

The Philippine Environmental Governance 2 Project

FINANCIAL ANALYSIS OF PARTNER LOCAL GOVERNMENT UNITS (LGUs) TO ASSESS NEEDS FOR TECHNICAL ASSISTANCE

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Table of Contents

Acronyms	iii
I. Introduction	1
A. The Project.....	1
B. Purpose of the Study	3
II. Analytical Approach	4
A. Rationale	4
B. Methodology	5
C. Scope and Limitations.....	7
D. Definition of the Financial Indicators	8
III. Assessment of Financial Performance	13
A. Preliminary Results and Findings	13
B. Overall Scores and Ranking.....	22
IV. Capacity to Access Borrowings	26
A. Funding for development projects	26
B. External borrowing from a Government Financial Institution (GFI).....	26
V. Rapid Assessments of the Partner LGUs	32
A. Rapid Assessment of LGUs assisted by the UEM Sector.....	33
B. Rapid Assessment of LGUs assisted by the CRM Sector.....	38
C. Rapid Assessment of LGUs assisted by the FFM Sector.....	43
V. Technical Assistance Strategy	46
VI. Observations and Conclusions	50
References	52

List of Tables

Table 1.	LGU Financing Alternatives.....	2
Table 2.	Framework for Technical Assistance.....	6
Table 3.	Financial Self-Sufficiency of EcoGov Partner LGUs – Preview of Rankings	14
Table 4.	Financial Self-Sufficiency of EcoGov Partner LGUs – Profiles of Selected Groups based on Median Values	15
Table 5.	Debt Service Capacity of EcoGov Partner LGUs – Preview of Rankings	19
Table 6.	Debt Service Capacity of EcoGov Partner LGUs – Profiles of Selected Groups based on Median Values	20
Table 7.	Ranking of Partner LGUs According to Financial Performance	23
Table 8.	Sample Loan Amortization Schedule	28
Table 9.	Borrowing Capacity of EcoGov’s Partner LGUs	28
Table 10.	Distribution of LGUs According to Borrowing Capacities	31
Table 11.	Distribution of LGUs according to Basic Profiles.....	49

List of Annexes

Annex A.	List/Profile of EcoGov Partner LGUs.....	57
Annex B.	Institutional Framework for the Financing of LGU Environmental Projects.....	59
Annex C.	Expanded Formulas for the Financial Performance Indicators.....	68
Annex D.	Economic Expenditures and Internal Financing Capacity	71
Annex E.	Listing / Description of Donor Credit Facilities for Environmental Projects.....	73
Annex F.	Key Financial Data on EcoGov Partner LGUs.....	75

ACRONYMS

BIR	- Bureau of Internal Revenue
BLGF	- Bureau of Local Government Finance
BOT	- Build-Operate-Transfer
BSP	- Bangko Sentral ng Pilipinas
CDM	- Clean and Development Mechanism
CLSWM	- Credit Line for Solid Waste Management
COA	- Commission on Audit
CRM	- Coastal Resources Management
DA	- Department of Agriculture
DAI	- Development Alternatives, Inc.
DENR	- Department of Environment and Natural Resources
DILG	- Department of the Interior and Local Government
EcoGov	- The Philippine Environmental Governance Project
EGF	- Environment Guarantee Fund
EISCP	- Environmental Infrastructure Support Credit Program
EO	- Executive Order
FARMC	- Fisheries and Aquatic Resources Management Council
FFM	- Forests and Forest Lands Management
Finance Sector	- LGU Financing and Access to Financing Sector
FLUP	- Forest Land Use Plan
GAA	- Government Appropriations Act
GFI	- Government Financing Institution
IBRA	- Illana Bay Regional Alliance
IRA	- Internal Revenue Allotment
ISRM	- Integrated Coastal Resources Management
ISWM	- Integrated Solid Waste Management
JVA	- Joint Venture Arrangement
LGU	- Local Government Unit\
MPA	- Marine Protected Area
NGO	- Non-Government Organization
NSWMC	- National Solid Waste Management Commission
O&M	- Operations and Maintenance
PSP	- Private Sector Participation
RA	- Republic Act
SIE	- Statement of Income and Expenses
SWM	- Solid Waste Management
TA	- Technical Assistance
UEM	- Urban and Environmental Management

FINANCIAL ANALYSIS OF PARTNER LOCAL GOVERNMENT UNITS (LGUs) TO ASSESS NEEDS FOR TECHNICAL ASSISTANCE

I. INTRODUCTION

A. THE PROJECT

The Philippine Environmental Governance 2 Project (“EcoGov 2” or the “Project”) supports the Government of the Philippines’ and USAID Philippines’ goal of revitalizing the economy and promoting environmentally sustainable development to address the degradation of the country’s natural resource base. The Project helps LGUs strengthen capacity to manage municipal solid waste disposal and wastewater treatment, protect forest lands or coastal areas, or facilitate investment into sanitation facilities. EcoGov 2 is the successor of the EcoGov 1 project of 2001-2004. The prime contractor for both EcoGov 1 and EcoGov 2 is Development Alternatives, Inc. (DAI).

EcoGov 1 offered technical assistance (TA) to large groups of LGUs in selected regions and successfully built a client base of 79 LGUs. As EcoGov 2 continues to assist these LGUs, the Project is able to start work with a diverse group of LGUs based on socio-economic profiles and geographic distribution. (See Annex A for listing/profile of LGUs.) Partner LGUs are dispersed around central and western Mindanao, central Visayas and northern Luzon. EcoGov 1 focused on helping LGUs prepare Coastal Resource Management (CRM) Plans, Forest Land Use Plans (FLUPs), and/or Integrated Solid Waste Management (ISWM) Plans for the approval of local legislative bodies. Each of these plans present targeted activities or projects to be pursued over a period of ten years. A major function of EcoGov 2 is to help in the implementation of these organized activities or projects by delivering technical advice and training to LGU staff and decision-makers through a range of capacity-building activities.

The Project offers TA for projects in solid waste and wastewater management, coastal resource management, and forestry and forest management through the Urban Environmental Management (UEM), CRM, and Forestry and Forest Management (FFM) Sectors, respectively. As a support unit, the LGU Financing and Access to Financing Sector (Finance Sector) helps identify financing strategies and institutional arrangements to ensure that proposed projects will be properly implemented and sustainable.

EcoGov 2 helps in the following areas, among others, depending on the needs of partner LGUs in relation to their projects:

- Project preparation and pre-feasibility analysis. Project can help LGUs identify appropriate technology options, estimate initial capital costs and recurring expenses for operations and maintenance (O&M), and develop viable cost

recovery mechanisms, such as user fees or service charges, to facilitate financial sustainability.

- Project implementation and accessing financing. Project can help LGUs access external sources of financing or attract investment, engage qualified service providers, and/or form joint ventures with other LGUs or the private sector.
- Municipal planning and budgeting. Project can help determine budgetary support or, for some LGUs, help strengthen financial management systems, realign budgetary priorities, or identify ways to expand sources of revenue.

The following table presents the range of financing sources that partner LGUs may pursue for targeted projects:

Table 1. LGU Financing Alternatives

TRADITIONAL SOURCES		RECENTLY DEVELOPED SCHEMES	
Internal	External	Internal	External
1. Tax revenues from real property and business taxes	1. Internal Revenue Allotment (IRA) or Share in National Wealth	1. User fees or service charges for basic services to protect the environment and natural resources	1. Private sector participation through build-operate-transfer (BOT)-type contractual arrangements or joint venture arrangements (JVA)
2. Non-tax revenues based on receipts from economic enterprises, and user fees and charges	2. Loans from GFIs or donor organizations		2. JVA within a cluster of neighboring LGUs
3. Divestment of Assets	3. Local or foreign grants, and aid		3. Special grants, endowments funds, trust funds, voluntary private sector investments
			4. Bond issuance to public or loans from commercials banks supported by guarantees from private sector

B. PURPOSE OF THE STUDY

The Study is intended to guide the Project's strategic planning so that the needs of partner LGUs are properly addressed. It enables the Project to develop preliminary profiles and assessments, conduct comparative analysis, and form guidelines for TA.

While preliminary in nature, the results of the Study will help answer the following questions:

- Do partner LGUs have sufficient financial resources and management capacity to carry out the projects proposed in their ISWM or CRM Plans, or FLUPs?
- How do different groups of LGUs, based on their geographic region or the sector delivering TA, differ from each other?
- What basic financing options can the LGUs pursue for these projects and which LGUs need to access external financing?
- What types of assistance can EcoGov 2 provide to each LGU?

II. ANALYTICAL APPROACH

A. RATIONALE

LGUs are confronted with growing demands to strengthen basic public services to manage their environment and protect natural resources. The Local Government Code of 1991 gives LGUs major responsibilities in this area and mandates an increase in the internal revenue allotment (IRA) share of LGUs to fund devolved responsibilities. The IRA represents block grants to LGUs from the national government and remains the primary revenue source of most LGUs. Recently enacted laws direct LGUs to construct infrastructure projects or undertake organized activities to improve solid waste and wastewater management, or protect coastal or forestry resources. (Please see Annex B.) Unfortunately, LGU revenue sources remain inadequate in relation to increasing expenditure requirements to protect the environment, and LGUs must sustain the delivery of mandated services with generally limited financial, management or other resources.

The environment is usually given least priority in relation to other concerns that normally compete for funding within LGUs. A survey of 52 LGUs conducted by the Project finds that only 2% of the IRA is spent by LGUs for the sector. Local political leaders prefer to focus on projects that are politically expedient and yield immediate returns partly because they face 3-year election cycles. Also, environmental management projects are not commercially viable and are costly to construct and operate. The capacity of LGUs to finance priority projects has also been affected by fiscal constraints at the national level. Since 1998, the national government has been persistent in reducing intergovernmental transfers to LGUs as mandated by the Code because of recurring budgetary constraints. Further, the national government has stopped providing grant subsidy to LGU-devolved programs, activities and projects¹.

Thus, the following conditions must be addressed to ensure proper implementation and sustainability of environmental management projects:

- LGUs must develop reliable sources of revenues apart from the IRA to subsidize the delivery of basic services. Financing for proposed projects will depend on the total revenue, fiscal performance and borrowing capacity of the implementing LGUs.
- Project financing from private sector is unlikely unless expected revenues are predictable and can yield reasonable rates of return.

¹ In August 2004, Department of Finance issued a memorandum to all the heads of all government agencies, government owned and controlled-corporations, and their attached agencies stating that the NG shall no longer provide grant subsidy to LGU-devolved programs, activities and projects which have budgetary implications starting in 2005.

- Mechanisms to recover project costs must be fully utilized to minimize financial burden to the LGUs, particularly when beneficiaries are clearly identified.
- LGUs must strengthen their capacity to operate and manage a range of devolved services.
- Opportunities to contract key services to the private sector must be explored to lower capital costs and achieve efficiencies in operations.

B. METHODOLOGY

The foregoing conditions underscore the importance of financial performance and access to financing as key factors in evaluating the capacity of partner LGUs to implement environmental management projects. Accordingly, the Study evaluates the following areas:

- **Financial Performance** – The Study presents a system of measuring the financial performance of partner LGUs based on selected indicators. A financial indicator expresses financial information of an LGU as a ratio or percent by dividing one set of financial data with another. It is an analytical tool that makes it possible to compare the financial information of one LGU to another (or over a multi-year period). The scoring system used by the Study focuses on (a) level of financial autonomy achieved by the LGU since the Code was passed in 1991, and (b) capacity of the LGU to service its outstanding liabilities.
- **Borrowing Capacity** – The Study presents an estimate of each LGU’s capacity to incur additional long-term borrowings, and provides a general idea of the scale and range of target projects that the LGU can implement.

The results of the analysis are used to compare partner LGUs based on the sector involved or geographic area, prepare rapid assessments of each LGU, and identify basic strategies for TA.

LGUs that are strong in both areas can pursue a relatively broader range of options or strategies to implement targeted projects. The Project can assist these LGUs in preparing project proposals, developing user fees or service charges, accessing external financing, or entering into contracts with private service providers. Conversely, LGUs that show weakness in both areas would have very limited financing options. For such LGUs, the Project may extend additional assistance to strengthen revenue generation, rationalize expenditure priorities, or identify sources of grants or aid, among others.

For illustration purposes, the following table presents how the Study’s findings on each LGU can help identify areas where EcoGov 2 can provide TA:

Table 2. Framework for Technical Assistance

STUDY FINDINGS on LGU		LGU OPTIONS/STRATEGIES THAT PROJECT MAY SUPPORT	
Financial Performance Ranking	Financing Capacity	Strengthening internal financing mechanisms	Accessing external sources of funds or contracting services
HIGH a/	Adequate b/	<ol style="list-style-type: none"> 1. Developing user fees and service charges sufficient for recovery of O&M costs, as a minimum 	<ol style="list-style-type: none"> 1. Accessing loans from GFIs or donor organizations 2. Entering into Private Sector Participation (PSP) financial arrangement (BOT contract or JV arrangement) 3. Contracting key services from private sector through service contract or management contract 4. Clustering with other LGUs 5. Issuance of municipal bonds
LOW	Adequate c/	<ol style="list-style-type: none"> 1. Developing user fees and service charges to minimize financial burden 2. Prioritizing allocations from development fund 	<ol style="list-style-type: none"> 1. Accessing loans from GFIs or donor organizations 2. Entering into PSP financial arrangement (BOT contract or JV arrangement) 3. Contracting key services from private sector through service contract or management contract 4. Clustering with other LGUs
HIGH	Inadequate c/	<ol style="list-style-type: none"> 1. Developing user fees and service charges to minimize financial burden 2. Prioritizing allocations from development fund 3. Expanding revenue sources 	<ol style="list-style-type: none"> 1. Accessing loans from GFIs or donor organizations, if possible 2. Contracting key services from private sector through service contract 3. Clustering with other LGUs 4. Accessing endowments funds, or voluntary private sector investments 5. Accessing local/foreign grants, and aid
LOW	Inadequate	<ol style="list-style-type: none"> 1. Developing user fees and service charges to minimize financial burden 2. Prioritizing allocations from development fund 3. Expanding revenue sources 4. Strengthening planning and budgeting systems 	<ol style="list-style-type: none"> 1. Clustering with other LGUs 2. Accessing endowments funds, or voluntary private sector investments 3. Accessing local/foreign grants, and aid

a/ High and Low are used for illustrative purposes only

b/ Can clearly finance all projects supported by EcoGov, including capital-intensive projects

c/ Can only finance EcoGov-supported projects with minimal capital and O&M costs

C. SCOPE AND LIMITATIONS

The Study uses publicly available financial and other data on the Project's 79 partner LGUs. The data is sourced from financial reports prepared by the Commission on Audit (COA) and the Bureau of Local Government Finance (BLGF). The COA is mandated by the Constitution to examine, audit, and settle all revenue and expenditure accounts of the national government, its subdivisions, agencies and instrumentalities, etc. The BLGF was organized under the Department of Finance to oversee and assist LGUs in the formulation and implementation of LGU policies on revenue administration, development and implementation of real property taxes, and technical supervision over local treasury and assessment operations, among others.

The limitations of the Study are as follows:

1. Financial data was limited only to secondary sources to make a relatively quick initial assessment possible.
2. Although the COA and BLGF obtain financial reports from LGUs in almost identical format, their reports differ in the details and, more importantly, in accounting methods. BLGF uses the cash-basis of accounting whereas COA had a change in accounting policy on reporting from cash basis to accrual starting 2002.
3. The simplest of all accounting procedures, cash accounting merely records cash transactions: how much is received, how much is paid out, and how much is on hand at the bank. In effect, revenues and transfers are not recorded in accounts until cash is received, and expenditures and transfers out are recorded only when cash is disbursed. The cash basis is generally not recommended by Generally Accepted Accounting Principles because it gives a misleading picture of municipal accounts. For example, cash received as a loan would be illustrated as revenue on the Statement of Income and Expenses (SIE) but not as a liability on the balance sheet. Also, outstanding obligations in the form of contracts or purchase orders issued would not be reflected in accounting records. This method can lead to unwise local municipal expenditures and potential budget overspending².
4. In order to understand what is actually happening in the municipal accounts, there must also be records that relate revenues and expenditures not to the time in which cash is received or the disbursement made, but to the period for whose benefit the transaction occurs. Financial recording according to the benefit period, instead of the period in which cash moves is known as accrual accounting. Under an accrual system, revenues are recorded when the charge is effective not when cash is received. Expenditures are recorded when the obligation is incurred, irrespective of when the disbursement is made. Accrued revenues are usually expended on the assumption that the cash owing will be received.

² Local Government Budgeting Toolkit, Sudan Budget Workshop, Michael Schaeffer, August 2003

5. Because the accrual method gives a more accurate and complete picture of municipal accounts, the Study relies more heavily on financial data from COA reports.
6. The COA changed its accounting policy on reporting from cash basis to accrual starting 2002. At present, only the COA annual reports for the years 2002 and 2003 are comparable. Until the 2004 COA annual report is available to allow the Study to cover a minimum period of three years, it is difficult to identify significant trends in the financial performance of LGUs using COA data. As a result, the Study mainly utilizes 2003 financial data.

D. DEFINITION OF THE FINANCIAL INDICATORS

The Study utilizes 6 financial indicators to arrive at a score for each LGU. The indicators were selected to measure either the LGU's level of financial autonomy or capacity to service liabilities, as presented below. Together, the indicators provide insight to the financial health, management, and institutional strength of the LGU.

<u>Financial Indicator</u>	<u>Data Source</u>
<u>Level of LGU Financial Autonomy</u>	
1. Local own-source revenues per capita	COA, SIE
2. Internal financing ratio	COA, SIE
3. Economic expenditure ratio a/	BLGF, SIE
<u>LGU Capacity to Service Debt</u>	
4. Savings rate	COA, SIE
5. Financial leverage	COA, Balance Sheet
6. Liquidity b/	COA, Balance Sheet
a/ Among 14 indicators used by the BLGF/DOF; unlike the COA format, economic expenditures are segregated in the SIE of BLGF	
b/ Used by Commission on Audit as part of financial analysis in its annual report	

Level of LGU Financial Autonomy

The indicators set forth below measure the dependency of an LGU on grants from the national government. While IRA remains a major income source for all partner LGUs, it is important to recognize cities or municipalities with substantial own-source revenues. Progress towards financial self-sufficiency shows the LGU's commitment to strengthen the local economy and undertake new development projects. It reflects favorably on the LGU's fiscal management systems, capacity to undertake devolved functions, and general economic welfare. On the other hand, weakness in this area denotes that management may be weak or lack vision despite adequate debt servicing capacity.

