or abolished by national legislation enacted by the Congress or through a local ordinance passed by the local legislative body. The LGUs that can be created through national acts are provinces, cities and municipalities. In the case of barangays they are created through local legislation by the concerned city or municipality that has jurisdiction over them.

There are established criteria for the creation, merge, abolition or substantial alteration of its boundary as set forth by Section 10 of the 1987 Constitution. If ever there are changes to be made in its unit such criteria as size of geographical area, number of population and income requirement must be satisfied. The rationale for the minimum requirements is to ensure the financial viability of a new unit in providing basic services to the people.

To effect any alteration made a plebiscite for the purpose must be called to seek the approval by a majority of the votes cast in the political units directly affected. These criteria would erase illegal creation or abolition dictated more by political reasons than social and economic conditions of the locality. Furthermore, empowering the inhabitants in this political exercise would prevent the practice of gerrymandering (De Leon, 2005) designed to benefit a particular party or candidate. This in a way enhancing the autonomy of LGUs.

There are variants in sizes of local units. Based on land area, regardless of hierarchical level, there are municipalities that are larger than cities and even provinces. In the past during the pre Code years there was no clear-cut criteria for the creation of a local unit. Since 1983 the creation of local units has been in placed. In terms of population, the cities usually have a bigger number and greater economic activity.

Levels of Local Government

The province is a cluster of municipalities and component cities, which are under the supervision of the former. They coordinate with sub national level in the performance of functions and the delivery of public services. And as political and corporate unit of government, serves as a dynamic mechanism for developmental processes and effective governance of local government units within its territorial jurisdiction (Section 459, LGC)

In the urban centers found are cities, which may be either highly urbanized or component. Component cities are those whose charters prohibit their voters for voting for
provincial elective officials. Highly urbanized are independent cities and due to a bigger population and greater economic activity are given autonomy (Section 14, LGC). They have the same functions and purpose as the municipalities.

The municipality, consisting of a group of barangays, serves primarily as a general purpose government for the coordination and delivery of basic, regular and direct services and effective governance of the inhabitants within its territorial jurisdiction (Section 441, LGC).

The barangays are created to help the municipalities in implementing ordinances and other functions that may be assigned to them by the municipal government where they belong.

An inter-local supervision exists among the three levels or tiers of local governments in the country. In the present set-up the higher level oversees its component local units checking up if their actions and decisions are consistent with powers granted by the law by reviewing ordinances, resolutions, development programs and budget. The imposition of administrative sanctions rests on the superior local government over the elective officials of the lower unit.

**Local Executive**

The local chief executive is the highest local official who is directly elected at large by the constituents. He is given the title of a Mayor in case of cities and municipalities and in the provinces, a Governor who is elected the same as the former. As the highest official of the local unit he is responsible for policymaking, supervising personnel, policy and program implementation, development planning, collection of taxes and preparation of budget. A chairman who assists the mayor in implementation of ordinances heads the barangay.

The Sanggunian in charge of policy making performs legislation and decision-making composed of the duly elected members. It is presided by the vice-mayor or vice-governor in the city and municipality and province respectively.

**Special Forms of Local Governments**

In response to certain needs and conditions peculiar to the localities concerned there created the Autonomous Region of Muslim Mindanao and the Cordillera Administrative Region and Metro Manila Development Authority. The Congress by means of Republic Act 6734 created them in compliance with the provision of the Constitution that mandates their creation.

The Autonomous Region in Muslim Mindanao is a regional government that covers four provinces and 82 municipalities and is responsible for the development of the region and the promotion of the people’s welfare and security. Bestowed with certain administrative and corporate powers, its structure is similar to the national government in that it has executive, legislative and judicial (Shari’ah) branches. The Cordillera region was not granted autonomy because the residents rejected the establishment of a separate regional government. The national government established instead, the Cordillera Administrative Region consisting of five provinces and one city.

The Congress, replacing the former MM Commission established during martial law years, created the Metropolitan Manila Development Authority (MMDA). The MMDA is a special development authority under the direct supervision of the President and created purposely to plan, supervise and coordinate services common to adjoining cities and municipalities, such as health, housing, water supply, garbage collection, traffic management, etc.
General Structure of Local Government

National Government

Province

Municipality
Barangay

Component City
Barangay

Highly Urbanized City
Barangay
Local Government Code: Giving Room for Innovations

The LGC enacted in 1991, entrusts the task of promoting and accelerating economic development in their respective jurisdictions to LGUs. How this objective shall be translated to realities will all depend on several factors: political commitment, attitude, and management capability of LGUs, the market, labor, capital and technology, among others. In any case because of the differences in resources, conditions and levels of capacity, the style of governance may vary.

The promulgation of the Code was in compliance with the constitutional provision that declares "state shall ensure the autonomy of local governments" (Section 25, Art. 11, Declaration of Principles and State Policies).

The Code delineates the services and facilities that are expected to provide by the provinces, cities, municipalities and barangays. In general, LGUs provide from the basic...
services and facilities to revenue generation, regulatory functions and other governmental and corporate powers but the Code has expanded their scope and local functions. The provision of certain services and facilities and some regulatory powers that were previously performed by the national government has been transferred to local governments. These cover certain services and facilities in health, social; welfare and agriculture, public works, and natural resources and environment. Local governments are now responsible for the maintenance of day care centers, enforcement of forestry laws and pollution control law, implementation of primary health care, and prevention and control of animal pests and facilities, to mention a few of them.

Concomitant with the transfer is the increase in fund allocation from central government through the IRA in order to help local governments finance the devolved services. The government personnel who performed the devolved functions from their mother agencies to the local units where they were assigned accompany the transfer.

**Taxing and Other revenue-Generating Powers**

Local governments are given the power to create their own sources of revenue and to levy taxes, fees and charges. This authority is granted by the Constitution and is strengthened by the Code to finance its operations and programs. These powers are allocated among provinces, municipalities, cities, and barangays to prevent multiple taxation. The cities enjoy broader taxing powers because they are empowered to impose municipal and provincial taxes. The rates of local taxes and amount of fees that they can charge are fixed by the Code. In no case can local governments impose rates higher than those determined by law. However, cities are authorized to impose rates exceeding the maximum rates allowed for the province or municipality by not more than 50 percent except the rates of professional and amusement taxes. Proper appropriation must be made in tax ordinances before they can impose and collect.

In general, basic income is derived from their locally generated income and revenue from local taxes, permits and licenses, fees and charges, earnings from local public enterprises and investments, and rentals and charges. Real estate taxes, business taxes, and fees and charges constitute the greatest contribution among local sources (see figure). Through aggressive economic promotion of a local government business taxes can be further increased.

Another source of local income are those derived from external sources. Foremost among these is the IRA, grants, and share from the proceeds of the utilization, exploitation and development of natural wealth derived from their area of jurisdiction. Other sources come from borrowings to finance local programs (Sections 129-295, LGC).

Out of the national internal revenue collections 40% is distributed among local governments: provinces - 23%; cities - 23%; municipalities – 34% and barangays – 20%. The basis of the sharing are the following: population – 50%; land area – 25%; and equal sharing – 25%.

The IRA being the greatest contributor subsidizes the local budget making it the influence factor in the total local revenue. More than 60% of the local resources come from this source. It influences the capability of LGU to provide public services, facilities and infrastructure – the necessary ingredients for a local unit that is conducive and attractive to economic activities.

There are so many powers that local governments can use within the broad framework of the Code. They can form partnerships with the private sector and NGOs for undertaking economic development through skills improvement and livelihood projects, local enterprises and infrastructure facilities. They are also authorized to enter into a built-operator transfer agreement with the private sector in connection, operation and maintenance of infrastructure facilities. These would not be made possible through local efforts alone because of the big capital involved. Aside from this they can contract loans, credits and other forms of indebtedness to finance the construction, installation, improvement, maintenance of public utilities, etc.

**Local Experiences in Revenue Generation**
The passage of the Code marked a new beginning for LGUs. It has encouraged them to be entrepreneurs and innovators to generate more revenues. They have made use of their powers and authority in moving towards the direction of market-oriented and community-oriented enabling authority. Below are samples of innovative strategies or approaches undertaken by entrepreneuring LGUs, the purpose of which is to achieve economic objectives as well as social and economic well being of their respective communities and constituents. This will ultimately lead to the improvement in the quality of life of the people thereby creating harmony in the community since all the players are moving towards a common direction. Some of these local units were recipients of Galing Pook Awards Foundation in the category on economic enterprise and promotion. The award can attest to their creativity and innovativeness in addition to meeting the criteria. The award is given to local governance in recognition of the innovations and changes that they have introduced in local governance.