1. Local Own-Source Revenues per Capita

Formula:
$$\frac{\text{Actual revenue collection from recurring local own-source revenues}}{\text{LGU population}}$$

Significance:

- a) Represents average monetary contribution of each citizen to the LGU's own-source revenues, which refer mainly to revenues that the LGU collects itself. This includes local taxes on real properties and business income, service charges, fees and licenses, etc.
- b) Reflects the LGU's political will and management performance towards achieving local autonomy by creating sustainable sources of revenues supported by a regulatory framework based on local ordinances, and established administrative procedures and systems of collecting taxes, fees, and charges. It should be noted that diversified sources of revenues enhance the LGU's creditworthiness.
- c) Indicative of public orientation within the LGU relating to the payment of fees for basic services, and gives a general idea of the extent that cost recovery can be achieved for new projects or facilities. (As a minimum, LGUs should strive for the recovery of operations and maintenance expenses throughout the economic life of the facility.)
- d) Low indicator may mean that the LGU has not maximized its legislative powers to reach more taxable properties or businesses, users of public facilities; and/or needs to improve collection efficiency. In other words, additional taxes, fees, and charges may need to be approved by the local council and/or internal management and administrative (billing and collection) systems must be strengthened. A low indicator may also be reflective of generally poor economic conditions.

2. Internal Financing Ratio

Formula:
$$\frac{\text{Total Income from Recurring Own-Source Revenues}}{\text{Total Operating (or Non-Investment) Expenditures}}$$

Significance:

- a) Measures the LGU's internal financing capacity or ability to sustain expenditure level based on recurring own-source revenues.
- b) Can underscore the need to develop additional sources of revenue to substantially finance mandated expenditures.

- c) High indicator denotes financial viability, ability to recover recurring costs and enhances the creditworthiness of the LGU. Low indicator means that the LGU is heavily dependent on IRA to fund operating expenses and development projects, and that it would have some exposure to fiscal constraints and economic difficulties facing the national government.
- d) Low indicator may also show lack of dynamism in management or commitment to fiscal priorities of past local leaders.

3. Economic Expenditure Ratio

Formula:
$$\frac{\text{Actual Expenditure for Economic Services}}{\text{Total Actual Expenditures}}$$

Significance:

- a) Indicates the priority of the LGU to creating an enabling environment for the local economy through expenditures in agriculture, industry, construction, trade services, tourism, etc. An LGU's economic growth is not sustainable unless efforts are made to support the local economy. Most LGUs have room to increase revenues through improved collection or increases in the tax base and/or rate. However, a limit will be eventually reached where future revenue growth can only come as a result of expansion in the local economy manifested by increased business activity, investments and employment. (Annex D presents a positive relationship between the economic expenditure and internal financing ratios of LGUs).
- b) May be used to indicate LGU's passion for economic growth as expenditures for economic services generally relate to activities that the LGU is not obligated to undertake, unlike basic services such as housing, education, health, peace and order, etc.

LGU Capacity to Service Debt

The following indicators relate to an LGU's borrowing activities and capacity to repay outstanding liabilities due over the short- (within one year) or long-term. It should be noted, however, that an LGU with a high savings rate, minimal long-term liabilities, and/or more than adequate liquidity may not be fully utilizing its financial resources to achieve development objectives.

4. Savings (or Dissavings) Rate

Formula:
$$\frac{\text{Excess of Income over Operating Expenditures}}{\text{Total Actual Income}}$$
 (if there is a surplus)

or
$$\frac{\text{Excess of Operating Expenditures over Income}}{\text{Total Actual Income}}$$
 (if there is a deficit)

Significance:

- a) Measures the extent to which an LGU spends more than it receives on a recurring basis.
- b) The net income or operating surplus is the difference between recurring revenues and operating (or non-investment) expenditures. It is the amount available to fund new expenditures, including debt service, or recurring O&M expenses of new projects. High savings rate coupled with low ratio of long-term debt to total assets means greater potential to access external financing.
- c) An LGU with a deficit has no free revenues available to fund additional expenditures or debt service, and should take steps either to increase own-source income or reduce operating expenditures. It should not obtain new loans but undertake steps to identify and address the causes of the problem

5. Financial Leverage

Formula:
$$\frac{\text{Long-Term Debt}}{\text{Total Assets}}$$

Significance:

- a) A classic indicator to monitor debt levels, provides a useful picture of the LGU's borrowing activity.
- b) Looks at the amount of long-term debt liabilities relative to the value of assets owned by the LGU. Long-term liabilities are those that are to be repaid in a period greater than one year.
- c) Low ratio means less exposure to fiscal risks (from reduced or delayed IRA or reduced collections from local income sources) and higher capacity to assume additional long-term borrowings.
- d) A high ratio is not necessarily a sign of a problem as it may show the willingness of the LGU to use debt to finance new projects or investments. However, it indicates a more fully utilized debt capacity and suggests the need for prudence as additional debt is assumed.

6. Liquidity (or current ratio)

Formula:
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Significance:

- a) Ratio of current assets which are collectible in cash within one year to current liabilities which include obligations to suppliers or contractors as well as maturing debts for the year.
- b) Indicates LGU's liquidity or ability to pay its obligations due within the year.
- c) Ratio of less than one is unfavorable and may be a sign of poor financial management.

III. ASSESSMENT OF FINANCIAL PERFORMANCE

A. PRELIMINARY RESULTS AND FINDINGS

Preliminary results and findings based on the financial indicators are presented in this section as a preamble to overall scores and ranking determined for the partner LGUs.

1. Level of Financial Autonomy Achieved

The LGUs are ranked from highest to lowest according to the indicators for financial self-sufficiency. The highest ranked LGU for each indicator is automatically awarded the maximum of 100 points. The other LGUs receive points representing how they compare in relation to the highest ranked LGU. For example in terms of local revenues per capita, Bais City is awarded 29 points (P389/P1,347) based on its results in relation to Tagbilaran City, which is the no.1 ranked LGU.

Table 3. Financial Self-Sufficiency of EcoGov Partner LGUs – Preview of Rankings

Preview of results based on local own-source revenues per capita, internal financing ratio, and economic expenditure ratio are as follows:

LGU	Local Revenues Per Capita a/	Points	LGU	Internal Financing Ratio b/	Points	LGU	Economic Expenditure Ratio c/	Points			
<u>Top 10</u>			<u>Top 10</u>			<u>Top 10</u>					
1	Tagbilaran City	1,347	100	1	Tagbilaran City	63%	100	1	Koronadal City	55%	100
2	Danao City	663	49	2	Talibon	61%	97	2	Ipil	46%	85
3	Kidapawan City	657	49	3	Balamban	52%	83	3	Sultan Kudarat	40%	73
4	Talibon	579	43	4	Solano	47%	75	4	Bayombong	39%	71
5	Cauauyan City	522	39	5	Ipil	45%	71	5	Danao City	37%	67
6	Tacurong City	501	37	6	Zamboanga City	37%	59	6	Maitum	33%	61
7	Solano	436	32	7	Tacurong City	37%	58	7	Maddela	32%	58
8	Balamban	434	32	8	Danao City	37%	58	8	Buug	31%	57
9	Ipil	419	31	9	Compostela	36%	58	9	Isulan	29%	53
10	Bais City	389	29	10	Kidapawan City	32%	51	10	Bambang	29%	53
<u>Bottom 10</u>			<u>Bottom 10</u>			<u>Bottom 10</u>					
69	Dinas	61	5	69	Kalamansig	5%	9	69	Duero	8%	15
70	Aglipay	61	5	70	San Pablo	5%	8	70	Amlan	8%	15
71	Kalamansig	60	4	71	RT Lim	5%	8	71	Payao	8%	14
72	Sultan Kudarat	53	4	72	Aglipay	5%	8	72	Tipo-tipo	8%	14
73	RT Lim	51	4	73	Dinalungan	5%	7	73	Tudela	8%	14
74	San Pablo	45	3	74	Quezon	3%	5	74	Compostela	7%	13
75	Quezon	40	3	75	Nagtipunan	3%	5	75	Kidapawan City	6%	11
76	Dimataling	27	2	76	Dimataling	3%	4	76	Dauin	5%	9
77	Cabarroguis	24	2	77	Cabarroguis	2%	3	77	San Francisco	5%	9
78	Sumisip	5	0	78	Sumisip	0%	1	78	Wao	4%	8
79	Tipo-tipo	2	0	79	Tipo-tipo	0%	0	79	Isabela City	4%	7

Notes:

a/ Actual Revenue Collection from Recurring Local Own-Source Revenues / LGU Population

b/ Total Income from Recurring Own-Source Revenues / Total Operating Expenditures

c/ Actual Expenditure for Economic Services / Total Actual Expenditure

Table 4. Financial Self-Sufficiency of EcoGov Partner LGUs – Profiles of Selected Groups based on Median Values³

LGU Group		# of LGUs	Local Revenues per Capita	Internal Financing Ratio	Economic Expenditure Ratio
	Minimum	79	2	0%	4%
	Maximum	79	1,347	63%	55%
	Average	79	203	17%	17%
	Median	79	137	12%	15%
<i>Geographic Areas</i>					
	Visayas	29	177	16%	15%
	Mindanao	32	82	9%	15%
	Luzon	18	132	10%	15%
<i>Sectors providing TA</i>					
	UEM	46	177	15%	17%
	CRM	28	93	10%	14%
	FFM	33	118	12%	14%
<i>Category</i>					
Cities	All	13	381	27%	17%
	Visayas	6	303	15%	20%
	Mindanao	6	379	30%	14%
	Luzon	1	522	27%	8%
Municipalities	All	66	122	11%	14%
	Visayas	23	160	16%	12%
	Mindanao	26	75	8%	15%
	Luzon	17	130	10%	16%
<i>UEM Sector</i>					
Visayas	All	21	182	16%	17%
	Cities	6	303	15%	20%
	Municipalities	15	177	16%	15%
Mindanao	All	14	144	18%	20%
	Cities	5	376	28%	9%
	Municipalities	9	79	10%	21%
Luzon	All	11	228	15%	17%
	Cities	1	522	27%	8%
	Municipalities	10	198	14%	19%

³ The median is the middle value in a set of values that are arranged in ascending or descending order. It is more representative of the results for a group of LGUs because, unlike the average, the median is not greatly affected by extreme values. Hence, half the LGUs in the selected group are ranked above this value and the other half are ranked below.

LGU Group		# of LGUs	Local Revenues per Capita	Internal Financing Ratio	Economic Expenditure Ratio
CRM Sector					
Visayas	All	8	237	25%	14%
	Cities	2	413	25%	26%
	Municipalities	6	236	25%	9%
Mindanao	All	16	70	8%	14%
	Cities	2	247	19%	26%
	Municipalities	14	67	8%	9%
Luzon	All	4	113	8%	14%
	Municipalities	4	113	8%	14%
FFM Sector					
Visayas	All	11	164	14%	16%
	Cities	4	190	14%	17%
	Municipalities	7	118	18%	12%
Mindanao	All	13	118	12%	13%
	Cities	3	381	32%	6%
	Municipalities	10	75	9%	14%
Luzon	All	8	92	5%	15%
	Municipalities	8	92	5%	15%

Observations and Findings

a. Local Revenues per Capita

- There is a very large disparity between the LGUs in the top 10 and the bottom 10. Tagbilaran City by far collects the largest amount at P1,347 per capita while the next LGU generates half that amount per capita. At the bottom are Sumisip and Tipo-tipo which generate almost no local revenues per capita.
- Not surprisingly, the cities generate significantly higher local revenues per capita in comparison to the municipalities (median for cities is P381 vis a vis P122 for municipalities). This can be attributed to cities having more taxable businesses and properties as well as greater tax collection efficiency as compared to municipalities.
- As a group, LGUs in the Visayas collect the largest per capita (median P177) and those in Mindanao collect the least (median P82).
- As a group, LGUs assisted by UEM sector generate the highest local revenues per capita (median is P177) while those assisted by CRM generate the lowest (median is P93).

- Within the 46 LGUs of the UEM sector, the 5 cities in Mindanao are among the strongest collectors of taxes and fees per capita (median P376), while the 9 municipalities also in Mindanao are among the weakest (median P79).
- Within the 28 LGUs of the CRM sector, the 2 cities in the Visayas are among the strongest collectors of taxes and fees per capita (median P413), while the 14 municipalities in Mindanao are among the weakest (median P67).
- Within the 33 LGUs of the FFM sector, the 3 cities in Mindanao are among the strongest collectors of taxes and fees per capita (median P381), while the 10 municipalities also in Mindanao are among the weakest (median P75).

b. Internal Financing Ratio

- There is a wide disparity in the ratios for the top 10 and bottom 10 LGUs.
- Cities are generally much more financially independent than municipalities (27% vs. 11%).
- As a group, LGUs in the Visayas are among the more financially independent (median 16%) while those in Mindanao are less independent (median 9%).
- As a group, LGUs assisted by UEM sector are the more financially independent (median 15%) while those assisted by CRM are less independent (median is 10%).
- Within the 46 LGUs of the UEM sector, the 5 cities in Mindanao are among the most financially independent (median 28%), while the 9 municipalities also in Mindanao are among the least independent (median of 10%).
- Within the 28 LGUs of the CRM sector, the 2 cities and 6 municipalities in the Visayas are the most financially independent (median 25% for both groups), while the 14 municipalities in Mindanao and the 4 municipalities in Luzon are among the least independent (median 8% for both groups).
- Within the 33 LGUs of the FFM sector, the 3 cities in Mindanao are among the most financially independent (median 32%), while the 8 municipalities in Luzon are among the least independent (median 5%).

c. Economic Expenditure Ratio

- There is still a wide disparity in the ratios for the top 10 and bottom 10 LGUs.
- Cities seem to devote only slightly more of their expenditures on economic services than municipalities (median 17% vs. 14%).

- The groups of LGUs in the 3 geographic areas devote similar proportions of their expenditures to economic services (median 15% for all 3 groups).
- No significant differences appear among the LGU groups assisted by the Sectors (median for UEM, 17%; for CRM and FFM, 14%)
- Within the 46 LGUs of the UEM sector, the 9 municipalities in Mindanao devote the largest share of expenditures to economic services (median 21%). On the other hand, the 5 cities also in Mindanao devote the least to economic services (median 9%), which is interesting to note because these same cities are among the highest ranked of the sector for the first 2 indicators.
- Within the 28 LGUs of the CRM sector, the 4 cities in the Visayas (2) and Mindanao (2) significantly prioritize economic services (median 26% for both groups), while the 20 municipalities also in the Visayas (6) and Mindanao (14) put least emphasis on economic services (median 9%).
- Within the 33 LGUs of the FFM sector, the 4 cities in the Visayas put significant emphasis on economic services (median 16%), while the 3 cities in Mindanao put the least emphasis (median 6%).

2. Capacity of LGU to Service Outstanding Liabilities

The LGUs are ranked from highest to lowest according to two indicators of capacity to service outstanding liabilities – savings rate and leverage. The highest ranked LGU for each indicator is automatically awarded the maximum of 100 points. The other LGUs receive points representing how they compare in relation to the highest ranked LGU. For example in terms of savings rate (or surplus income over total income), Koronadal City is awarded 61 points (P52/P31) based on its results in relation to Isabela City, which is the no.1 ranked LGU.

The ranking according to liquidity follows a different point system. LGUs with current ratios of 2 or above are all given the maximum of 100 points as they have more than adequate capacity to service existing short-term liabilities. On the other hand, LGUs with current ratios of less than 1 are given 0 points as they should be facing liquidity problems. LGUs with current ratio of 1 to 2 are given 50 to 100 points.

Table 5. Debt Service Capacity of EcoGov Partner LGUs – Preview of Rankings

Preview of results based on savings rate, financial leverage, and liquidity are as follows:

LGU	Savings (Dissavings) Rate a/		LGU	Financial Leverage b/	Points	LGU	Current Ratio c/	Points			
<u>Top 10</u>			<u>Top 10</u>			<u>Top 10</u>					
1	Isabela City	52%	100	1	Albuquerque	0%	100	1	Koronadal City	10.5	100
2	Tudela	39%	75	2	Alcoy	0%	100	2	Bais City	8.9	100
3	Tanjay City	39%	75	3	Bais City	0%	100	3	Balamban	7.0	100
4	Tacurong City	38%	74	4	Corella	0%	100	4	Baler	6.5	100
5	Zamboanga City	35%	69	5	Danao City	0%	100	5	San Francisco	5.7	100
6	Alcoy	33%	64	6	Dauin	0%	100	6	Bambang	5.0	100
7	Bayawan City	33%	64	7	Koronadal City	0%	100	7	Tacurong City	4.9	100
8	La Libertad	32%	63	8	Payao	0%	100	8	Sumisip	4.2	100
9	Koronadal City	31%	61	9	Tukuran	0%	100	9	Dipaculao	4.1	100
10	Dalaguete	30%	59	10	Wao	0%	100	10	Poro	4.1	100
<u>Bottom 10</u>			<u>Bottom 10</u>			<u>Bottom 10</u>					
69	Labangan	6%	11	69	Bambang	20%	80	69	Tabina	1.4	70
70	Kalamansig	5%	10	70	Parang	21%	79	70	Sta. Catalina	1.4	68
71	Cabarroguis	5%	10	71	Bayombong	21%	79	71	Labangan	1.3	63
72	Maasim	5%	10	72	Dalaguete	22%	78	72	Tudela	1.3	63
73	Duero	3%	6	73	Tipo-tipo	22%	78	73	San Luis	1.3	63
74	Sumisip	1%	2	74	Jagna	25%	75	74	Wao	1.0	50
75	Baler	1%	1	75	Buug	28%	72	75	Buug	0.9	0
76	Dimataling	1%	1	76	Maddela	32%	68	76	San Jose	0.9	0
77	Maddela	0%	(0)	77	Talibon	39%	61	77	Solano	0.7	0
78	Lamitan	-3%	(0.1)	78	Cauayan City	43%	57	78	San Pablo	0.4	0
79	Tipo-tipo	-12%	(0.2)	79	Duero	44%	56	79	Tipo-tipo	0.1	0

Notes: a/ Excess of Income over Operating Expenses / Total Actual Income; b/ Long-Term Debt / Total Assets; c/ Current Assets / Current Liabilities

Table 6. Debt Service Capacity of EcoGov Partner LGUs – Profiles of Selected Groups based on Median Values

LGU Group		# of LGUs	Savings (Dissavings) Rate	Financial Leverage	Current Ratio
Minimum		79	-12%	0%	0.1
Maximum		79	52%	44%	10.5
Average		79	16%	8%	2.7
Median		79	14%	2%	2.3
<i>Geographic Areas</i>					
Visayas		29	20%	1%	2.5
Mindanao		32	12%	2%	1.9
Luzon		18	14%	6%	2.5
<i>Sectors providing TA</i>					
UEM		46	15%	2%	2.4
CRM		28	15%	2%	2.3
FFM		33	14%	1%	2.2
<i>Category</i>					
Cities	All	13	25%	4%	2.9
	Visayas	6	24%	6%	2.9
	Mindanao	6	33%	3%	3.1
	Luzon	1	15%	43%	2.2
Municipalities	All	66	13%	1%	2.2
	Visayas	23	17%	0%	2.4
	Mindanao	26	10%	2%	1.8
	Luzon	17	14%	5%	2.6
<i>UEM Sector</i>					
Visayas	All	21	17%	1%	2.4
	Cities	6	24%	6%	2.9
	Municipalities	15	15%	1%	2.2
Mindanao	All	14	14%	3%	2.3
	Cities	5	31%	4%	3.1
	Municipalities	9	12%	2%	2.0
Luzon	All	11	14%	5%	2.6
	Cities	1	15%	43%	2.2
	Municipalities	10	12%	2%	2.7
<i>CRM Sector</i>					
Visayas	All	8	25%	2%	3.3
	Cities	2	19%	6%	2.9
	Municipalities	6	26%	2%	3.9
Mindanao	All	16	10%	2%	1.7
	Cities	2	38%	3%	2.4
	Municipalities	14	9%	2%	1.7

LGU Group		# of LGUs	Savings (Dissavings) Rate	Financial Leverage	Current Ratio
Luzon	All	4	14%	4%	3.2
	Municipalities	4	14%	4%	3.2
<i>FFM Sector</i>					
Visayas	All	11	26%	1%	2.6
	Cities	4	28%	6%	2.8
	Municipalities	7	26%	0%	2.5
Mindanao	All	13	9%	3%	2.0
	Cities	3	35%	3%	2.8
	Municipalities	10	6%	4%	1.9
Luzon	All	8	10%	5%	2.0
	Municipalities	8	10%	4%	2.0

Observations and Findings

4. Savings Rate

- There is a very large disparity between the LGUs in the top 10 and the bottom 10. At the top, Isabela City has surplus income in excess of 50%, while at the bottom there are 6 LGUs at near break-even (+3% to -3%) and one, Tipo-Tipo, that is losing substantially (-12%). These 7 LGUs would basically not have any borrowing capacity.
- Again not surprisingly, all the groups of cities in each geographic area generate a higher rate of surplus income than the corresponding municipalities (median 25% for all cities vis a vis 13% for all municipalities).
- As a group, the LGUs in the Visayas (29) have the highest savings rate (median 20%) while those in Mindanao (32) have the lowest rate (median 12%).
- Among LGUs grouped according to sector there are no striking differences in the median savings rate (median 14%-15%).
- Within the 46 LGUs of the UEM sector, the 5 cities in Mindanao have among the highest savings rates (median 33%), while the 9 municipalities also in Mindanao have among the lowest (median 10%).
- Within the 28 LGUs of the CRM sector, the 2 cities and 6 municipalities in the Visayas have generally high savings (median 19% and 26%, respectively), while municipalities in Mindanao have low savings (median 9%).

- Within the 33 LGUs of the FFM sector, the 3 cities in Mindanao have among the highest savings rates (median 35%) while the 10 municipalities also in Mindanao have minimal savings (median 6%).

5. Leverage

The main conclusion using this indicator is that there are no groups of LGUs that are substantially leveraged. Although there are individual LGUs with substantial borrowings equivalent to 20%-44% of total assets, the majority of LGUs in each group carry debt equivalent to 6% or less of their total assets.

6. Liquidity

There are 5 LGUs that appear to have experienced liquidity problems in 2003 as they have current ratios of less than 1. These LGUs may not have been able to fully pay short-term obligations to suppliers or creditors on time due to a shortfall of cash and other current assets. However apart from these LGUs, all the others have adequate levels of liquidity and working capital.

B. OVERALL SCORES AND RANKING

Overall scores for financial performance are determined for each LGU based on a weighted average of the points earned for each indicator. The following weights are applied:

	<u>Weights</u>
<u>Financial Autonomy Achieved</u>	
1. Local own-source revenues per capita	20%
2. Internal financing ratio	20%
3. Economic expenditure ratio a\	<u>10%</u>
	50%
<u>Capacity to Service Existing Liabilities</u>	
4. Savings rate	20%
5. Financial leverage	20%
6. Liquidity b\	<u>10%</u>
	50%
Total	100%

Notes:

- a\ Economic expenditure ratio is used as a forward indicator of LGU financial autonomy and is given less weight the other indicators.
- b\ Liquidity is given less weight because the large majority of partner LGUs are sufficiently liquid.

Set forth below, the partner LGUs are ranked according to their overall score. To facilitate rapid assessments of the LGUs, an “H” for High or “L” for Low is provided to show whether corresponding scores for financial self-sufficiency or debt service capacity are above or below the medians for the entire group. The median number of points for financial self-sufficiency and debt service capacity are 8.4 and 33.4, respectively.

Table 7. Ranking of Partner LGUs According to Financial Performance

Rank	Weights >	100%	Self Sufficiency	Debt Service Capacity	Score for Self Sufficiency	Score for Debt Service Capacity	FINANCIAL SELF-SUFFICIENCY						DEBT-SERVICE CAPACITY					
							20%	Pts	20%	Pts	10%	Pts	20%	Pts	20%	Pts	10%	Pts
	EcoGov Partner LGU	Overall Score (Weighted Average)					Local Revenues Per Capita		Internal Financing Capacity		Economic Expenditure Ratio		Savings (Dissavings) Rate		Financial Leverage		Current Ratio	
1	Tagbilaran City	80.4	H	H	44	36	1,347	100	63%	100	24%	44	25%	49	19%	81	3.1	100
2	Balamban	66.8	H	H	26	40	434	32	52%	83	19%	34	27%	52	0%	100	7	100
3	Koronadal City	66.6	H	H	24	42	362	27	28%	45	55%	100	31%	61	0%	100	10.5	100
4	Zamboanga City	64.7	H	H	21	44	381	28	37%	59	19%	35	35%	69	0%	100	2.8	100
5	Talibon	63.8	H	L	32	32	579	43	61%	97	20%	36	26%	50	39%	61	3.7	100
6	Danao City	63.7	H	H	28	36	663	49	37%	58	37%	67	14%	28	0%	100	2.8	100
7	Ipil	62.9	H	H	29	34	419	31	45%	71	46%	85	20%	39	19%	81	2.5	100
8	Tacurong City	62.0	H	H	21	41	501	37	37%	58	9%	16	38%	74	17%	83	4.9	100
9	Alcoy	58.7	H	H	16	43	316	23	31%	49	8%	15	33%	64	0%	100	2.8	100
10	Pagadian City	56.0	H	H	17	39	376	28	26%	41	20%	36	24%	47	4%	96	3.1	100
11	Kidapawan City	55.3	H	H	21	34	657	49	32%	51	6%	11	16%	31	10%	90	3	100
12	Panglao	55.0	H	H	18	37	320	24	32%	51	17%	32	18%	34	0%	100	3.9	100
13	Compostela	54.9	H	H	18	37	312	23	36%	58	7%	13	21%	40	3%	97	2.4	100
14	Isabela City	54.6	L	H	6	48	118	9	12%	19	4%	7	52%	100	3%	97	1.8	89
15	Dalaguete	54.1	H	H	17	37	185	14	31%	49	22%	41	30%	59	22%	78	2.7	100
16	Bais City	53.7	H	H	15	38	389	29	17%	26	23%	43	21%	42	0%	100	8.9	100
17	Tanjay City	53.3	H	H	10	43	216	16	13%	20	17%	31	39%	75	10%	90	2.6	100
18	La Libertad	51.6	H	H	10	42	115	9	18%	28	12%	22	32%	63	0%	100	1.9	94
19	Solano	51.6	H	L	26	26	436	32	47%	75	25%	46	17%	33	5%	95	0.7	0
20	Bambang	51.3	H	L	20	31	332	25	30%	48	29%	53	14%	27	20%	80	5	100
21	Bayawan City	51.2	H	H	9	43	164	12	12%	19	13%	24	33%	64	1%	99	2.4	100
22	Maribojoc	51.0	H	H	15	36	256	19	23%	36	20%	36	16%	32	0%	100	3.8	100
23	Isulan	49.7	H	H	15	35	142	11	23%	37	29%	53	14%	26	2%	98	2.6	100
24	Tudela	48.3	L	H	7	41	160	12	10%	16	8%	14	39%	75	0%	100	1.3	63
25	Bagabag	48.0	H	H	14	34	250	19	23%	36	17%	32	10%	19	0%	100	3.9	100
26	Poro	47.8	L	H	8	40	127	9	13%	21	11%	20	26%	50	1%	99	4.1	100
27	Toledo City	46.8	H	H	10	37	163	12	14%	22	16%	30	23%	46	11%	89	2.9	100

Rank	Weights >	100%	Self Sufficiency	Debt Service Capacity	Score for Self Sufficiency	Score for Debt Service Capacity	FINANCIAL SELF-SUFFICIENCY						DEBT-SERVICE CAPACITY					
							20%	Pts	20%	Pts	10%	Pts	20%	Pts	20%	Pts	10%	Pts
	EcoGov Partner LGU	Overall Score (Weighted Average)					Local Revenues Per Capita		Internal Financing Capacity		Economic Expenditure Ratio		Savings (Dissavings) Rate		Financial Leverage		Current Ratio	
28	Bayombong	46.5	H	L	19	28	228	17	26%	40	39%	71	6%	11	21%	79	2.8	100
29	Maitum	45.8	H	L	13	33	141	10	14%	22	33%	61	12%	23	1%	99	1.8	89
30	Cortes	45.8	H	L	14	32	306	23	22%	35	14%	26	11%	22	14%	86	3	100
31	Cauayan City	45.4	H	L	18	27	522	39	27%	43	8%	16	15%	30	43%	57	2.2	100
32	Ma. Aurora	45.2	H	H	9	36	167	12	15%	23	10%	18	17%	32	0%	100	3.2	100
34	Pamplona	45.0	L	H	8	37	66	5	8%	13	26%	48	20%	38	0%	100	1.8	90
33	Sultan Kudarat	45.0	H	H	11	34	53	4	8%	13	40%	73	12%	24	0%	100	1.9	95
35	Corella	44.9	H	L	13	32	372	28	16%	25	15%	27	9%	18	0%	100	1.6	80
36	Kiamba	44.4	H	L	12	32	176	13	19%	30	19%	34	13%	24	12%	88	2.2	100
37	Jagna	44.4	H	L	13	32	177	13	21%	34	19%	34	17%	33	25%	75	2.2	100
38	Dumalinao	43.9	H	L	11	33	136	10	13%	20	26%	47	15%	30	2%	98	1.5	76
39	Diffun	43.7	L	H	8	36	91	7	11%	17	16%	29	16%	30	0%	100	3.3	100
40	Dauis	43.7	H	H	9	34	136	10	16%	26	12%	21	13%	26	4%	96	2.1	100
41	Makilala	42.9	H	L	11	32	167	12	19%	31	15%	27	7%	14	6%	94	2.2	100
42	San Miguel	42.7	L	H	7	35	118	9	12%	19	9%	17	14%	27	0%	100	2.5	100
43	Dauin	42.3	L	H	6	36	113	8	12%	19	5%	9	15%	30	0%	100	2	100
44	Dupax del Sur	41.9	L	H	6	36	106	8	5%	9	16%	29	14%	28	0%	100	3.6	100
45	Amlan	41.9	L	H	8	34	137	10	12%	20	8%	15	11%	22	0%	100	2.2	100
46	Dinalungan	41.8	L	H	6	36	97	7	5%	7	16%	30	15%	30	0%	100	2.3	100
47	Dinas	41.7	L	H	6	36	61	5	8%	13	12%	21	17%	33	3%	97	2.5	100
48	Dipaculao	41.6	L	H	7	35	130	10	10%	15	9%	16	13%	25	0%	100	4.1	100
50	San Francisco	40.9	L	H	5	36	66	5	10%	15	5%	9	17%	34	4%	96	5.7	100
49	Albuquerque	40.9	L	L	8	33	182	14	12%	19	9%	17	8%	16	0%	100	1.9	94
51	Dupax del Norte	40.5	L	L	8	33	134	10	10%	16	13%	25	11%	21	7%	93	2.6	100
52	Lebak	40.2	L	L	8	32	66	5	10%	15	21%	38	12%	24	12%	88	3.9	100
53	Naga	40.0	L	H	6	34	73	5	8%	12	15%	28	16%	31	2%	98	1.6	80
54	Tukuran	39.7	L	L	7	33	84	6	10%	16	15%	28	11%	22	0%	100	1.6	81
55	Sta. Catalina	39.4	L	L	7	32	71	5	9%	15	18%	34	14%	27	1%	99	1.4	68
56	Nagtipunan	39.3	L	H	5	35	93	7	3%	5	12%	23	21%	41	14%	86	1.8	92

Rank	Weights >		Self Sufficiency	Debt Service Capacity	Score for Self Sufficiency	Score for Debt Service Capacity	FINANCIAL SELF-SUFFICIENCY						DEBT-SERVICE CAPACITY					
	EcoGov Partner LGU	100% Overall Score (Weighted Average)					20%		20%		10%		20%		20%		10%	
							Local Revenues Per Capita	Pts	Internal Financing Capacity	Pts	Economic Expenditure Ratio	Pts	Savings (Dissavings) Rate	Pts	Financial Leverage	Pts	Current Ratio	Pts
57	Buug	39.3	H	L	19	20	281	21	29%	46	31%	57	15%	29	28%	72	0.9	0
58	Baler	39.2	H	L	12	27	208	15	20%	32	14%	26	1%	1	15%	85	6.5	100
59	San Luis	38.1	L	L	6	32	91	7	6%	9	14%	26	19%	37	7%	93	1.3	63
60	Payao	37.2	L	L	4	33	65	5	6%	10	8%	14	7%	14	0%	100	2.4	100
61	Quezon	36.9	L	L	4	33	40	3	3%	5	10%	19	15%	29	0%	100	1.5	76
62	Cabarroguis	36.8	L	L	5	32	24	2	2%	3	21%	38	5%	10	0%	100	2.1	100
63	Lamitan	36.4	L	L	8	29	79	6	9%	14	21%	38	-3%	-7	0%	100	2	100
64	Parang	36.3	L	L	7	30	77	6	8%	13	15%	27	11%	20	21%	79	2	100
65	Tabina	36.3	L	L	7	30	94	7	9%	15	11%	21	8%	15	1%	99	1.4	70
66	Maddela	36.2	H	L	14	22	250	19	13%	21	32%	58	0%	0	32%	68	1.8	88
67	Kalamansig	35.7	L	L	5	31	60	4	5%	9	13%	25	5%	10	0%	100	1.7	86
68	Tungawan	35.6	L	L	6	30	77	6	7%	11	13%	23	10%	19	14%	86	1.8	89
69	San Jose	35.6	L	L	8	28	91	7	9%	15	19%	34	20%	39	0%	100	0.9	0
70	Wao	35.5	L	L	7	29	147	11	13%	20	4%	8	9%	18	0%	100	1	49
71	Labangan	34.5	L	L	6	29	67	5	8%	12	14%	26	6%	11	0%	100	1.3	63
73	Maasim	33.0	L	L	5	28	70	5	6%	10	11%	20	5%	10	11%	89	1.6	82
72	RT Lim	33.0	L	L	6	28	51	4	5%	8	17%	31	7%	14	18%	82	1.7	83
74	Aglipay	32.7	L	L	5	28	61	5	5%	8	12%	21	6%	12	9%	91	1.5	74
75	Sumisip	32.3	L	L	2	30	5	0	0%	1	10%	17	1%	2	0%	100	4.2	100
76	Dimataling	32.0	L	L	3	29	27	2	3%	4	9%	16	1%	1	5%	95	2.4	100
77	Duero	30.1	L	L	8	22	151	11	12%	20	8%	15	3%	6	44%	56	2.5	100
78	San Pablo	28.1	L	L	4	24	45	3	5%	8	11%	21	10%	19	0%	100	0.4	0
79	Tipo-tipo	12.4	L	L	1	11	2	0	0%	0	8%	14	-12%	-23	22%	78	0.1	0

IV. CAPACITY TO ACCESS BORROWINGS

Financing for the costs and expenses of a new project may be provided by an LGU through the following sources:

A. FUNDING FOR DEVELOPMENT PROJECTS

Under the Code, the LGU shall appropriate in its annual budget at least twenty percent (20%) of its IRA for development projects. The fund is typically spread over a range of new projects that normally compete for funding within an LGU, such as public markets or other commercially-viable facilities, or projects related to education, health, etc. Less capital-intensive projects of EcoGov 2, such as those activities supported by the CRM and FFM sectors, may be financed through the development fund. In lieu of actual financial data on development funds, historical data on surplus income may be used to assess the partner LGUs' capacity to finance relatively modest capital costs or recurring expenses of potential projects.

B. EXTERNAL BORROWING FROM A GOVERNMENT FINANCIAL INSTITUTION (GFI)

Capital-intensive projects supported by EcoGov, particularly solid waste disposal management facilities, would generally require the LGUs to access external borrowings from a GFI. An LGU may use the proceeds of a loan obtained from a GFI to finance initial project development and construction costs of a new project. Thus, an estimate of the external borrowings that the partner LGUs can raise for new development projects is a necessary step in the desktop analysis.

It should be noted that LGUs have focused only on GFIs as a source of external borrowings. The ability of GFIs to intercept the IRA has enabled them to successfully expand their LGU loan portfolios. Typically, the loan agreement with a GFI requires the borrowing LGU to deposit its IRA with the lender, and authorizes the lender to automatically debit from the deposit any loan amortization not paid within the prescribed period. Such lending arrangements, however, are not possible for commercial banks and private sector financing institutions. While the Code allows LGUs to choose their depository bank, the Bangko Sentral ng Pilipinas (in BSP Circular 311) and COA restrict LGU deposits to GFIs. Consequently, private financial institutions are prevented from intercepting IRA funds as security for LGU loans in the same manner as GFIs. At present, the ability of LGUs to access loans from private financial institutions is largely dependent on the Local Government Unit Guarantee Corporation or other similar institutions to guarantee the LGU's indebtedness. However, guarantees involve significant transactions costs and are available only to creditworthy LGUs seeking to finance self-liquidating infrastructure projects. As a result, the monopoly on LGU deposits enjoyed by few GFIs has enabled them to dominate the municipal credit market.

The ability of an LGU to access borrowings from a GFI is determined by the following factors, whichever is lower:

- Legal limit for annual debt service. Under the Code, the amount that an LGU may appropriate for debt servicing shall not exceed twenty percent (20%) of its regular income or total recurring income (IRA + recurring local own source income).
- Actual capacity based on LGU's net income. The surplus income of the LGU is the amount available to fund annual debt service. An LGU that has no actual or projected surplus income would not be able to access any external borrowings.

In estimating the borrowing capacity of an LGU from a GFI, the following steps are applied:

- Estimate LGU's annual debt service capacity by determining the lower of 20% of total regular income (legal limit for debt service) or surplus income (actual debt service capacity)
- Multiply amount by 5.65, which assumes that the LGU can access a credit facility with the following conditions (used for illustrative purposes only):
 - Loan maturity in 10 years with no grace period
 - Equal amortization payments
 - Interest fixed at 12%

(Annex E provides a listing/description of the credit facilities available for environmental management projects)

- Deduct existing long-term liabilities
- = Estimated Borrowing Capacity (or capacity to access additional borrowings)

Example:

Set forth below is an application of the analysis:

- An LGU with total regular income of P100 million and surplus income of P30 million would have an annual debt service capacity of P20 million.
- Based on the debt service capacity, the LGU would be able to raise a maximum loan amount of P113 million or (P20 million x 5.65).
- Assuming that the LGU does not have any long-term liabilities, then the LGU has the capacity to borrow up to P113 million.