**Charging User Fees (Malalag, Davao del Sur)**

The town of Malalag in Davao del Sur province, is located strategically close to Davao City, and General Santos City, both of which are centers of trade and industry.

The devolution of agricultural extension, health and social services to LGUs by the Code posed a big problem for the municipal government. Without clearly defining the revenue source to be used for compensating the devolved personnel, the LGU adopted a Socialized Payment Scheme for Health Services. Certain payment was imposed to stop the dole-out mentality and made them share in the provision of health services. Payment was computed based on the annual income of the families.

The LGU was transformed into a “business enterprise”. The Mayor, like a chief executive officer of the company, strategized and networked. The LGU was organized into several teams to do a comprehensive review of the project. The Service Delivery Unit undertook a cost analysis of all the services delivered by the municipal government. The Unit found out that given the municipality’s tax base and the cost of the devolved health services, Malalag could not sustain free health services.

Through this Scheme payment was imposed on the following: Family income of PhP 15,000 was charged 25% of fixed service charge; between PhP 15,000 - PhP 50,000 – 50% of the actual service charge; and PhP 50,000 and above – 100% service charge. Low-income families would have the first priority in availing themselves of free medical services.

**Economic Benefits Derived**: Share of health services in LGUs total expenditures went down from 20% in 1993 to only 9.7% during the initial years of implementation. Income of over PhP 1M worth in fees, donated labor, medicines and other services was over the amount of PhP 688,888 spent for rendering such services. Furthermore, the program was expanded to major surgery as the LGU facilitated the surgical, medical and dental missions to the area.

**Turning a deficit Into a Surplus (San Fernando, Pampanga)**

The municipality of San Fernando is the capital town of the province of Pampanga. It is the seat of the provincial government. It is also the regional center of Region 111 because of its geographical location in Central Luzon. It is about 67 kilometers away from Manila and 16 kilometers away from the Clark Special Economic Zone.

The municipal government of San Fernando, Pampanga was in dire financial strait it failed to fulfill its financial obligations to private and public companies in millions of pesos, not to mention a PhP 12M overdraft. On top of this it owed PhP 7M in unpaid bills to a local electric company; half M to the local water company; another half M pesos to Philippine Long Distance Company (PLDT); and PhP 8M in overdue payments to contractors of various infrastructure projects. It made more depressing the submersion of six populated barangays in muddy water due to the flow of lahar from Mt. Pinatubo.

Investments went down and municipal coffer was greatly hit crippling the municipal government from operating and fulfilling its usual mandate of delivering basic services.
To address the municipal’s financial problem, a two-pronged fiscal administrative approach was adopted. The first was focused on increasing local revenues; and the second, on cost cutting. The approach directed on gaps between the earnings and the possible sources of income to find out if it could increase the tax base and the unnecessary expenses that had to be weeded out from the budget.

To enhance tax compliance, the municipality implemented the following strategies:

On Revenue Generation

1. **Creation of Tax Enforcement Unit (TEU).** This involves tax mapping to identify business establishments which had not been paying the correct business taxes and those operating no business permits. Dubbed as “Operation Sweep”, *barangay* officials spearheaded the campaign and implementation. The TEU submitted a list of such establishments to the Municipal Treasurer. This list was integrated into the municipality’s database. Demand letters were issued to the delinquent taxpayers and who when ignored the notices and letters were charged in court.

2. Making tax payment easier to prevent red tape and graft and corruption.

3. Establishment of One-Stop Center headed by the Municipal Treasurer. Representatives of the different offices in the municipality helped in manning the Center. Transactions were made in just one office. A checklist of the required documents was provided for the taxpayers to follow.

4. Ordering the display of business plates with stickers in conspicuous places in the business establishments to indicate the year when the business permit was paid. The stickers could tell whether the establishment had renewed its permit for that year or not. This strategy also prevented the tampering of the plates.

5. Giving of Plaque of Recognition to the biggest and earliest taxpayer.

**On Cost-cutting Expenses**

1. Monitoring of consumption of electricity, water and telephone. Direct distance dialing in most phones was deactivated.

2. Reduction of casual employees from 336 to 200, which yielded savings of PhP 7M a year.

**Economic Benefits Derived:** A turnaround in finances from deficit to surplus. PhP 7.41 deficit in 1992 into surplus amounting to PhP 27.11M in 1999. Savings and additional revenues earned were used for projects such as roads, bridges, streetlights, dumpsites, heavy equipment and social services. More business establishments were registered from 2,872 in 1995 to 4,462 in 1999 or an increase of 83%.