The corresponding loan amortization schedule of the LGU is presented below:

Table 8. Sample Loan Amortization Schedule

(in million Pesos)	Year	0	1	2	3	4	5	6	7	8	9	10
Drawdown		113.0										
Beginning Balance		113.0	113.0	106.6	99.4	91.3	82.2	72.1	60.7	48.0	33.8	17.9
Principal Repayment			6.4	7.2	8.1	9.0	10.1	11.3	12.7	14.2	15.9	17.9
Ending Balance		113.0	106.6	99.4	91.3	82.2	72.1	60.7	48.0	33.8	17.9	0
Interest Payment (interest rate : 12%)			13.6	12.8	11.9	11.0	9.9	8.7	7.3	5.8	4.1	2.1
Debt Service (Principal + Interest)			20.0									

Based on the analytical approach, the estimated capacity of the partner LGUs to assume additional borrowings are presented as follows:

Table 9. Borrowing Capacity of EcoGov's Partner LGUs

	EcoGov Partner LGU	Total Income 2003	20% of Total Income, Legal Limit for Debt Service (A)	Surplus Income 2003, Actual Limit for Debt Service (B)	Effective Debt Ceiling (based on lower of A or B x 5.65)	Less: Total Long-Term Liabilities 2003	Estimated Borrowing Capacity
1	Zamboanga City	1,053,988,300	210,797,660	373,538,100	1,191,053,793	228,100	1,190,825,693
2	Bayawan City	327,083,500	65,416,700	108,345,100	369,618,945	6,152,100	363,466,845
3	Koronadal City	281,566,200	56,313,240	88,394,700	318,182,365	0	318,182,365
4	Pagadian City	310,201,700	62,040,340	75,317,600	350,541,758	46,836,800	303,704,958
5	Toledo City	239,016,300	47,803,260	56,014,300	270,099,080	6,160,300	263,938,780
6	Bais City	222,956,700	44,591,340	47,742,800	251,951,016	0	251,951,016
7	Kidapawan City	298,711,400	59,742,280	46,941,900	265,232,204	50,269,200	214,963,004
8	Isabela City	184,894,100	36,978,820	95,228,800	208,938,580	4,959,100	203,979,480
9	Tanjay City	198,738,500	39,747,700	76,748,700	224,583,370	22,720,500	201,862,870
10	Tacurong City	203,521,600	40,704,320	77,521,900	229,988,486	46,721,900	183,266,586
11	Danao City	223,847,000	44,769,400	32,069,100	181,197,567	0	181,197,567
12	Tagbilaran City	251,913,500	50,382,700	63,083,500	284,673,492	113,069,600	171,603,892
13	Balamban	77,160,500	15,432,100	20,573,500	87,194,807	413,100	86,781,707
14	Cauauyan City	273,451,000	54,690,200	41,973,800	237,161,331	169,051,500	68,109,831
15	Nagtipunan	77,659,200	15,531,840	16,395,300	87,758,360	23,197,100	64,561,260
16	Isulan	80,587,100	16,117,420	10,901,400	61,595,341	1,686,400	59,908,941
17	Solano	62,746,500	12,549,300	10,823,100	61,152,929	4,019,700	57,133,229
18	Sta. Catalina	66,986,800	13,397,360	9,327,700	52,703,585	742,900	51,960,685
19	Sultan Kudarat	68,582,700	13,716,540	8,470,100	47,857,954	30,300	47,827,654

	EcoGov Partner LGU	Total Income 2003	20% of Total Income, Legal Limit for Debt Service (A)	Surplus Income 2003, Actual Limit for Debt Service (B)	Effective Debt Ceiling (based on lower of A or B x 5.65)	Less: Total Long-Term Liabilities 2003	Estimated Borrowing Capacity
20	San Luis	45,900,700	9,180,140	8,805,000	49,750,214	3,477,000	46,273,214
21	Ipil	66,518,000	13,303,600	13,363,600	75,168,307	29,539,500	45,628,807
22	Ma. Aurora	46,828,700	9,365,740	7,762,800	43,861,551	0	43,861,551
23	La Libertad	35,528,000	7,105,600	11,526,500	40,148,225	20,000	40,128,225
24	Compostela	36,436,600	7,287,320	7,575,800	41,174,983	1,625,500	39,549,483
25	Diffun	45,136,400	9,027,280	7,014,600	39,634,054	240,000	39,394,054
26	Pamplona	35,237,500	7,047,500	6,963,800	39,347,023	0	39,347,023
27	Talibon	75,329,400	15,065,880	19,585,800	85,125,582	48,123,000	37,002,582
28	Lebak	65,336,400	13,067,280	7,960,700	44,979,730	8,249,700	36,730,030
29	Dalaguete	53,360,100	10,672,020	16,102,600	60,299,293	26,602,800	33,696,493
30	Dupax del Sur	41,185,700	8,237,140	5,938,600	33,554,414	0	33,554,414
31	Naga	37,823,600	7,564,720	6,123,600	34,599,706	1,050,000	33,549,706
32	San Francisco	35,490,700	7,098,140	6,210,500	35,090,710	2,716,600	32,374,110
33	Parang	78,920,000	15,784,000	8,318,700	47,002,510	16,900,900	30,101,610
34	Dinas	31,034,900	6,206,980	5,211,300	29,445,007	1,128,000	28,317,007
35	Maitum	42,884,900	8,576,980	5,137,000	29,025,196	1,106,200	27,918,996
36	Bambang	56,169,900	11,233,980	7,889,900	44,579,695	16,750,600	27,829,095
37	Kiamba	51,421,400	10,284,280	6,485,400	36,643,956	8,907,300	27,736,656
38	Panglao	27,612,000	5,522,400	4,857,100	27,443,698	0	27,443,698
39	Dipaculao	37,339,900	7,467,980	4,825,900	27,267,411	0	27,267,411
40	Poro	23,881,700	4,776,340	6,198,900	26,987,386	342,000	26,645,386
41	Alcoy	22,352,200	4,470,440	7,418,500	25,258,983	0	25,258,983
42	Dumalinao	30,006,400	6,001,280	4,579,700	25,876,326	1,001,700	24,874,626
43	Wao	48,210,000	9,642,000	4,373,800	24,712,945	0	24,712,945
44	San Jose	20,517,100	4,103,420	4,124,700	23,185,238	8,000	23,177,238
45	Dauin	26,322,300	5,264,460	4,004,300	22,625,188	0	22,625,188
46	Dinalungan	25,790,100	5,158,020	3,965,700	22,407,089	0	22,407,089
47	Tukuran	34,063,400	6,812,680	3,896,500	22,016,094	0	22,016,094
48	Bagabag	39,660,500	7,932,100	3,863,500	21,829,637	0	21,829,637
49	Maribojoc	22,662,300	4,532,460	3,693,800	20,870,794	0	20,870,794
50	San Miguel	26,345,800	5,269,160	3,623,000	20,470,758	0	20,470,758
51	Quezon	24,060,800	4,812,160	3,612,000	20,408,606	0	20,408,606
52	Dupax del Norte	36,231,000	7,246,200	3,904,500	22,061,296	1,936,300	20,124,996

	EcoGov Partner LGU	Total Income 2003	20% of Total Income, Legal Limit for Debt Service (A)	Surplus Income 2003, Actual Limit for Debt Service (B)	Effective Debt Ceiling (based on lower of A or B x 5.65)	Less: Total Long-Term Liabilities 2003	Estimated Borrowing Capacity
53	Dauis	27,882,900	5,576,580	3,676,300	20,771,915	1,200,000	19,571,915
54	Tudela	16,636,200	3,327,240	6,433,200	18,799,648	0	18,799,648
55	Makilala	64,477,900	12,895,580	4,602,100	26,002,891	7,250,000	18,752,891
56	Tungawan	45,588,600	9,117,720	4,423,200	24,992,066	6,814,800	18,177,266
57	Kalamansig	59,194,500	11,838,900	3,188,900	18,017,996	11,800	18,006,196
58	Jagna	33,569,100	6,713,820	5,690,500	32,152,594	14,983,700	17,168,894
59	Amlan	24,832,000	4,966,400	2,827,700	15,977,136	121,900	15,855,236
60	San Pablo	27,359,200	5,471,840	2,680,300	15,144,293	6,000	15,138,293
61	Buug	40,935,700	8,187,140	6,028,600	34,062,935	20,000,000	14,062,935
62	Payao	32,201,200	6,440,240	2,279,100	12,877,423	0	12,877,423
63	Cortes	20,610,000	4,122,000	2,347,700	13,265,029	1,734,000	11,531,029
64	Cabarroguis	38,061,300	7,612,260	1,966,800	11,112,859	0	11,112,859
65	RT Lim	38,751,800	7,750,360	2,839,900	16,046,068	4,977,600	11,068,468
66	Labangan	34,958,000	6,991,600	1,973,500	11,150,715	194,400	10,956,315
67	Corella	15,702,700	3,140,540	1,417,300	8,008,061	0	8,008,061
68	Aglipay	31,958,700	6,391,740	1,957,600	11,060,877	3,073,500	7,987,377
69	Maasim	49,691,600	9,938,320	2,459,100	13,894,463	6,228,400	7,666,063
70	Alburquerque	15,712,900	3,142,580	1,301,600	7,354,330	0	7,354,330
71	Tabina	25,253,000	5,050,600	1,898,400	10,726,383	6,296,000	4,430,383
72	Sumisip	54,874,400	10,974,880	589,800	3,332,502	27,100	3,305,402
73	Bayombong	50,130,100	10,026,020	2,949,700	16,666,463	13,500,000	3,166,463
74	Dimataling	27,750,000	5,550,000	150,300	849,229	1,875,000	none
75	Baler	33,295,300	6,659,060	223,100	1,260,565	5,935,200	none
76	Duero	22,565,900	4,513,180	738,000	4,169,865	9,962,100	none
77	Lamitan	52,744,500	10,548,900	(1,790,700)	-	102,200	none
78	Maddela	67,132,300	13,426,460	(93,900)	-	22,949,700	none
79	Tipo-tipo	39,836,800	7,967,360	(4,770,900)	-	1,434,600	none

Set forth below is a distribution of LGUs and LGU groups according to borrowing capacities:

Table 10. Distribution of LGUs According to Borrowing Capacities

Borrowing Capacity (in millions)	No. of LGUs	LGU Type		Sector giving TA			Geographic Areas		
		Cities	Municipalities	UEM	CRM	FFM	Mindanao	Visayas	Luzon
Above 1,000	1	1				1	1		
300 - 400	3	3		3		3	2	1	
250 - 300	2	2		2	1	2		2	
200 - 250	3	3		3	1	3	2	1	
150 - 200	3	3		3	1		1	2	
100 - 150	0								
50 - 100	6	1	5	4		2	1	2	3
20 - 50	30		30	15	12	11	11	11	8
10 - 20	18		18	10	7	5	8	7	3
Less than 10	7		7	3	1	3	3	2	2
none	6		6	3	3	4	3	1	2
Total	79	13	66	46	26	34	32	29	18

The key observations on the partner LGUs' borrowing capacity are as follows:

- As expected, the cities have significantly larger borrowing capacities vis-à-vis the municipalities. Out of 13 cities, 12 can borrow in excess of P150 million; while out of 66 municipalities, only 5 can borrow more than 50 million and 13 have minimal or no borrowing capacity.
- The 6 municipalities with no borrowing capacity will not be able to pursue capital-intensive projects if their financial status remains unchanged.
- The LGUs assisted by the CRM have relatively more limited capacity to access loans as compared to the other LGUs assisted by the UEM and FFM sectors.
- Out of 46 LGUs assisted by the UEM sector, 11 can access borrowings within the range of P150 million to P400 million, and are capable of financing capital-intensive projects, including sanitary landfills, either on their own or as the lead member in a cluster of LGUs.
- The LGUs in Luzon have smaller borrowing capacities in relation to the LGUs in Mindanao and the Visayas.

V. RAPID ASSESSMENTS OF THE PARTNER LGUS

The following tables present rapid assessments of the Partner LGUs assisted by the UEM, CRM and FFM sectors. Key data and preliminary observations or opinions are given relating to the LGU's management strength and capacity to provide or access requisite financing for the proposed projects, among others. The cost estimates of the proposed projects are merely indicative and may require substantial revision based on the LGU's financing capacity.

A. RAPID ASSESSMENT OF LGUs ASSISTED BY THE UEM SECTOR

Rank	ECOGOV LGU	Population, 2003 (in '000)	FINANCIAL PERFORMANCE					FINANCING CAPACITY			RAPID ASSESSMENT	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects ^{a/}	Needs to access external funding	Comments
1	Tagbilaran City	85	80	H	44	H	36	63	172	MRF, SLF (cluster), THW, WWM	Yes	<ul style="list-style-type: none"> Strong financial performance and financing capacity; local revenues per capita and internal financing ratio at the top for partner LGUs Can pursue wide range of options, including joint ventures, contracts with private sector Can play a lead role in cluster to secure funding for SLF
2	Koronadal City	146	67	H	24	H	42	88	318	MRF, SLF, WWM, THW	Yes	<ul style="list-style-type: none"> Strong financial performance and financing capacity Can pursue a wide range of options, including joint ventures, contracts with private sector Can play a lead role in cluster to secure funding for SLF
3	Talibon	58	64	H	32	L	32	19	37	MRF, SLF	Yes	<ul style="list-style-type: none"> Strong financial performance Limited capacity to provide project financing Must join LGU cluster to access SLF
4	Danao City	105	64	H	28	H	36	32	181	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Strong financial performance and financing capacity Can pursue wide range of options, including joint ventures, contracts with private sector Can play a lead role in cluster to secure funding for SLF
5	Ipil	54	63	H	29	H	34	13	46	MRF, SLF	Yes	<ul style="list-style-type: none"> Strong financial performance Limited capacity to provide project financing Must join LGU cluster to access SLF
6	Tacurong City	82	62	H	21	H	41	77	183	MRF, SLF, WWM	Yes	<ul style="list-style-type: none"> Good financial performance and financing capacity, although economic expenditures are low Can pursue wide range of options, including joint ventures, contracts with private sector Can play a lead role in cluster to secure funding for SLF
7	Pagadian City	156	56	H	17	H	39	75	304	MRF, Residual Waste Treatment Facility, THW	Yes	<ul style="list-style-type: none"> Good financial performance and strong financing capacity Can pursue wide range of options, including joint ventures, contracts with private sector
8	Kidapawan City	109	55	H	21	H	34	46	215	MRF, SLF (cluster), WWM, THW	Yes	<ul style="list-style-type: none"> Good financial performance and financing capacity, although economic expenditures are low Can pursue wide range of options, including joint ventures, contracts with private sector Can play a lead role in cluster to secure funding for SLF
9	Panglao	23	55	H	18	H	37	5	27	MRF, SLF (cluster), WWM	Yes	<ul style="list-style-type: none"> Good financial performance Limited capacity to provide project financing Must join LGU cluster to access SLF

Rank	ECOGOV LGU	Population, 2003 (in '000)	FINANCIAL PERFORMANCE					FINANCING CAPACITY			RAPID ASSESSMENT	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects ^{a/}	Needs to access external funding	Comments
10	Compostela	33	55	H	18	H	37	8	40	MRF	Optional	<ul style="list-style-type: none"> Good financial performance, although economic expenditures are low Adequate capacity to provide project financing for MRF
11	Isabela City	77	55	L	6	H	48	95	204	MRF, SLF (cluster), THW	Optional	<ul style="list-style-type: none"> Weak financial performance and low economic expenditures Surplus income very high and minimal long-term borrowings Strong potential to provide project financing for range of projects Financial resources not fully utilized; may need to strengthen development planning activities
12	Bais City	71	54	H	15	H	38	48	252	MRF, improvement and expansion of existing SLF, WWM	Optional	<ul style="list-style-type: none"> Internal financing capacity needs improvement; no borrowings Strong potential to provide project financing for range of projects
13	Tanjay City	72	53	H	10	H	43	77	202	MRF, SLF, WWM	Optional	<ul style="list-style-type: none"> Internal financing capacity needs improvement; has some borrowings Strong potential to provide project financing for range of projects
14	Solano	55	52	H	26	L	26	11	57	MRF, THW	Optional	<ul style="list-style-type: none"> Financial self-sufficiency is strong overall but debt service capacity appears weak; current ratio is less than 1 Adequate capacity to provide project financing for MRF
15	Bambang	44	51	H	20	L	31	8	28	MRF, SLF	Yes	<ul style="list-style-type: none"> Good financial performance; has substantial borrowings Limited capacity to provide project financing Must join LGU cluster to access SLF
16	Bayawan City	107	51	H	9	H	43	108	363	MRF, THW, SLF, WWM	Optional	<ul style="list-style-type: none"> Local revenues per capita and internal financing capacity relatively weak (below median in both indicators for LGUs in the Visayas); minimal borrowings Strong potential to provide project financing for range of projects Can play a lead role in cluster to secure funding for SLF
17	Maribojoc	17	51	H	15	H	36	4	21	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Good financial performance; no borrowings Limited capacity to provide project financing Must join LGU cluster to access SLF
18	Isulan	110	50	H	15	H	35	11	60	MRF	Optional	<ul style="list-style-type: none"> Good financial performance; minimal borrowings Adequate capacity to provide project financing for MRF
19	Bagabag	32	48	H	14	H	34	4	22	MRF	Yes	<ul style="list-style-type: none"> Good financial performance; minimal borrowings Limited capacity to provide project financing for MRF
20	Toledo City	156	47	H	10	H	37	56	264	MRF	No	<ul style="list-style-type: none"> Good financial performance; has some borrowings Capacity to provide project financing for MRF more than adequate

Rank	ECOGOV LGU	Population, 2003 (in '000)	FINANCIAL PERFORMANCE					FINANCING CAPACITY			RAPID ASSESSMENT	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects a/	Needs to access external funding	Comments
21	Bayombong	52	47	H	19	L	28	3	3	MRF, SLF (in negotiations with Provincial Government), THW	Yes	<ul style="list-style-type: none"> Good financial self-sufficiency but savings rate is low and has significant borrowings Inadequate capacity to provide project financing for range of projects; must seek assistance from provincial government Must join LGU cluster to access SLF
22	Cortes	13	46	H	14	L	32	2	12	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Good financial performance; has some borrowings Limited capacity to provide project financing Must join LGU cluster to access SLF
23	Cauayan City	113	45	H	18	L	27	42	68	MRF	No	<ul style="list-style-type: none"> Strong financial performance, although economic expenditures are low; has substantial loans which limit borrowing capacity Has more than adequate capacity to provide project financing for MRF
24	Ma. Aurora	34	45	H	9	H	36	8	44	MRF	No	<ul style="list-style-type: none"> Good financial performance; no borrowings Sufficient to provide project financing for MRF
25	Pamplona	34	45	L	8	H	37	7	39	MRF	Yes	<ul style="list-style-type: none"> Good financial performance; has some borrowings Limited capacity to provide project financing Must join LGU cluster to access SLF
26	Sultan Kudarat	101	45	H	11	H	34	8	48	MRF	Optional	<ul style="list-style-type: none"> Internal financing capacity is weak, but economic expenditures are high; has no borrowings Adequate capacity to provide project financing for MRF
27	Corella	6	45	H	13	L	32	1	8	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Good financial performance; should improve savings rate, has no borrowings Capacity to provide project financing for projects is inadequate Must join LGU cluster to access SLF
28	Jagna	33	44	H	13	L	32	6	17	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Good financial performance; has substantial borrowings Limited capacity to provide project financing Must join LGU cluster to access SLF
29	Diffun	43	44	L	8	H	36	7	39	MRF, SLF	Yes	<ul style="list-style-type: none"> Internal financing capacity is weak; has no borrowings Adequate to provide project financing for projects Must join LGU cluster to access SLF
30	Dauis	28	44	H	9	H	34	4	20	MRF, SLF (cluster), WWM	Yes	<ul style="list-style-type: none"> Performance indicators are near the median for partner LGUs; has minimal borrowings Capacity to provide project financing for range of projects is limited Must join LGU cluster to access SLF
31	Dauin	22	42	L	6	H	36	4	23	MRF	Yes	<ul style="list-style-type: none"> Internal financing capacity relatively weak; has no borrowings Capacity to provide project financing for MRF may be sufficient

Rank	ECOGOV LGU	Population, 2003 (in '000)	FINANCIAL PERFORMANCE					FINANCING CAPACITY			RAPID ASSESSMENT	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects ^{a/}	Needs to access external funding	Comments
32	Amlan	20	42	L	8	H	34	3	16	MRF	Yes	<ul style="list-style-type: none"> Performance indicators are near the median for partner LGUs; has minimal borrowings Capacity to provide project financing for range of projects is limited
33	Albuquerque	9	41	L	8	L	33	1	7	MRF, SLF (cluster)	Yes	<ul style="list-style-type: none"> Financial self-sufficiency near the median for partner LGUs; has no borrowings Capacity to provide project financing for range of projects is clearly lacking Must join LGU cluster to access SLF
34	Dupax del Norte	17	41	L	8	L	33	4	20	MRF	Optional	<ul style="list-style-type: none"> Performance indicators are near the median for partner LGUs; has minimal borrowings Capacity to provide project financing for MRF may be sufficient
35	Lebak	76	40	L	8	L	32	8	37	MRF	Optional	<ul style="list-style-type: none"> Performance indicators are just below the median for partner LGUs; has some borrowings Adequate capacity to provide project financing for MRF
36	Sta. Catalina	71	39	L	7	L	32	9	52	MRF	Optional	<ul style="list-style-type: none"> Local revenues per capita is low and financial self-sufficiency is weak; savings rate is at the median, has minimal borrowings Adequate capacity to provide project financing for MRF
37	Buug	36	39	H	19	L	20	6	14	MRF, SLF	Optional	<ul style="list-style-type: none"> Good financial performance overall; has substantial borrowings Capacity to provide project financing for range of projects is limited Must join LGU cluster to access SLF
38	Quezon	17	37	L	4	L	33	4	20	MRF	Optional	<ul style="list-style-type: none"> Financial performance appears weak, almost entirely dependent on IRA; has no borrowings Capacity to provide project financing for MRF may be sufficient
39	Cabarroguis	27	37	L	5	L	32	2	11	MRF	Yes	<ul style="list-style-type: none"> Financial performance appears weak, almost entirely dependent on IRA; savings rate is low, has no borrowings Capacity to provide project financing for MRF appears lacking
40	Lamitan	61	36	L	8	L	29	-2	none	MRF, SLF (cluster)	n.a.	<ul style="list-style-type: none"> Financial performance appears weak, highly dependent on IRA; savings rate is negative Capacity to provide project financing is clearly lacking
41	Parang	63	36	L	7	L	30	8	30	MRF	Optional	<ul style="list-style-type: none"> Financial performance appears weak, almost entirely dependent on IRA; has substantial borrowings Adequate capacity to provide project financing for MRF
42	Maddela	34	36	H	14	L	22	-1	none	MRF, SLF (cluster)	n.a.	<ul style="list-style-type: none"> Financial self-sufficiency at the median; no savings realized, has substantial borrowings No capacity to access requisite financing for projects

Rank	ECOGOV LGU	Population, 2003 (in '000)	FINANCIAL PERFORMANCE					FINANCING CAPACITY			RAPID ASSESSMENT	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects ^{a/}	Needs to access external funding	Comments
43	Kalamansig	47	36	L	5	L	31	3	18	MRF	Optional	<ul style="list-style-type: none"> Financial performance appears weak; low savings rate, no borrowings Capacity to provide project financing may be sufficient for MRF
44	San Jose	17	36	L	8	L	28	4	23	MRF	Optional	<ul style="list-style-type: none"> Financial self-sufficiency is weak; has good savings rate, no borrowings but current ratio < 1 Capacity to provide project financing may be sufficient for MRF
45	Wao	38	36	L	7	L	29	4	25	MRF	Optional	<ul style="list-style-type: none"> Financial self-sufficiency near the median; low saving rate, no borrowings Capacity to provide project financing may be sufficient for MRF
46	Duero	17	30	L	8	L	22	0.7	none	MRF, SLF (cluster)	n.a.	<ul style="list-style-type: none"> Financial self-sufficiency near the median; saving rate near 0%, has substantial borrowings No capacity to access requisite financing for projects

a/ Preliminary cost estimates for the UEM projects are as follows:

- MRF for composting (MRF) – Capital costs range from P2.0 – P4.0 million and construction should be completed within a year
- Wastewater treatment facilities (WWM) – Capital costs range from P0.5 – P4.0 million and facilities should be installed within a year
- Sanitary Land Fill (SLF) – Capital and recurring costs over a 10-year period may exceed P50 million
- Toxic and Hazardous Waste Management (THW) – Not available

B. RAPID ASSESSMENT OF LGUs ASSISTED BY THE CRM SECTOR

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
1	Balamban	62	67	H	26	H	40	21	87	<ul style="list-style-type: none"> Zoning 	No	<ul style="list-style-type: none"> Strong financial performance and financing capacity, high internal financial ratio
2	Talibon	58	64	H	32	L	32	19	37	<ul style="list-style-type: none"> MPA Establishment (Cataban): P200,000 MPA Establishment (Sag): P120,000 	No	<ul style="list-style-type: none"> Strong financial performance Enough surplus income to support CRM proposed projects; budget allocation can be a major source of financing Cost-recovery mechanisms like user fees should be explored
3	Danao City	105	64	H	28	H	36	32	181	<ul style="list-style-type: none"> Municipal Fisheries Financial performance and Enforcement Plan: P6,000,000 	No	<ul style="list-style-type: none"> Strong financial performance and financing capacity Can pursue wide range of financing options, including LGU budget allocation, cost-recovery mechanisms like user fees, and private sector participation
4	Pagadian City	156	56	H	17	H	39	75	304	<ul style="list-style-type: none"> Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	No	<ul style="list-style-type: none"> Good financial performance and strong financing capacity Financing should be undertaken through LGU budget allocation for fishery activities
5	Compostela	33	55	H	18	H	37	8	40	<ul style="list-style-type: none"> Municipal Water Delineation 		<ul style="list-style-type: none"> Good financial performance, although economic expenditures are low
6	Isabela City	77	55	L	6	H	48	95	204			<ul style="list-style-type: none"> Weak financial performance and low economic expenditures Surplus income very high and minimal long-term borrowings Strong potential to provide project financing for range of projects Financial resources not fully utilized; may need to strengthen development planning activities
7	Tudela	10	48	L	7	H	41	6	19	<ul style="list-style-type: none"> CRM Plan Implementation: P6,000,000 MPA Establishment: P1,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Adequate capacity to provide project financing Cost-recovery mechanisms should be implemented External financing like grants can be explored

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
8	Poro	22	48	L	8	H	40	6	27	<ul style="list-style-type: none"> CRM Plan implementation: P20,000,000 MPA Establishment: P3,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Capacity to provide project financing for proposed activities may not be sufficient
9	Toledo City	156	47	H	10	H	37	56	264	<ul style="list-style-type: none"> Municipal Water Delineation 	No	<ul style="list-style-type: none"> Good financial performance; has some borrowings Capacity to provide project financing for CRM activities more than adequate
10	Dumalinao	24	44	H	11	L	33	5	25	<ul style="list-style-type: none"> Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> Adequate financial performance, key indicators are near median Limited capacity to provide for project financing May need to review budgeting and spending patterns to prioritize resources for CRM activities
11	Dinalungan	10	42	L	6	H	36	4	22	<ul style="list-style-type: none"> CRM Plan Implementation: P150,000,000 Inter-LGU Fisheries Management (Dinalungan, Dipaculao, Baler and San Luis): P17,000,000 MPA Establishment: P600,000 	Yes	<ul style="list-style-type: none"> Weak financial performance; highly dependent on IRA Capacity to financially support CRM programs and activities is clearly lacking Need to review budgeting and spending patterns to increase resources for CRM activities; CRM Plan may need to be revised; should explore institutional arrangement with 3 LGUs to share costs for fishery management
12	Dinas	33	42	L	6	H	36	5	28	<ul style="list-style-type: none"> Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance, internal financing capacity is low Limited capacity to financially support fishery programs and activities User fees should recover costs of fishery activities
13	Dipaculao	24	42	L	7	H	35	5	27	<ul style="list-style-type: none"> Inter-LGU Fisheries Management (Dinalungan, Dipaculao, Baler and San Luis): P17,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Limited capacity to financially support fishery activities Should explore institutional arrangement with 3 LGUs to share costs for fishery management

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
14	San Francisco	44	41	L	5	H	36	6	32	<ul style="list-style-type: none"> Municipal Fisheries Management and Enforcement Plan: P2,000,000 MPA Establishment: P2,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Limited capacity to financially support CRM programs and activities
15	Lebak	76	40	L	8	L	32	8	37			<ul style="list-style-type: none"> Weak financial performance Performance indicators are just below the median for partner LGUs; has some borrowings
16	Naga	36	40	L	6	H	34	6	34	<ul style="list-style-type: none"> MPA Establishment: P2,000,000 	Optional	<ul style="list-style-type: none"> Weak financial performance Adequate capacity to provide for project financing
17	Tukuran	36	40	L	7	L	33	4	22	<ul style="list-style-type: none"> CRM Plan Implementation: P62,000,000 Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Limited capacity to provide for project financing Capacity to provide financing for CRM activities is clearly inadequate
18	Baler	32	39	H	12	L	27	.2	none	<ul style="list-style-type: none"> Inter-LGU Fisheries Management (Dinalungan, Dipaculao, Baler and San Luis): P17,000,000 	Yes	<ul style="list-style-type: none"> Financial self-sufficiency is good; no savings, has some borrowings No capacity to provide project financing
19	San Luis	23	38	L	6	L	32	8	46	<ul style="list-style-type: none"> Inter-LGU Fisheries Management (Dinalungan, Dipaculao, Baler and San Luis): P17,000,000 	Optional	<ul style="list-style-type: none"> Weak financial performance Low capacity to provide project financing
20	Payao	29	37	L	4	L	33	2	13	<ul style="list-style-type: none"> MPA Establishment: P2,000,000 	Yes	<ul style="list-style-type: none"> Weak financial performance Low capacity to provide project financing
21	Lamitan	61	36	L	8	L	29	-2	none		Yes	<ul style="list-style-type: none"> Weak financial performance; experienced operating loss No capacity to provide project financing

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
22	Tabina	23	36	L	7	L	30	2	4	<ul style="list-style-type: none"> ▪ CRM Plan Implementation: P21,000,000 ▪ Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> ▪ Weak financial performance ▪ Capacity to provide project financing for CRM plan is lacking; plan may need to be revised
23	Kalamansig	47	36	L	5	L	31	3	18	<ul style="list-style-type: none"> ▪ Fisheries Management and Enforcement Plan 	Yes	<ul style="list-style-type: none"> ▪ Financial performance is weak; highly dependent on IRA, low savings rate
24	Tungawan	36	36	L	6	L	30	4	18	<ul style="list-style-type: none"> ▪ Inter-LGU Fisheries Management and Enforcement Plan ▪ Fishery Management and Enforcement Plan ▪ CRM Plan Implementation: P29,800,000 ▪ MPA Establishment: P3,000,000 	Yes	<ul style="list-style-type: none"> ▪ Weak financial performance; has some borrowings ▪ Capacity to provide project financing for range of activities is inadequate ▪ CRM activities should be reviewed in relation to LGU's financing capacity
25	Labangan	37	35	L	6	L	29	2	11	<ul style="list-style-type: none"> ▪ Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> ▪ Weak financial performance; low savings rate ▪ Capacity to provide project financing may be inadequate ▪ Activities should be revised in relation to LGU's financing capacity
26	RT Lim	37	33	L	6	L	28	3	11	<ul style="list-style-type: none"> ▪ MPA Establishment: P1,000,000 	Optional	<ul style="list-style-type: none"> ▪ Weak financial performance; has some borrowings ▪ Low capacity to provide project financing
27	Dimataling	26	32	L	3	L	29	.150	none	<ul style="list-style-type: none"> ▪ Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> ▪ Weak financial performance, highly dependent on IRA; no savings ▪ No capacity to provide project financing

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt Service Capacity	Pts	Surplus Income 2003 (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
28	San Pablo	29	28	L	4	L	24	3	15	<ul style="list-style-type: none"> ▪ Inter-LGU Fisheries Management and Enforcement Plan (IBRA 9: Pagadian, Tukuran, Labangan, Dumalinao, San Pablo, Dinas, Dimataling, Tabina): P2,000,000 	Yes	<ul style="list-style-type: none"> ▪ Weak financial performance ▪ Low capacity to provide for project financing ▪ Activities may need to be revised in relation to LGU's financing capacity

C. RAPID ASSESSMENT OF LGUs ASSISTED BY THE FFM SECTOR

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt-Service Capacity	Pts	Net Income (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
1	Zamboanga City	658	65	H	21	H	44	400	1,191		No	<ul style="list-style-type: none"> Strong financial performance; high savings rate Capacity to provide project financing is very large and more than adequate
2	Talibon	58	64	H	32	L	32	20	37	FLUP Implementation: P73,000,000	Yes	<ul style="list-style-type: none"> Good financial performance Limited capacity to provide for project financing Plan may need substantial revision
3	Alcoy	14	59	H	16	H	43	7	25	FLUP Implementation: P6,000,000	Yes	<ul style="list-style-type: none"> Strong financial performance Capacity to provide project financing may be adequate
4	Kidapawan City	109	55	H	21	H	34	47	215	FLUP Implementation: P7,000,000	No	<ul style="list-style-type: none"> Good financial performance and financing capacity, although economic expenditures are low Can pursue wide range of options, including joint ventures, contracts with private sector
5	Isabela City	77	55	L	6	H	48	95	204	FLUP Implementation: P40,000,000	No	<ul style="list-style-type: none"> Weak financial performance and low economic expenditures Surplus income very high and minimal long-term borrowings Strong potential to provide project financing Financial resources not fully utilized; may need to strengthen development planning activities
6	Dalaguete	60	54	H	17	H	37	16	34	FLUP Implementation: P18,000,000	Yes	<ul style="list-style-type: none"> Good financial performance Limited capacity to provide for project financing
7	Bais City	70	54	H	15	H	38	48	252	FLUP Implementation: P31,000,000	Yes	<ul style="list-style-type: none"> Internal financing capacity needs improvement; no borrowings Strong potential to provide project financing for FLUP; should be able to attract private sector
8	Tanjay City	72	53	H	10	H	43	77	202	FLUP Implementation: P45,000,000	Yes	<ul style="list-style-type: none"> Internal financing capacity needs improvement; has some borrowings Strong potential to provide project financing for FLUP; should be able to attract private sector

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt-Service Capacity	Pts	Net Income (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
9	La Libertad	36	52	H	10	H	42	12	40	FLUP Implementation: P22,000,000	Yes	<ul style="list-style-type: none"> Strong financial performance Limited capacity to provide project financing
10	Bayawan City	107	51	H	9	H	43	108	363	FLUP Implementation: P14,000,000	No	<ul style="list-style-type: none"> Local revenues per capita and internal financing capacity relatively weak (below median in both indicators for LGUs in the Visayas); minimal borrowings Strong potential to provide project financing for FLUP; should be able to attract private sector
11	Toledo City	156	47	H	10	H	37	56	264	FLUP Implementation: P36,000,000	Optional	<ul style="list-style-type: none"> Good financial performance; has some borrowings Strong capacity to provide project financing
12	Maitum	37	46	H	13	L	33	5	28	FLUP Implementation: P20,000,000	Yes	<ul style="list-style-type: none"> Good financial performance Capacity to provide project financing inadequate
13	Kiamba	48	44	H	12	L	32	6	28	TA suspended		<ul style="list-style-type: none"> Good financial performance Low capacity to provide for project financing
14	Diffun	43	44	L	8	H	36	7	39			<ul style="list-style-type: none"> Internal financing capacity is weak; has no borrowings
15	Makilala	67	43	H	11	L	32	5	19	FLUP Implementation: P16,000,000	Yes	<ul style="list-style-type: none"> Good financial performance Capacity to provide for project financing is inadequate
16	San Miguel	22	43	L	7	H	35	4	20	FLUP Implementation: P16,000,000	Yes	<ul style="list-style-type: none"> Weak financial performance Capacity to provide for project financing is inadequate
17	Dauin	22	42	L	6	H	36	4	23	FLUP Implementation: P8,000,000	Yes	<ul style="list-style-type: none"> Internal financing capacity relatively weak; has no borrowings Capacity to provide project financing may be lacking
18	Dupax del Sur	17	42	L	6	H	36	6	34	FLUP drafting		<ul style="list-style-type: none"> Weak financial performance Low capacity to provide for project financing
19	Lebak	76	40	L	8	L	32	8	37	FLUP Implementation: P10,000,000	Optional	<ul style="list-style-type: none"> Performance indicators are just below the median for partner LGUs; has some borrowings Capacity to provide project financing may be insufficient
20	Sta. Catalina	71	39	L	7	L	32	9	52	FLUP Implementation: P18,000,000	Yes	<ul style="list-style-type: none"> Local revenues per capita is low and financial self-sufficiency is weak; savings rate is at the median, has minimal borrowings Limited capacity to provide project financing

Rank	EcoGov LGUs	Population, 2003 (in '000)	Financial Performance					Financing Capacity			Rapid Assessment	
			Over-All Score	Self-Sufficiency	Pts	Debt-Service Capacity	Pts	Net Income (in P MM)	Estimated Borrowing Capacity (in P MM)	Proposed Projects (including costs estimates)	Needs to Access External Funding	Comments
21	Nagtipunan	19	39	L	5	H	35	16	65	FLUP Implementation: P18,000,000	Yes	<ul style="list-style-type: none"> Weak financial performance Adequate capacity to provide project financing
22	Baler	32	39	H	12	L	27	.223	none			<ul style="list-style-type: none"> Financial self-sufficiency is good; no savings, has some borrowings No capacity to provide project financing
23	Quezon	17	37	L	4	L	33	4	20			<ul style="list-style-type: none"> Financial performance appears weak, almost entirely dependent on IRA; has no borrowings
24	Cabarroguis	27	37	L	5	L	32	2	11	Thematic mapping completed		<ul style="list-style-type: none"> Financial performance appears weak, almost entirely dependent on IRA; savings rate is low, has no borrowings
25	Lamitan	61	36	L	8	L	29	-2	none	FLUP Implementation: P8,000,000	Yes	<ul style="list-style-type: none"> Weak financial performance; experienced operating loss No capacity to provide project financing
26	Maddela	34	36	H	14	L	22	-.93	none			<ul style="list-style-type: none"> Financial self-sufficiency at the median; no savings realized, has substantial borrowings No capacity to access requisite financing for projects
27	Kalamansig	47	36	L	5	L	31	3	18	FLUP Implementation: P9,000,000	Yes	<ul style="list-style-type: none"> Weak financial performance; low savings rate, no borrowings Lacks capacity to provide for project financing
28	Wao	38	36	L	7	L	29	4	25			<ul style="list-style-type: none"> Weak financial performance Low capacity to provide for project financing
29	Maasim	42	33	L	5	L	28	2	8	FLUP Implementation: P14,000,000	Yes	<ul style="list-style-type: none"> Weak financial performance Lacks capacity to provide for project financing
30	Aglipay	23	33	L	5	L	28	2	8			<ul style="list-style-type: none"> Weak financial performance Low capacity to provide for project financing
31	Sumisip	54	32	L	2	L	30	.6	none	TA suspended		<ul style="list-style-type: none"> Weak financial performance No capacity to provide project financing
32	Tipo-tipo	53	12	L	1	L	11	-5	none	TA suspended		<ul style="list-style-type: none"> Weak financial performance No capacity to provide project financing

V. TECHNICAL ASSISTANCE STRATEGY

The results of the analysis are used to divide the partner LGUs into 4 distinct groups, listed below, following the framework presented in Table 2. Basic strategies for technical assistance from the Project are presented for each group.