**Built-Operate-Transfer Scheme (San Jose de Buenavista, Antique)**

San Jose de Buenavista is one of the provinces comprising the islands of Panay in Western Visayas. Where and how to get the financing for the reconstruction of the burned public market kept ringing in the minds of the local government officials. Solving the problem gave the LGU two weighing options: to adopt a Built-Operate-Transfer (BOT) Scheme or obtain credits from the banks using a portion of the IRA as collateral.
Each option had its share of advantages and disadvantages. The LGU was adamant in taking the BOT scheme due to the cumbersome process required by the Department of Finance (DOF). The construction of a public market was urgent and the municipal government needed a more immediate and simpler source of funding.

Moreover, the scheme would mean bidding out the project and since it was a large-scale investment such construction required, the investors of neighboring municipalities would surely win the project.

Credit financing was shrugged off as an alternative. The thought that LGU would partake the IRA as collateral would mean less income to finance its public service functions. Consultation made among stallholders affected by the fire and the decision was favorable to BOT scheme. The LGU and stallholders entered into a Memorandum of Agreement (MOA). The MOA guaranteed the latter’s right of occupation for 25 years and payment of PhP 1.00 rental per square meter regardless of the changes in the LGUs’ leadership. However, an increment of 3% maximum per year could be imposed by the LGU as the need arises.

**Economic Benefits Derived:** Increased in income from the different leasehold schemes from 1995 to 1998 although there was a downward trend in rental but this was offset by the steady increase in business taxes. The project raised in real estate value of neighboring real properties. It created more businesses and employment opportunities.

### Business and Investment Program (Tigaon, Camarines, Sur)

The municipality of Tigaon is located on the eastern part of the province of Camarines, Sur. It is 44 kilometers northeast of Naga City and 492 kilometers away from Manila.

Basically an agricultural town, its economy was pictured to be moving at a slow pace. There were few commercial establishments and no commercial banks to facilitate business transactions in the area. In its desire to improve the economic situation, the Municipal Planning and Development Officer approached the Department of Trade and Industry (DTI) for consultation. DTI recommended an investment program to be undertaken by the LGU based on the areas’ strengths and potentials. It pointed out that Tigaon’s geographical location was favorable for economic growth.

Upon DTI’s advice, the LGU created the Municipal Trade and Industry Investment Board to monitor, and implement. The **Sanggunian**, the local legislative body legislated the Investment Board. The Board defined the type of business enterprises and the kinds of incentives and privileges to be given to the investors.

As regards the privileges, an enterprise was given free use of government land owned by the municipal government if constructed in the development area of the town upon the expiration of 20 years.

Only a minimal amount of registration fee was required depending on the amount of investment. If the amount of investment is PhP 500,000 to PhP 1M, a charge of PhP 1,000 and PhP 1,500 for more than PhP 1M investment. The project was expanded by the succeeding administration through the concept of the Central Business District Plan (CBDP). As conceptualized, CBDP serves as the center of socio-economic activities in the area. Its proximity to the foreshore and ports areas gave it an added advantage over other towns because a great volume of trading activities was taking place in such areas.

**Economic Benefits derived:** Encouraged investors to put up their business establishments in the area such as supermarket, processed meat stores, pawnshops, repair shops, offices offering services in telecommunications, photocopying, computer services, rural bank, development of two subdivisions and a private beach resort. Generated additional income for the municipal government.

### Bond Flotation for Housing Program (Victorias, Negros, Occidental)
The town of Victorias, Negros, Occidental is a second-class municipality and a home to the biggest sugar central in the world, the Victorias Milling Company. It is strategically located as products from most parts of the province are transported to destinations in Visayas and Mindanao through the Victoria port. It is projected to become a major real estate boom site north of Bacolod City.

The municipal government availed of the credit financing bonds and other long-term securities. The Mayor and members of Sanggunian decided to pursue bond flotation to address the situation of low-cost housing project of the municipality.

The Sanggunian passed an ordinance authorizing the flotation of municipal bonds secured by real estate properties owned by the municipal government of Victorias for the specific purpose of raising funds. The dream village was designed to accommodate 171 single-detached low-cost residential units.