GROUP I – LGUs with HIGH performance ranking and ADEQUATE financing capacity for proposed projects

- LGUs show good overall financial performance, particularly in developing own-source revenues and reducing dependency on IRA. They demonstrate good management capacity and show strong potential to support financial sustainability of targeted projects.
- TA can focus on pre-feasibility analysis of targeted projects and developing mechanisms to recover O&M costs, as a minimum.
- TA can help LGU secure appropriate sources of financing from a range of available options (loans from GFIs, investment from private sector, or municipal bonds) and/or enter into viable contractual arrangements with private service providers or investors.

Partner LGU	Region	LGU Type	Sector Providing TA	Overall Score	Borrowing Capacity (in millions)	Surplus Income
1. Tagbilaran City	Visayas	City	ISWM	80	172	63
2. Koronadal City	Mindanao	City	ISWM	67	318	88
3. Balamban	Visayas	Municipality	CRM	67	87	21
4. Zamboanga City	Mindanao	City	FFM	65	1,191	400
5. Danao City	Visayas	City	ISWM, CRM	64	181	32
6. Tacurong City	Mindanao	City	ISWM	62	183	77
7. Alcoy	Visayas	Municipality	FFM	59	25	7
8. Pagadian City	Mindanao	City	ISWM, CRM	56	304	75
9. Kidapawan City	Mindanao	City	ISWM, FFM	55	215	47
10. Compostela	Visayas	Municipality	ISWM, CRM	55	40	8
11. Bais City	Visayas	City	ISWM, FFM	54	252	48
12. Dalaguete	Visayas	Municipality	FFM	54	34	16
13. Tanjay City	Visayas	City	ISWM, FFM	53	202	77
14. Solano	Luzon	Municipality	ISWM	52	57	11
15. La Libertad	Visayas	Municipality	FFM	52	40	12
16. Bayawan City	Visayas	City	ISWM, FFM	51	363	108
17. Isulan	Mindanao	Municipality	ISWM	50	60	11
18. Poro	Visayas	Municipality	CRM	48	27	6
19. Bagabag	Luzon	Municipality	ISWM	48	22	4
20. Tudela	Visayas	Municipality	CRM	48	19	6
21. Toledo City	Visayas	City	ISWM, CRM, FFM	47	264	56
22. Maitum	Mindanao	Municipality	FFM	46	28	5
23. Cauayan City	Luzon	City	ISWM	45	68	42
24. Sultan Kudarat	Mindanao	Municipality	ISWM	45	48	8

Partner LGU	Region	LGU Type	Sector Providing TA	Overall Score	Borrowing Capacity (in millions)	Surplus Income
25. Ma. Aurora	Luzon	Municipality	ISWM	45	44	8
26. Dauis	Visayas	Municipality	ISWM	44	20	4
27. San Miguel	Visayas	Municipality	FFM	43	20	4
28. Makilala	Mindanao	Municipality	FFM	43	19	5
29. Dupax del Sur	Luzon	Municipality	FFM	42	34	6
30. Dipaculao	Luzon	Municipality	CRM	42	27	5
31. Dauin	Visayas	Municipality	ISWM, FFM	42	23	4
32. Amlan	Visayas	Municipality	ISWM	42	16	3
33. San Francisco	Visayas	Municipality	CRM	41	32	6
34. Dupax del Norte	Luzon	Municipality	ISWM	41	20	4

GROUP II – LGUs with LOW performance ranking and ADEQUATE financing capacity for proposed projects

- LGUs remain highly dependent on IRA or have low results in one or more of the indicators. Their financial management capacity is not strong overall.
- While they can finance targeted projects because of adequate borrowing capacity or surplus income, LGUs should explore opportunities to engage private service providers to deliver key services and relieve themselves of additional O&M functions.
- TA can focus on pre-feasibility analysis of targeted projects and developing cost recovery mechanisms.
- TA can help LGU secure appropriate sources of financing, particularly loans from GFIs, and/or enter into service or management contracts with qualified private sector operators.

Partner LGU	Region	LGU Type	Sector Providing TA	Overall Score	Borrowing Capacity (in millions)	Surplus Income
1. Isabela City*	Mindanao	City	ISWM, CRM, FFM	55	204	95
2. Pamplona*	Visayas	Municipality	ISWM	45	39	7
3. Lebak	Mindanao	Municipality	ISWM, CRM, FFM	40	37	8
4. Naga	Mindanao	Municipality	CRM	40	34	6
5. Nagtipunan	Luzon	Municipality	FFM	39	65	16
6. Sta. Catalina	Visayas	Municipality	ISWM, FFM	39	52	9
7. Buug	Mindanao	Municipality	ISWM	39	14	6
8. San Luis	Luzon	Municipality	CRM	38	46	8
9. Quezon	Luzon	Municipality	ISWM, FFM	37	20	4
10. Payao	Mindanao	Municipality	CRM	37	13	2
11. Cabarroguis	Luzon	Municipality	ISWM, FFM	37	11	2
12. Parang	Mindanao	Municipality	ISWM	36	30	8
13. Wao	Mindanao	Municipality	ISWM, FFM	36	25	4
14. San Jose	Visayas	Municipality	ISWM	36	23	4
15. Kalamansig	Mindanao	Municipality	ISWM, CRM, FFM	36	18	3
16. Labangan	Mindanao	Municipality	CRM	35	11	2
17. RT Lim	Mindanao	Municipality	CRM	33	11	3
18. San Pablo	Mindanao	Municipality	CRM	28	15	3

* Despite high overall score, the LGU shows poor performance for financial self-sufficiency

GROUP III – LGUs with HIGH performance ranking and INADEQUATE financing capacity for proposed projects

- LGUs show good overall performance and have substantially reduced their dependency on IRA to pursue development plans. Their capacity to provide project financing may be limited by a relatively small income or tax base and/or existing loans for other projects.
- TA can help LGUs in pre-feasibility analysis of targeted projects, particularly to reduce projected capital outlays and O&M expenses, and developing cost recovery mechanisms.
- TA can help LGUs secure financing from GFIs, endowment funds or voluntary private sector investments, and/or enter into service contracts with qualified private sector operators.
- TA can help find ways to expand sources of revenue or realign budgetary priorities to support proposed projects.

Partner LGU	Region	LGU Type	Sector Providing TA	Overall Score	Borrowing Capacity (in millions)	Surplus Income
1. Talibon	Visayas	Municipality	ISWM, CRM, FFM	64	37	19
2. Ipil	Mindanao	Municipality	ISWM	63	46	13
3. Panglao	Visayas	Municipality	ISWM	55	27	5
4. Bambang	Luzon	Municipality	ISWM	51	28	8
5. Maribojoc	Visayas	Municipality	ISWM	51	21	4
6. Bayombong	Luzon	Municipality	ISWM	47	3	3
7. Cortes	Visayas	Municipality	ISWM	46	12	2
8. Corella	Visayas	Municipality	ISWM	45	8	1
9. Diffun	Luzon	Municipality	ISWM, FFM	44	39	7
10. Kiamba	Mindanao	Municipality	FFM	44	28	6
11. Dumalinao	Mindanao	Municipality	CRM	44	25	5
12. Jagna	Visayas	Municipality	ISWM	44	17	6
13. Dinas	Mindanao	Municipality	CRM	42	28	5
14. Dinalungan	Luzon	Municipality	CRM	42	22	4
15. Alburquerque	Visayas	Municipality	ISWM	41	7	1

GROUP IV – LGUs with LOW performance ranking and INADEQUATE financing capacity for proposed projects

- LGUs show relatively weak financial performance overall and remain highly dependent on IRA.
- Their capacity to provide financing for targeted projects is minimal or entirely lacking.
- TA must help LGUs find ways to strengthen in financial planning and budgeting systems, expand sources of revenue, and/or realign budgetary priorities to support targeted projects.
- TA should, as much as possible, reduce expected capital and recurring costs as well as the scale of proposed projects. Developing cost recovery mechanisms would be a priority.
- Efforts to find external financing should focus on grants.

Partner LGU	Region	LGU Type	Sector Providing TA	Overall Score	Borrowing Capacity (in millions)	Surplus Income
1. Tukuran	Mindanao	Municipality	CRM	40	22	4
2. Baler	Luzon	Municipality	CRM, FFM	39	0	0
3. Tungawan	Mindanao	Municipality	CRM	36	18	4
4. Tabina	Mindanao	Municipality	CRM	36	4	2
5. Lamitan	Mindanao	Municipality	ISWM, CRM, FFM	36	0	-2
6. Maddela	Luzon	Municipality	ISWM, FFM	36	0	-1
7. Maasim	Mindanao	Municipality	FFM	33	8	2
8. Aglipay	Luzon	Municipality	FFM	33	8	2
9. Dimataling	Mindanao	Municipality	CRM	32	0	0
10. Sumisip	Mindanao	Municipality	FFM	32	0	0
11. Duero	Visayas	Municipality	ISWM	30	0	0
12. Tipo-tipo	Mindanao	Municipality	FFM	12	0	-5

The table below presents the number of LGUs based on geographic area and the sector providing TA in each Group:

Table 11. Distribution of LGUs according to Basic Profiles

LGU Group / Profile	Total	# of LGUs/Geographic Area			# of LGUs/Sector		
		Mindanao	Visayas	Luzon	UEM	FFM	CRM
I – HIGH performance ranking, ADEQUATE financing capacity	34	9	18	7	21	15	9
II – LOW performance ranking, ADEQUATE financing capacity	18	11	3	4	11	8	9
III – HIGH performance ranking, INADEQUATE financing capacity	15	4	7	4	11	3	4
IV – LOW performance ranking, INADEQUATE financing capacity	12	8	1	3	3	7	6
Total	79	32	29	18	46	33	28

VI. OBSERVATIONS AND CONCLUSIONS

Final observations and conclusions of the Study are as follows:

- Project must tailor its TA to suit the needs of each partner LGU in implementing targeted projects in ISWM or CRM plans or FLUPs. TA for stronger LGUs can focus on helping identify appropriate technology and project cost structure, developing user fees, accessing external financing and contracting services from the private sector. The weaker LGUs will need more assistance in expanding local revenue sources, improving management systems and reducing the costs of proposed projects.
- There are wide disparities among the partner LGUs in terms of financial performance and capacity to finance projects. The stronger LGUs generate surplus income of 30% - 50% and can borrow well over P100 million, while the weaker LGUs operate near break-even or at a loss, and have no borrowing capacity. The highest ranking LGU, Tagbilaran City, collects over P1,000 per capita in taxes and fees while several LGUs generate almost no local revenues.
- As a group, the city-LGUs are much stronger in overall financial performance *vis* *vis* LGU-municipalities, and nearly all of them belong to Group I. The city-LGUs are able to realize significantly higher levels of local revenues per capita and rates of surplus income, and have greater access to external financing.
- Majority of partner LGUs show adequate capacity to finance proposed projects. However, most of these LGUs must access external sources of long-term funds to finance initial capital outlays.
- Majority of LGUs have minimal or no long-term borrowings. This may indicate a lack of commitment or strategic planning to pursue development goals requiring significant infrastructure.
- Mechanisms to recover costs, such as O&M, must be fully utilized otherwise the targeted projects will become financially burdensome on the implementing LGUs and service delivery may deteriorate over time due to lack of funding.
- A number of LGUs assisted by each sector or in each geographic region are clearly unable to finance targeted projects and show poor management capacity.
- Partner LGUs in the Visayas are generally stronger overall as compared to other LGUs in Mindanao and Luzon. The majority of these LGUs belong to Group I, which are the most capable partner LGUs, and have adequate financing capacity in relation to targeted projects.

- LGUs in Mindanao show mixed results. The cities in the region are among the strongest clients of the Project while the municipalities in the region are among the weakest. Many of the municipalities belong to Group IV, which are the weakest LGUs overall.
- Most of the LGUs assisted by the UEM sector are relatively strong in overall financial performance or financing capacity; only 3 LGUs assisted by the sector belong to Group IV.
- Clustering arrangements are needed by LGUs seeking to finance waste disposal facilities or other capital-intensive facilities.
- Engineered waste disposal facilities require major capital contributions from the LGUs and, in most cases, can only be implemented through joint venture/clustering arrangements involving investments or other undertakings from neighboring LGUs and/or the private sector.

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Annexes

Annex A. List/Profile of EcoGov Partner LGUs

	ECOGOV PARTNER LGU	Geographic Area	Region	Province	Sector/s providing TA	Income Class	Population, 2003 (EcoGov est.)	Total Income 2003	Total Local Source 2003
1	Bayawan City	Visayas	7	Negros Oriental	UEM, FFM	5th	107,427	327,083,500	17,634,500
2	Tagbilaran City	Visayas	7	Bohol	UEM	3rd	85,768	251,913,500	115,539,800
3	Toledo City	Visayas	7	Cebu	UEM, CRM, FFM	2nd	155,833	239,016,300	25,349,000
4	Danao City	Visayas	7	Cebu	UEM, CRM	3rd	104,725	223,847,000	69,473,900
5	Bais City	Visayas	7	Negros Oriental	UEM, FFM	2nd	70,542	222,956,700	27,455,300
6	Tanjay City	Visayas	7	Negros Oriental	UEM, FFM	5th	71,964	198,738,500	15,573,800
7	Balamban	Visayas	7	Cebu	CRM	5th	62,518	77,160,500	27,117,900
8	Talibon	Visayas	7	Bohol	UEM, CRM, FFM	2nd	57,939	75,329,400	33,571,600
9	Sta. Catalina	Visayas	7	Negros Oriental	UEM, FFM	2nd	71,284	66,986,800	5,076,600
10	Dalaguete	Visayas	7	Cebu	FFM	3rd	60,086	53,360,100	11,094,600
11	Compostela	Visayas	7	Cebu	UEM, CRM	5th	33,377	36,436,600	10,409,300
12	La Libertad	Visayas	7	Negros Oriental	FFM	4th	35,705	35,528,000	4,093,500
13	San Francisco	Visayas	7	Cebu	CRM	4th	43,621	35,490,700	2,899,900
14	Pamplona	Visayas	7	Negros Oriental	UEM	4th	33,811	35,237,500	2,222,000
15	Jagna	Visayas	7	Bohol	UEM	4th	32,934	33,569,100	5,819,500
16	Dauis	Visayas	7	Bohol	UEM	4th	27,693	27,882,900	3,760,500
17	Panglao	Visayas	7	Bohol	UEM	4th	22,569	27,612,000	7,229,300
18	San Miguel	Visayas	7	Bohol	FFM	4th	22,349	26,345,800	2,639,400
19	Dauin	Visayas	7	Negros Oriental	UEM, FFM	4th	22,218	26,322,300	2,516,500
20	Amlan	Visayas	7	Negros Oriental	UEM	5th	19,735	24,832,000	2,697,700
21	Poro	Visayas	7	Cebu	CRM	5th	22,038	23,881,700	2,795,200
22	Maribojoc	Visayas	7	Bohol	UEM	5th	16,842	22,662,300	4,303,800
23	Duero	Visayas	7	Bohol	UEM	5th	17,218	22,565,900	2,592,200
24	Alcoy	Visayas	7	Cebu	FFM	5th	14,346	22,352,200	4,534,300
25	Cortes	Visayas	7	Bohol	UEM	5th	13,262	20,610,000	4,052,600
26	San Jose	Visayas	7	Negros Oriental	UEM	5th	16,668	20,517,100	1,522,500
27	Tudela	Visayas	7	Cebu	CRM	5th	10,449	16,636,200	1,670,800
28	Alburquerque	Visayas	7	Bohol	UEM	5th	9,364	15,712,900	1,707,800
29	Corella	Visayas	7	Bohol	UEM	6th	5,953	15,702,700	2,212,200
1	Zamboanga City	Mindanao	9	Zambo Sibugay	FFM	1st	658,376	1,053,988,300	250,980,700
2	Pagadian City	Mindanao	9	Zamboanga del Sur	UEM, CRM	1st	156,047	310,201,700	58,677,800
3	Kidapawan City	Mindanao	12	North Cotabato	UEM, FFM	4th	108,993	298,711,400	71,579,000
4	Koronadal City	Mindanao	12	South Cotabato	UEM		145,581	281,566,200	52,659,500
5	Tacurong City	Mindanao	12	Sultan Kudarat	UEM	5th	81,780	203,521,600	41,008,800
6	Isabela City	Mindanao	ARMM	Basilan	UEM, CRM, FFM	5th	77,325	184,894,100	9,089,000
7	Isulan	Mindanao	12	Sultan Kudarat	UEM	1st	109,878	80,587,100	15,567,900
8	Parang	Mindanao	ARMM	Maguindanao	UEM	1st	63,491	78,920,000	4,891,800
9	Sultan Kudarat	Mindanao	ARMM	Maguindanao	UEM	1st	101,049	68,582,700	5,376,100
10	Ipil	Mindanao	9	Zambo Sibugay	UEM	2nd	53,943	66,518,000	22,616,900
11	Lebak	Mindanao	12	Sultan Kudarat	UEM, CRM, FFM	2nd	76,173	65,336,400	5,056,700