With the technical assistance of the Home Insurance Guaranty Corporation (HIGC, thru its Regional Manager, plans, ideas, and approaches were presented, collated, appraised and the final decision to float municipal bonds was materialized.

The project was dubbed as "Victorias Pabahay Bond (Housing) Project". The Ordinance likewise provides that the bonds are instruments of indebtedness and, therefore, represent an evidence of recourse against the municipality.

The bonds were issued in various denominations. The Philippine National Bank was identified as the Trustee Bank, while the HIGC guaranteed the bond flotation.

Under the Pabahay Bond Project, the bondholder enjoys a 10% income without any withholding tax, a privilege extended only to the housing program in accordance with the mandates given to HIGC.

**Economic Benefits Derived**: Idle private funds successfully invested in bonds, which gave bond holders a high return of investment (ROI). A feeling of honor and pride for investors that they became a part of the worthwhile project. Closer relationship between LGU and different sectors of the community. A discovery that bond flotation is an effective scheme for revenue generation.

**Pushing Development Through Cooperativism (Province of Bulacan)**

The province of Bulacan is located in Central Luzon, dubbed the rice granary of the Philippines for its enormous capacity for agricultural production. It is bounded by the provinces of Nueva Ecija on the north, Quezon on the south, Rizal on the southeast and Pampanga on the west. On the south is Metropolitan Manila.

What strategy to adopt to promote the development of a region, province or city is oftentimes the question asked by a local chief executive as development strategists and managers who want to move on and transform a province which had been experiencing a mixture of spill-over and urbanization problems.

But, heavy industrialization requires heavy machineries, chemical, and tool making industries. Industrial development needs basic telecommunications, infrastructure and a strong human resource. The province of Bulacan has discovered strategy, which involves the use of a domestic market harnessing the cooperative movement as the engine of growth.

The project called Kaunlaran sa Pagkakaisa (Development Through Unity Program) was launched in 1986 but is a continuing program aimed at revitalizing the cooperative movement in the province of Bulacan anchored. It was basically an agro-industrial in nature strengthening the small-and-medium scale enterprises in generating more capital through savings mobilization and inculcating the value of thriftiness and credit worthiness among the Bulakenos. It is the economic development component of the 5-Point Provincial development Program. The other four thrusts were on peace and order, youth, culture and historical development, government reform and environment and social services.
Cooperatives are not just enterprises but financing service provider as well. It serves a variety of small-scale enterprises engaged in the sale of different agricultural products. It is a vehicle for generating capital that could be loaned out to the members at minimal interest rates.

The provincial government linked the program to various government agencies like the Land Bank and the Department of Trade and Industry, Department of Agriculture, among others.

**Economic Benefits Derived:**

- The benefits accrue more for the people. Increase in savings and assets for coop members.
- Increase in sales and in turn increase in income for the provincial government.
- Poverty reduction.
- Job promotion.

**Joint Venture With Private Sector (Mandaluyong, City)**

The city of Mandaluyong is located in Metro Manila, the first LGU partner with the private sector for the construction of a commercial complex with a public market facility. It is a first class city in terms of income, though its land area is relatively small at 26 sq. kms. Comprising 4% of Metro Manila's total land area.

Mandaluyong government was faced with the problem of having to provide a new infrastructure facility when its public market was gutted by fire in 1990. The necessity and urgency to construct a public market put the local government in a limbo not knowing what measure was best to address the problem. It happened at a time when the LGU was financially constrained. All options were studied to solve the problem.

Meantime, temporary stalls for vendors were constructed along the sidewalks of the street. Stalls were also built in one part of the city park.

This measure created a negative effect as market goers and commuters alike caused traffic. They also complained about the inconveniences of going to a market especially during rainy days.

Pressed by the situation, the Mayor in consultation with the Sanggunian decided to construct a multi-storey shopping mall combined with a public market. To attract the private investors local officials decided to include a commercial component in the plan. With public market alone constructed the private investors may not be encouraged at all because of the high risks involved.

The revenue stream expected from the market operation would not be very substantial and the city government could not just rely on the rentals.

Through the political will of the Mayor the LGU opted for the BOT scheme. He scouted for developers, investors and businessmen interested in the BOT project and made them to understand that the winning developer had to shoulder all the costs in the construction of the commercial complex and that ownership of the facility will have to be turned over to the city government upon completion of its construction.

The LGU entered into agreement with the Market Realty Development Corporation, the winning bidder and both agreed that the city government will not collect the rental fees and real property taxes from the Corporation.

Engaging the participation of the private sector was not an easy task for Mandaluyong City. Getting the trust and confidence of private entity was the most significant problem. It took time for the city to enter into a joint venture where the city would provide the land and private contractor providing the capital and expertise in the construction and management. Another difficulty, this time on the part of the private contractor was the difficulty to obtain loans from commercial banks that it had to invite other financiers to join in the business venture.

Amidst several problems encountered, however, both parties were benefited.

**Economic Benefits Derived:**

- City government freed from paying loan amortization, which could be used to fund other developmental projects.
- High annual revenue from charges and fees paid by stallholders.
- Appreciation of land value translated in terms of higher property tax.
- Greater economic activity since it serves also neighboring cities, hence, higher revenue for city government.
Idle Equipment For Rent (Munoz, Nueva Ecija)

Munos is one of the four cities of the province of Nueva Ecija. It is located north of the province and 147 kilometers north of Manila with a land area of 157.78 sq. meters, mostly agricultural and dubbed as the Science City of the North of the Philippines.

The case of Munos shows how abandoned and idle equipment of one national agency valued as scrap can be another's capital assets if properly reconditioned and maintained. It earned additional income for the municipal government and eventually transformed a municipality into a premier center of science and technology, trade, commerce, agriculture and industry with limited infrastructure and finances. Munoz case shows that if only local officials would keep their eyes open a lot of economic opportunities are on their way.

The project was the renting out of a complete equipment pool to neighboring municipalities. It consisted of 8 dump trucks, 1 bulldozer, 2 road graders, 1 pick-up truck, 1 ambulance, 1 unit of welding machine, 1 drilling rig, 1 Suzuki jeep, 1 air compressor with jackhammer and 1 electric generator. All these were rotting and rusting due to exposure to elements lying idle in the parking lots and depots of the different government agencies.

In the Municipal Mayor's series of visits in these agencies he was able to convince the heads of the different agencies to donate them to the LGU. A Memorandum of Agreement was signed between the LGU and donor agencies, which were just too happy to rid themselves of the supposedly unproductive assets.

The Mayor mobilized the support of the various sectors to contribute for the repair of the equipment. Funds and other forms of support came enabling the LGU to complete the repair and put them into use.

Economic Benefits Derived: The estimated value of the rehabilitated machines by the Commission on Audit was more than the repair cost. Huge earnings from the rental of the equipment. Big savings by using the equipment pool rather than renting from the outside. Utilization of equipment for different projects.

Lessons Learned

The experiences of various local governments showcased have amply demonstrated that they have made use of their powers and authority in attempting to move towards the direction of a market-oriented enabling authority. Noted that through the decentralization powers they have become innovators and entrepreneurs in the areas of revenue generation and resource mobilization. They are considered as laboratories of innovations and have served as inspirations and models of other local governments. While they may not be necessarily excellent they, nevertheless have led to better governance. They have adopted different innovative approaches in sourcing revenues for local economic development. Local problems have moved local officials to shift their focus in revenue sourcing rather than depend on national allocation, lest they remain economically stagnant.

On Leadership

The leadership that the local chief executive performs for transformation is no doubt critical to its success. Leadership sets the general direction towards the realization of economic objectives. The local chief executive of Munoz has set an example of political will to push for the project in sourcing additional funds. His resourcefulness and strong business sense has somehow invigorated a weakening municipal finances. The same can be said about the local officials of the other LGUs presented.

External Sourcing of Funds
How and where to get funds has always besetted local governments, whether rich or poor. This is more pronounced in local units where there are no enough sources of income and basic services and facilities are poor. Diversifying allocated funds for economic development would only suffer the provision of basic services.

There are some economic ventures, which entail a big financial outlay, which LGUs may not be in a position to provide, even partially. This is evident in projects, which involve establishing infrastructures and facilities that have long-term use and are aimed at enticing outside investors to put up business enterprises. This financial problem may be addressed by tapping other potential economic players in the community to invest in the area and collaborate with them on an enterprise, which is mutually beneficial for both of them.