	ECOGOV PARTNER LGU	Geographic Area	Region	Province	Sector/s providing TA	Income Class	Population, 2003 (EcoGov est.)	Total Income 2003	Total Local Source 2003
12	Makilala	Mindanao	12	North Cotabato	FFM	2nd	67,432	64,477,900	11,284,900
13	Kalamansig	Mindanao	12	Sultan Kudarat	UEM, CRM, FFM	2nd	47,366	59,194,500	2,849,300
14	Sumisip	Mindanao	ARMM	Basilan	FFM	3rd	54,527	54,874,400	267,300
15	Lamitan	Mindanao	ARMM	Basilan	UEM, CRM, FFM	2nd	60,729	52,744,500	4,826,800
16	Kiamba	Mindanao	12	Sarangani	FFM	3rd	48,143	51,421,400	8,468,800
17	Maasim	Mindanao	12	Sarangani	FFM	3rd	42,124	49,691,600	2,957,800
18	Wao	Mindanao	ARMM	Lanao del Sur	UEM, FFM		38,472	48,210,000	5,645,600
19	Tungawan	Mindanao	9	Zambo Sibugay	CRM	3rd	35,842	45,588,600	2,744,300
20	Maitum	Mindanao	12	Sarangani	FFM	3rd	37,331	42,884,900	5,251,500
21	Buug	Mindanao	9	Zambo Sibugay	UEM	3rd	35,816	40,935,700	10,047,200
22	Tipo-tipo	Mindanao	ARMM	Basilan	FFM	3rd	52,818	39,836,800	111,600
23	RT Lim	Mindanao	9	Zambo Sibugay	CRM	4th	36,608	38,751,800	1,855,600
24	Naga	Mindanao	9	Zambo Sibugay	CRM	4th	35,850	37,823,600	2,604,900
25	Labangan	Mindanao	9	Zamboanga del Sur	CRM	4th	37,336	34,958,000	2,505,600
26	Tukuran	Mindanao	9	Zamboanga del Sur	CRM	4th	35,742	34,063,400	2,988,700
27	Payao	Mindanao	9	Zambo Sibugay	CRM	4th	28,827	32,201,200	1,865,000
28	Dinas	Mindanao	9	Zamboanga del Sur	CRM	4th	32,712	31,034,900	2,011,200
29	Dumalinao	Mindanao	9	Zamboanga del Sur	CRM	3rd	23,681	30,006,400	3,219,200
30	Dimataling	Mindanao	9	Zamboanga del Sur	CRM	4th	26,594	27,750,000	710,100
31	San Pablo	Mindanao	9	Zamboanga del Sur	CRM	4th	29,307	27,359,200	1,325,700
32	Tabina	Mindanao	9	Zamboanga del Sur	CRM	5th	23,400	25,253,000	2,197,400
1	Dipaculao	Luzon	3	Aurora	CRM	4th	24,210	37,339,900	3,137,300
2	Cauayan City	Luzon	2	Isabela City	UEM	4th	112,599	273,451,000	58,736,800
3	Nagtipunan	Luzon	2	Quirino	FFM		19,225	77,659,200	1,782,000
4	Maddela	Luzon	2	Quirino	UEM, FFM	1st	34,432	67,132,300	8,590,800
5	Solano	Luzon	2	Nueva Vizcaya	UEM	2nd	54,733	62,746,500	23,883,700
6	Bambang	Luzon	2	Nueva Vizcaya	UEM	3rd	43,651	56,169,900	14,490,900
7	Bayombong	Luzon	2	Nueva Vizcaya	UEM	3rd	52,353	50,130,100	11,943,600
8	Ma. Aurora	Luzon	3	Aurora	UEM, FFM	3rd	34,436	46,828,700	5,767,200
9	San Luis	Luzon	3	Aurora	CRM	3rd	23,378	45,900,700	2,131,100
10	Diffun	Luzon	2	Quirino	UEM, FFM	3rd	42,771	45,136,400	3,891,300
11	Dupax del Sur	Luzon	2	Nueva Vizcaya	FFM	4th	17,449	41,185,700	1,857,700
12	Bagabag	Luzon	2	Nueva Vizcaya	UEM	3rd	32,234	39,660,500	8,070,100
13	Cabarroguis	Luzon	2	Quirino	UEM, FFM	4th	27,162	38,061,300	650,500
14	Dupax del Norte	Luzon	2	Nueva Vizcaya	UEM	4th	24,236	36,231,000	3,237,700
15	Baler	Luzon	3	Aurora	CRM, FFM	4th	31,552	33,295,300	6,569,200
16	Aglipay	Luzon	2	Quirino	FFM	4th	23,433	31,958,700	1,431,300
17	Dinalungan	Luzon	3	Aurora	CRM	4th	10,263	25,790,100	998,800
18	Quezon	Luzon	2	Nueva Vizcaya	UEM	5th	17,143	24,060,800	687,800

Annex B. Institutional Framework for the Financing of LGU Environmental Projects

This section presents highlights of laws pertinent to the expanded mandate of LGUs to deliver basic services in environmental management.

A. The Local Government Code of 1991

The Local Government Code of 1991 (the “Code”) provides a framework for local autonomy and encourages LGUs to be self-reliant in the discharge of responsibilities and duties. It also dramatically expands the role of LGUs as the law transfers to them primary responsibility for a broad range of basic services in their areas from national government agencies. For cities and municipalities, this includes community-based forestry, solid waste disposal (or services related to general hygiene and sanitation), municipal services and enterprises, and fish ports. Prior to the Code, the functions assigned to LGUs were limited to the levy and collection of local taxes, issuance of enforcement regulations governing the operation of business activities, and the administration of certain services and facilities like garbage collection, public markets and slaughterhouses.

To provide funding for devolved responsibilities, the Code increased the mandated internal revenue allotment (“IRA”) share of LGUs. The IRA represents formula-based block grants to LGUs from the national government. In principle, LGUs have almost full discretion in the utilization of their IRA. The law also gives broad powers that enable LGUs to create their own sources of revenue, levy fees or charges which shall accrue exclusively to their coffers, and access financing from external sources. This includes additional taxing powers, and authority to enter into contracts or agreements to access grants, loans and subsidies, or to borrow from or tap the services of the private sector in sourcing funds.

During the pre-Code regime, the share of LGUs in national taxes was equal to 20% at the maximum, and averaged 13% of net BIR tax receipts during 1987-1990. After the Code was implemented, the share of LGUs in national taxes increased from 20% in 1991 to 30% in 1992, 35% in 1993 and 40% in 1994. The combined total revenues of all provinces, cities and municipalities increased from P22.8 billion in 1991, to P66.5 billion in 1995 to P138.3 billion in 2000. During the period 1995-2000, LGU revenues grew at an average growth rate of 15.8% p.a.

Despite the range of powers to create new sources of revenue, most LGUs continue to rely heavily on the IRA to finance operating expenses and development projects. During 1995 – 2001, the IRA comprised over 60% of total LGU revenues. In 2003, all provinces, cities and municipalities derived approximately 84%, 45% and 78% of their total revenues, respectively, from the IRA. Continued dependence on the IRA is a source of concern because local officials are not accountable to their constituents for revenue and expenditure decisions. It impairs the development of local government capital markets

given that municipal borrowings are secured merely by the ability of Government Financial Institutions to intercept IRA.

The IRA is allocated to the different levels of local government as follows: provinces, 23%; cities, 23%; municipalities, 34%; and barangays, 20%. The IRA share of each tier of local government is then apportioned to individual LGUs on the basis of population (50%), land area (25%) and equal sharing (25%).

The Code provides for the automatic release of the IRA. Currently the aggregate IRA of LGUs is set at 40% of actual internal revenue collections of the central government three years prior to the current year. However as a result of severe fiscal constraints facing the central government since 1998, the IRA has become an unpredictable source of revenues for LGUs. During the period 1998 - 2004, the Department of Budget and Management withheld the release of 5% of the total mandated IRA share (approximately P43 billion) as presented in the following table:

Annex Table A-1. Shortfalls in IRA Obligations during 1998 - 2004
(in billion pesos)

Items	1998	1999	2000	2001	2002	2003	2004	Total
(a) Mandated IRA share, equal to 40% of net BIR revenues 3 years back	81.3	100.9	121.8	131.9	134.4	141.0	150.3	861.6
(b) Appropriations	81.0	96.8	111.8	111.8	134.4	141.0	141.0	817.8
(c) Obligations (total amount released to LGUs)	76.9	95.3	114.3	115.8	134.4	141.0	141.0	818.7
Shortfall, equal to (a) less (c) (shortfall / mandated IRA)	4.4 (5%)	5.6 (6%)	7.5 (6%)	16.1 (12%)	0.0 (0%)	0.0 (0%)	9.3 (6%)	42.9 (5%)

Set forth below are pertinent provisions of the Code:

Annex Table A-2. Relevant Provisions of the Code

Sec. 3 (f)	LGUs may group themselves, coordinate or coordinate their efforts, services and resources for purposes commonly beneficial to them
Sec. 3 (i)	LGUs shall share with the national government the responsibility in the management and maintenance of ecological balance within their territorial jurisdiction subject to the provisions of this code and national policies

Sec. 17	<p>LGUs shall endeavor to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them. They shall also discharge the functions and responsibilities of national agencies and offices devolved to them pursuant to this Code. Basic services and facilities to be provided by municipalities include, but are not limited to:</p> <ul style="list-style-type: none"> ▪ Extension and on-site research services and facilities related to agriculture and fishery activities, ▪ Implementation of community-based forestry projects which include integrated social forestry programs and similar projects, management and control of communal forests with an area not exceeding 50 sq km, establishment of tree parks green belts, and similar forest development projects. ▪ Health services, ▪ Social services, ▪ Information services, ▪ Solid waste disposal system or environmental management system and services or facilities related to general hygiene and sanitation, ▪ Municipal buildings and other similar projects, ▪ Infrastructure facilities intended primarily to services the needs of residents of the municipality and which are funded out of municipal funds including, but not limited to municipal roads and bridges, school buildings and other facilities for public and elementary and secondary schools, clinics, health centers and other health facilities necessary to carry-out health services, communal irrigation, small water impounding projects and other similar projects, artesian wells, spring development, rain water collectors and water supply systems, seawalls, dikes, drainage and sewerage and flood control, traffic signals and road signs, and similar facilities, ▪ Public market slaughterhouses and other municipal enterprises, ▪ Public cemetery, ▪ Tourism facilities and other tourist attractions, and ▪ Sites for police and fire stations and substations in the municipal jail.
Sec. 26	<p>Duty of National Government Agencies in the maintenance of ecological balance – It shall be the duty of every national agency government-owned or controlled corporation authorizing or involved in the planning and implementation of any project or program that may cause pollution, climatic change, depletion of non-renewable resources, loss of cropland, rangeland or forest cover and extinction of animal or plant species, to consult with the LGUs, NGOs and other sectors concerned and explain the goals and objectives of the program, its impact upon the people and the community in terms of environmental or ecological balance, and the measures that will be undertaken to prevent or minimize the adverse effects thereof</p>
Sec. 33	<p>Cooperative undertakings among LGUs – LGUs 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 LGUs involved may upon by the 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 Memorandum of Agreement</p>
Sec. 3(d)	<p>The vesting of duty, responsibility and accountability in LGU shall be accompanied with provision of reasonably adequate resources to discharge their powers and effectively carry-out their functions, hence, they shall have the power to create and broaden their own sources of revenue and the right to a just share in the proceeds of the utilization and development of the national wealth within their respective areas</p>

Sec. 129	Power to create sources of revenue - Each LGU shall exercise its power to create its own sources of revenue and to levy taxes, fees and charges subject to the provisions herein, consistent with the basic policy of local autonomy. Such taxes, fees and charges shall accrue exclusively to the LGUs
Sec. 186	Power to levy other taxes, fees or charges – LGUs may exercise the power to levy taxes, fees or charges on any base or subject not otherwise specifically enumerated herein or taxed under the provisions of the National Internal Revenue Code, as amended, or other applicable laws: Provided, that the taxes, fees or charges shall not be unjust, excessive, oppressive, confiscatory or contrary to declared national policy: Provided, further, that the ordinance levying such taxes, fees or charges shall not be enacted without any prior public hearing conducted for the purpose
Sec. 287	Local Development Projects – Each LGU shall appropriate in its annual budget no less than twenty (20%) of its annual revenue allotment for development projects. Copies of the development plans of LGUs shall be furnished to the Department of Interior and Local Government. <i>(Very few LGUs comply with this requirement as there is no penalty for failure of submission to DILG)</i>
Sec. 289	Share in the proceeds from the development and utilization of national wealth – LGUs shall have an equitable share in the proceeds derived from the utilization and development of the national wealth within their respective areas, including sharing the same with the inhabitant by ay of direct benefits
Sec. 324	Budgetary Requirements – The budgets of LGUs for any fiscal year shall comply with the following requirements: (a) The aggregate amount appropriated shall not exceed the estimates of income; (b) Full provision shall be made for all statutory and contractual obligations of the local government unit concerned: Provided, however , that the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the local government unit concerned. . .

B. The Philippine Fisheries Code

The Philippine Fisheries Code of 1998 (Republic Act 8550) establishes the authority and responsibilities of municipal/city governments in fishery management through legislation, enforcement, granting of fishery rights and privileges and conservation. As supported by the Local Government Code of 1991, coastal municipalities/cities can enact ordinances pertinent to local conditions. Local legislative councils are in-charge of issuance of licenses for the operation of fish pens, cages, traps and other structures, municipal fishing vessels, concessions and delineation of demarcated fishing areas.

The Fisheries Code, in addition, highlights, among others, the following: 1) property rights by limiting public access of coastal waters to the public, 2) inter-LGU collaboration on Integrated Coastal Resource Management (ICRM), and 3) strong community involvement. Related to jurisdictional issues, RA 8550 provides guidelines on municipal and commercial fishing operations. Limiting access is provided in the Fisheries Code through: municipal fisher folk registry, limiting or prohibiting fishing activities in overfished areas, prohibiting commercial fishing vessels from fishing within municipal waters, establishment of closed seasons, closed areas, fish refuges and sanctuaries, charging of user fees and other fishery charges, prohibiting use of active fishing gear in municipal waters, and prohibiting fishing beyond the total allowable catch or fishing during closed seasons.

Below is a list of the finance-related provisions:

1. Incentives for Municipal and Small Fishers
 - a. 10% of credit and guarantee funds of government financing institutions shall be made available for post-harvest and marketing projects and capability-building programs;
 - b. P100M: Municipal Fisheries Grant Fund for projects through LGUs for the upliftment of municipal fisherfolk;
 - c. P100M: Fishery Loan and Guarantee Fund to be administered by Land Bank for lending to qualified borrowers to finance development of fishery industry under a program to be prescribed by DA.

2. Incentives for Commercial Fishing
 - a. Long-term loans supported by guarantee facilities to finance building and acquisition and/or improvement of fishing vessels and equipment;
 - b. Limited period of tax and duty exemptions on the importation of vessels, equipment and paraphernalia;
 - c. Duty and tax rebates on fuel consumption (high seas operations); and
 - d. All applicable incentives provided by Omnibus Investment Code of 1997.

3. Funds
 - a. Fishing Vessels Development Fund for enhancement of building and/or acquisition of fishing vessels, to be administered by Development Bank of the Philippines, and appropriation of P250 M per year for five years out of Department's allocation in the Government Appropriations Act (GAA);
 - b. Special Fisheries Science and Profisistech Fund as subsidy for full technical and financial support to the development of appropriate technology, both in fishery and ancillary industries, that are ecologically sound, locally source-based and labor intensive based on the requirement and needs of the Fisheries and Aquatic Resources Management Council (FARMC); and
 - c. Aquaculture Investment Fund in the minimum amount of P50 M for soft loans to be extended to municipal fisherfolk and their organization who will engage in aquaculture and for the development of underdeveloped or underutilized fishponds.

C. Ecological Solid Waste Management Act

Pursuant to the Code's mandate that LGUs are responsible for delivering solid waste disposal system services, the Ecological Solid Waste Management Act (the "Act", Republic Act 9003) provides a framework for devolved Solid Waste Management (SWM) based on a "systematic, comprehensive and ecological solid waste management program". The Act established the National Solid Waste Management Commission (NSWMC), which is headed by the DENR. The agency serves as the main body responsible for closely monitoring and evaluating implementation of solid waste management plans as well as setting policy direction to achieve the targets of the Act.

In addition, the Act provides for the establishment of Provincial and Municipal/City SWM Boards. Duties and responsibilities of the Municipal/City SWM Boards are:

- a. To develop municipal/city SWM Plan for long-term solid waste management as to integrate SWM plans and strategies of barangays;
- b. To adopt specific revenue-generating measures for the SWM Plan viability;
- c. To develop specific mechanics and guidelines for municipal/city SWM Plan implementation;
- d. To oversee municipal/city SWM Plan implementation;
- e. To monitor the implementation of municipal/city SWM Plan through its various political subdivisions and in cooperation with private sector and the NGOs;
- f. To coordinate the efforts of its component barangays in the municipal/city SWM Plan implementation;
- g. To recommend to appropriate local government authorities specific measures/proposals for franchise or build-operate transfer agreements with duly recognized institutions, pursuant to RA 6957, to provide either exclusive or non-exclusive authority for the collection, transfer, storage, processing, recycling of disposal of solid wastes; and
- h. To review every two years or as needed the municipal/city SWM Plan to ensure its sustainability, viability, effectiveness and relevance in relation to local and international developments in the field of SWM.

In relation to the above outlined duties and responsibilities of LGUs, the Act defines the LGU as the primary unit tasked to design strategies on source reduction, collection, material recovery and disposal of solid wastes generated. It requires all LGUs to divert 25% of all solid wastes from waste disposal facilities. This can be done through re-use, recycling, composting and other applicable resource recovery mechanisms. The Act, then, mandates waste segregation at source. To facilitate and increase LGU involvement and investment in resource recovery mechanisms and equipment, the Act mandates DTI to support LGUs in developing local market for recyclables and composts. Further, the Act provides that opening of new dumpsites is prohibited and existing open dumpsites should be converted to controlled dumpsites and replaced with sanitary landfills.

Finally, the Act gives the LGUs the autonomy to charge SWM fees on waste generators, and fines and penalties to violators. This is to support the additional expenses born by the LGUs in assuming delivery of such basic services. Among incentives offered to LGUs, enterprises, private entities and NGOs are:

- Tax and duty exemptions;
- Tax credit on domestic capital equipment;
- Provision of grants to LGUs for their capacity-building program; and
- Incentives to communities hosting shared treatment and disposal facilities.

Finance-related provisions of RA 9003 are listed below:

1. Clustering

- a. Section 33 of Local Government Code mandates all provinces, cities, municipalities and barangays to consolidate all their efforts, services and

resources to address common SWM problems and/or establish common waste disposal facilities. Guidelines for clustering shall be based on:

- 1) Size and location of areas which should be included;
- 2) Volume of solid waste which would be generated;
- 3) Available means of coordinating local government planning between and among LGUs and for the integration of such with national plan;
- 4) Possible lifespan of disposal facilities; and
- 5) Common waste treatment and disposal facilities.