The building of a public market in San Jose de Buenavista, after the burning of the old market showed that financial strategies rather than using the outright allocation from local budget can be explored by local governments. The BOT scheme that has been entered into by the LGU of the private company made it possible for the government to own a local public market without having to shell out the allocated funds or appropriate for that purpose. Under this scheme, a private contractor undertakes the construction and financing of a given structure facility as well as the operation and maintenance of facility for a number of years to recoup the investments. Both parties stood to benefit from the arrangement, which leans in favor of the LGU. For one thing, the construction of the old market did not involve any cash outflow from the local government. The construction firm financed the project and the LGU made the site or location available. The economic gains of the LGU led to the increase in local income.

LGU may enter another mode of private sector participation by adopting Built-Operate-Transfer (BOT) scheme where the public market may just be constructed out of the funds of the private firm and transfer afterwards to the LGU. In this arrangement the LGU may have to pay back the expenses incurred including the interest that would go with it within an agreed number of years.

A local unit may also opt to adopt the Built-Lease-Transfer (BLT) scheme where the private firm builds the facility and leases it from the LGU for a certain period of time to recover its investments. However, at the end of the lease period, facility is transferred to the LGU for management and operation.

Basically, the reason why governments use public-private participation is the recognition that both public and private sectors can benefit by pooling their resources to improve the delivery of basic services, although in reality, local units are dictated more by their financial weakness to finance their projects.

Sourcing outside funds was also resorted to by the municipal government of Victorias. By issuing municipal bonds, it was able to generate funds for its housing projects. The Code has liberalized such credit scheme as loans and other forms of indebtedness, bonds and other long-term securities. They are authorized to utilize bond flotation as a financing scheme to support local projects. However, not too many local governments have resorted to this instrument of indebtedness since the Code took effect in 1991, due to lack of thorough information and technical knowledge of local officials to venture on this new scheme.

Victorias is one of the first few local governments that has floated bonds. It was used to support self-liquidating and income-generating projects since the earnings from the projects are used to redeem or pay the value of the bonds. This mode of financing has awakened the consciousness of the residents who were willing to invest their money in municipal bonds.

Bond flotation and credit financing had been introduced even prior to the enactment of the Code. But until now has not been fully tapped due to the absence of well-defined policy framework and relationships among economic players in LGU credit markets. The financial capability of LGU to pay is another consideration, which makes credit financiers wary about entering into this venture.

This strategy of collaborating with the private sector, non-government organizations (NGOs) people’s organizations (Pos) and other groups is fast becoming popular in local economic development.

Financial problems cannot be solved by local governments alone. It needs the participation of other sectors in society to make economic development truly meaningful. Those
organizations have the resources, ideas and skills, which they can contribute and be used locally.

The experiences of San Jose de Buenavista in the construction of the public market, the business investment project in Tigaon and bond flotation in Victorias have shown how partnering with private investors and other business groups led to the full realization of their economic objectives.

Partnership also shows how a local government unit can be the prime mover, enabler in stirring local economy. Being closer to the people and vested with political authority can easily make them win easily the cooperation and support of the relevant sectors.

The 1987 Constitution and the 1991 Local Government Code have provided the legal framework for LGUs to choose among various service delivery mechanisms, which can lead to the better fulfillment of the goals of decentralization. The extent of powers, functions and responsibilities decentralized by the Code requires a large magnitude of resources, which LGUs cannot support alone. They need to team up with the private sector and civil society to pool their resources together and rationalize their allocation. It needs a convergence of efforts among all key players in the field.

All the efforts of LGUs would be futile if internal administration is weak. It is critical to the successful steering of local economies. If the necessary ingredients for local development are wanting LGUs will find difficulties in performing their economic role effectively. The administrative cooperation shown by the personnel of the town of San Fernando demonstrated the lending of support to the tax compliance program. A strong internal administration helps in improving the performance of a local government in the discharge of its economic functions in particular and the delivery of public services in general.

Conclusion

From the traditional provider of public services to an entrepreneur. That is the premised role of LGUs as they are transformed by the process of decentralization. Local experiences have shown that local governments are exploring both roles. This is evident in the area of fiscal management, which has the traditional and enabling features.

A review of pieces of legal documents reveals how LGUs can very well harness their corporate aspect by exploring their decentralized powers fully.

The transformation is moving towards the direction of a market-oriented and community-oriented not only in revenue generation but also in reaching out to the different sectors in society to arouse their sense of involvement in local government efforts.

The success stories presented attest to the fact that while the Code has provided the framework for local economic development, a lot would depend on the innovativeness and proactive stance of LGUs. Indeed it is true that local governance can make a lot of difference in creating a new community where an atmosphere of harmony prevails.

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