2. Solid Waste Management Fund

- a. Solid Waste Management Fund in the National Treasury Account which shall be sourced from:
 - 1) Fines and penalties imposed, proceeds of permits and licenses issued by DENR, donations, endowments, grants and contributions from domestic and foreign sources; and
 - 2) Amounts specifically appropriated for the Fund under the General Appropriations Act.
- b. SWM Fund to finance the following activities: products, facilities, technologies and processes to enhance proper solid waste management; awards and incentives; research programs; information, education, communication and monitoring activities; technical assistance; and capability building activities;
- c. LGUs can avail of the Fund on the basis of approved Solid Waste Management Plan;
- d. The Fund cannot be used for creation of positions or payment of salaries and wages;
- e. Funding request not exceeding P1,500,000; and
- f. LGU may avail of the Fund once every three years but not for the same project or activity.

3. Solid Waste Management Fees

- a. LGUs to impose fees which should cover costs of preparing, adopting and implementing SWM Plan
- b. Fees to be used to pay the actual costs of LGU in collecting the local fees.

4. Local SWM Fund

- a. LGUs may create local SWM Fund which can be sourced from:
 - 1) Donations, endowments, grants and contributions from domestic and foreign sources;
 - 2) LGU allocation of funds collected (40%);
 - 3) Fees collected from provision of solid waste services such as collection, recycling and transport;
 - 4) Sub-contracting fees including management, transport and others; and
 - 5) LGUs may allocate fund from the 20% Development Fund for waste management.

- b. Local Fund may be used for the following: products, facilities, technologies and processes to enhance proper SWM, research activities, IEC and monitoring activities, capability-building activities, and awards and incentives.

D. Republic Act No. 9275 or Clean Water Act of 2004

The Philippine Clean Water Act of 2004 or Republic Act 9275 aims to address the country's pollution problems caused by land-based sources (industries and commercial establishments, agriculture and community/household activities). The Act provides that water quality management be based on watershed, river basin or water resources region. It defines institutions/agencies involved in achieving its targets.

Financing of water quality management activities is supported by the provision of the Act on the establishment of an Environmental Guarantee Fund (EGF) by dischargers. This Fund shall be used for the conservation of watersheds and aquifers, emergency response, clean-up or rehabilitation. Moreover, the Act enumerates water management-related prohibited acts and assigns corresponding amounts for fines and penalties. Incentives for greater stakeholder participation are also provided in the Act.

The Act is based on a multi-sectoral and participatory approach where major stakeholders are involved in the planning and implementation stages. It mandates LGUs' roles on water quality management and designates them as a primary institution to facilitate effective and efficient water quality management through:

- a. Enactment of ordinances appropriating the necessary land including the required rights-of-way/road access to the land for the construction of the sewage and/or septage treatment facilities following the Code;
- b. Enactment of ordinances adjusting local property taxes or imposing a service fee system as fund sourcing for operation and maintenance of sewerage treatment or septage management facility within their jurisdiction;
- c. Prioritization of water projects vis-à-vis available resources;
- d. Preparation of contingency plan in protecting the public from negative impacts of pollution in non-attainment areas;
- e. Enactment of ordinances for monitoring and enforcement activities; and
- f. Jurisdiction harmonization.

Finance-related provisions of the Act include the following:

- a. Creation of National Water Quality Management Fund to finance: containment and clean-up operations of the government in water pollution cases, guarantee restoration of ecosystems and rehabilitation of affected areas, research support, enforcement and monitoring activities, provision of technical assistance to the implementing agencies, granting of rewards and incentives, information and education campaign support, and other activities for the prevention, control or abatement of water pollution and management and administration of management areas;
- b. Creation of Area Water Quality Management Fund for maintenance of water bodies in a water quality management area;
- c. Implementation of a wastewater charge system in all management areas;

- d. Establishment of an Environmental Guarantee Fund in the form of a trust fund, environmental insurance, surety bonds, letters of credit, self-insurance and other instruments prescribed by DENR; and
- e. Charging of fines and penalties for violations.

E. Executive Order 318 or Promotion of Forest Management

Executive Order 318 is the major policy governing the country's sustainable management of forests and forestlands in watersheds. It provides for the LGUs acting as the primary stakeholder to ensure the balance of their economic, ecological, social and cultural objectives. It promotes sustainable and viable forest practices which include: delineation, classification and demarcation of state forestlands, holistic and integrated forestry development, community-based forest conservation and development, private investment and global competitiveness enhancements, and proper valuation and pricing of forestry resources.

Most importantly, the EO calls for creation of financing mechanisms such as:

- a. Local, regional and national plow-back mechanisms of spending resource revenues for activities such as power generation, supplying domestic and irrigation water and ecotourism for forest protection, rehabilitation and development;
- b. Development and institutionalization of minimum spatial units of accounts;
- c. Securitization, bonds and collaborative investments; and
- d. Government in- and out-sourced financing for forest development such as application of clean development mechanism (CDM) in critical watersheds.

Annex C. Expanded Formulas for the Financial Performance Indicators

Financial Performance Indicator	Formula	Data Source
1. Local Income Per Capita	<p>Total Local Source Tax Revenues (Property Taxes + Taxes on Goods and Services + Other Local Taxes) + Non-Tax Revenues (Permits and Licenses + Service Income + Business Income + Other Income)</p> <p>Divided by: City/Municipal Population</p>	COA
2. Internal Financing Ratio	<p>Total Local Source Tax Revenues (Property Taxes + Taxes on Goods and Services + Other Local Taxes) + Non-Tax Revenues (Permits and Licenses + Service Income + Business Income + Other Income)</p> <p>Divided by: Total (Operating or Non-Investment) Expenditures Personal Services + Maintenance and Other Operating Expenses + Financial Expenses</p>	COA
3. Economic Expenditure Ratio	<p>Economic Expenditures (as defined by BLGF) Expenses on activities related to promotion, enhancement and the attainment of desired economic growth</p> <p>Divided by: Total Expenditures (as defined by BLGF) Expenses on General Public Services, Education/Culture, Health, Labor, Housing, Social Services, Economic Services, Debt Service, Other Purpose</p>	BLGF

Financial Performance Indicator	Formula	Data Source
<p>4. Savings Rate</p>	<p>Net Income Total Recurring Income (Internal Revenue Allotment + Tax Revenues + Non-Tax Revenues) Less: Operating Expenses (Personal Services + Maintenance and Other Operating Expenses + Financial Expenses) Plus: Subsidies Plus: Extraordinary Items</p> <p>Divided by:</p> <p>Total Income Internal Revenue Allotment + Tax Revenues + Non-Tax Revenues</p>	<p>COA</p>
<p>5. Financial Leverage</p>	<p>Long-Term Liabilities Loans Payable + Bonds Payable</p> <p>Divided by:</p> <p>Total Assets Total Current Assets (Cash + Receivables + Inventories + Prepaid Expenses + Other Current Assets) + Investments + Plant, Property and Equipment + Other Assets</p>	<p>COA</p>

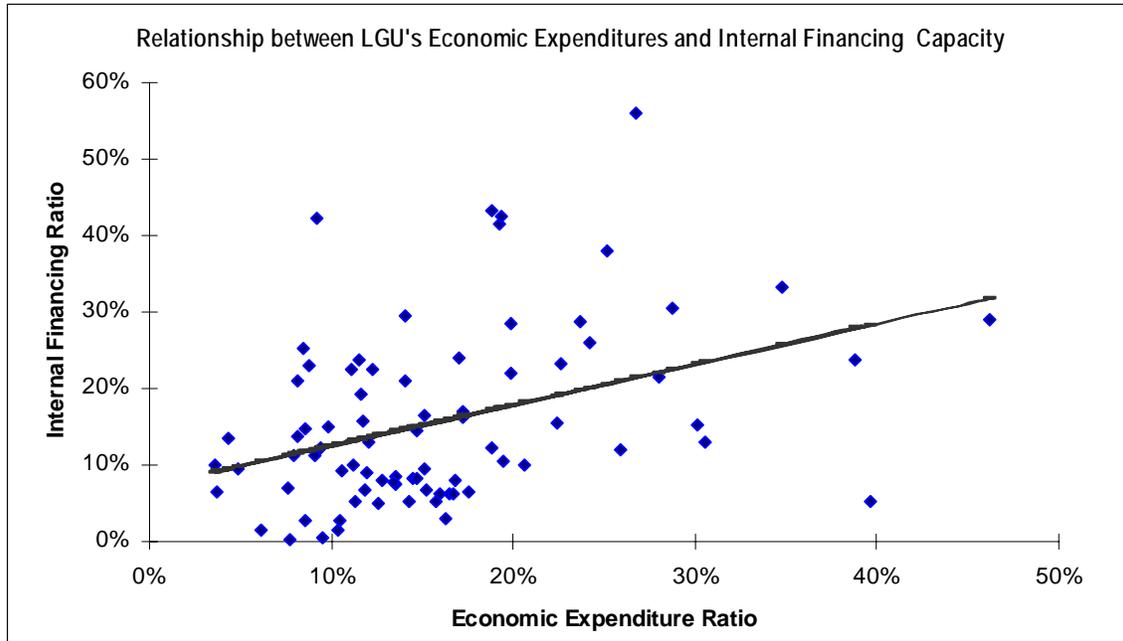
Financial Performance Indicator	Formula	Data Source
6. Liquidity	<p>Current Assets Cash + Receivables + Inventories + Prepaid Expenses + Other Current Assets</p> <p>Divided by:</p> <p>Current Liabilities Payable Accounts (Accounts Payable + Accounts Due to Officers and Employees + Interest Payable + Notes Payable) + Inter-Agency Payables (Dues to LGUs + Dues to Other NGAs + Dues to BIR + Dues to GSIS + Dues to Other GOCCs + Dues to Philhealth + Dues to PAG-IBIG) + Intra-Agency Payables (Dues to Other Funds) + Other Liability Accounts (Other Payables + Guaranty Deposits Payable + Performance/Bidders/Bail Bonds Payable + Tax Refunds Payable)</p>	COA

Annex D. Economic Expenditures and Internal Financing Capacity

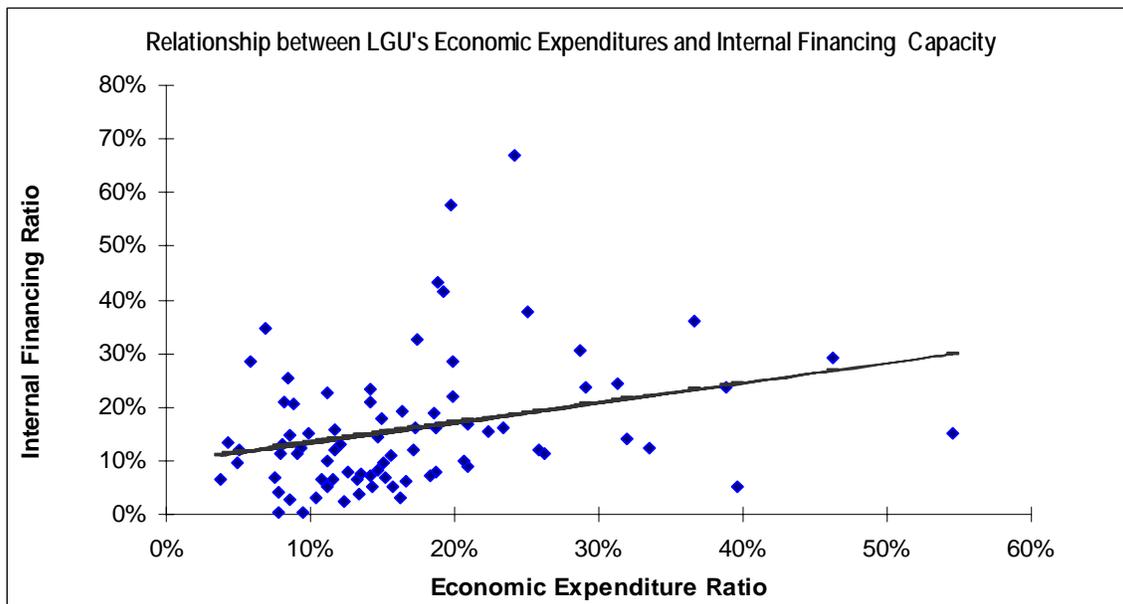
A regression analysis was conducted to show the relationship between the economic expenditure and internal financing ratios of partner LGUs for the years 2002, 2003 and 2004. Based on the following scattergrams, the relationship between the two ratios is positive. LGUs that have higher economic expenditure ratios show greater capacity to finance expenditures through local own-sources sources of revenues.

Scattergram for Years 2002-2004

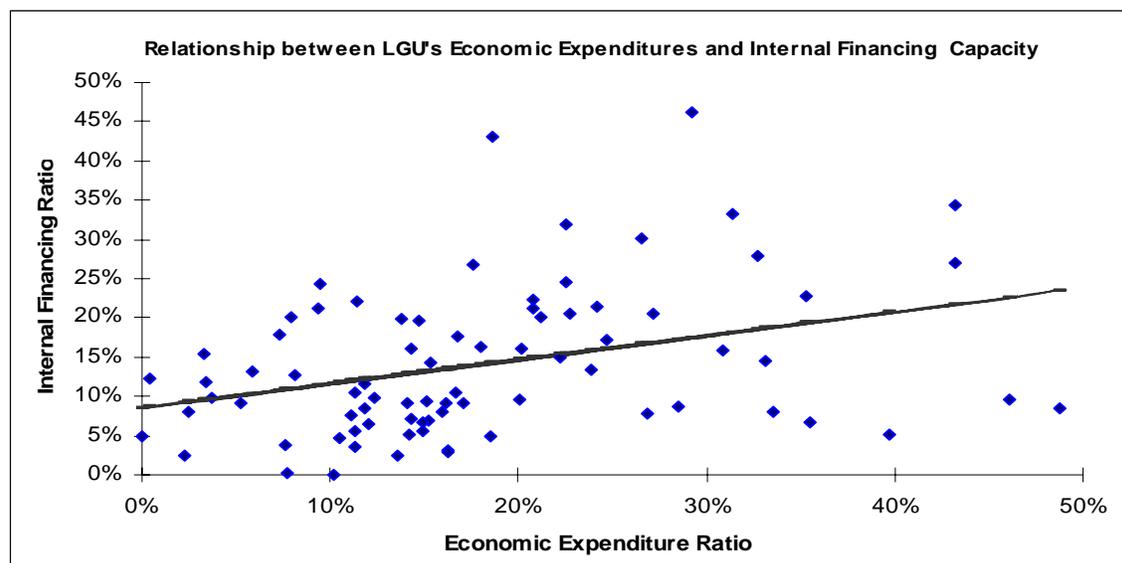
2004



2003



2002



The results of the regression analysis are as follows:

Annex Table D-1. Results of Regression Analysis

Item	2002	2003	2004
Adjusted R Square	.10	.07	.13
Coefficient (Economic Expenditures /Total Expenditures)	.30	.37	.53
P Value	.002	.008	.0004

- The coefficient (Economic Expenditures/Total Expenditures) indicates the relationship between the economic expenditure and internal financing ratios of the partner LGUs. Based on the results above, the relationship between the 2 ratios is positive for each year. For every 1% increase in an LGU's economic expenditure ratio, the LGU's the internal financing ratio is higher by an average of 0.53% (1% x 0.53) in 2004, 0.37% in 2003, and 0.3% in 2002.
- The adjusted R-square explains how much of the variation of the internal financing ratio is explained by the economic expenditure ratio.
- The P value indicates significance of the impact of the economic expenditure ratio on internal financing capacity. As a rule if the P value is lower than 5%, the impact of the economic expenditure ratio is significant. Throughout the three years the impact of the economic expenditure ratio on internal financing capacity is clearly significant.

Annex E. Listing/Description of Donor Credit Facilities for Environmental Projects

GFI / Implementing Agency	Project Title	Fund Source	Loan Amount in Pesos (\$)	Effectivity Date	Closing Date (Revised)	Interest Rate to Borrowers (p.a.)	Repayment Period for Borrowers	Eligible Borrowers
Development Bank of the Philippines	Environmental Infrastructure Support Credit Program 2 (EISCP II)	JBIC	8,197,936,385 (\$200,527,473)	28-Mar-00	28-Mar-06	Sub-loans shall be lent to end-users at a fixed rate of 9%. Interest rate shall be subject to semi-annual review	3 to 15 years with a maximum 5 years grace period. Amortization payments shall be at least on a semi-annual basis.	Filipino citizens or corporations with at least 70% Filipino capital
Development Bank of the Philippines	LGU Urban Water and Sanitation Project-Phase II (APL2)	World Bank		16-May-02	30-Nov-06	9% until 2004, renewable yearly thereafter but not to exceed 15% p.a.	Maximum of 15 years inclusive of a maximum grace period of 3 years on principal repayment. The frequency of loan amortization shall at least be semi-annually and should reflect the cash flow of the Project	LGUs on the basis of beneficiaries demand and private sector participation
Development Bank of the Philippines	Credit Line for Solid Waste Management (CLSWM)	KfW		Nov-04		Prime, fixed rate based on prevailing market rate at the time of the loan	Maximum of 12 years with maximum of 3 years grace period	LGUs and private enterprises (with at least 70% Filipino ownership) implementing SWM Projects such as conversion of open dumpsites into controlled dumpsites, conversion of dumpsites into sanitary landfills, waste collection and transport including collection vehicles and other equipment, facilities for waste treatment and recycling and consulting services for project preparation and implementation
Development Bank of the Philippines	Integrated Solid Waste Management Program		1,050,000,000 (\$18,750,000)	31-Mar-04	30-Dec-07	.75% and 5.95%		Institutions which shall employ SWM modern management methods, facilities and equipment with the end in view of achieving cost effectivity and technical efficiency while increasing responsiveness of service providers and operators

GFI / Implementing Agency	Project Title	Fund Source	Loan Amount in Pesos (\$)	Effectivity Date	Closing Date (Revised)	Interest Rate to Borrowers (p.a.)	Repayment Period for Borrowers	Eligible Borrowers
Department of Finance	Local Government Finance and Development	World Bank	3,977,588,004 (\$100,000,000)	28-Feb-00	30-Jun-06	12%	Maximum of 15 years inclusive of a 3-year grace period on the principal	Low-income LGUs, i.e. 3rd to 6th income class provinces, cities and municipalities. 1st and 2nd class LGUs may avail of the fund assistance on a case to case basis and particularly for social and environmental subprojects for improvement of sanitation, environment and quality of life of the urban poor.
Department of Interior and Local Government	Rural Water Supply and Sanitation Project V	JBIC	379,767,037 (\$9,289,377)	28-Mar-00	28-Mar-07	Grants to LGUs	Window 3 Loan of the Water Districts: 5 years to start after the 2 years grace period; Grace Period: 2 years to start from initial disbursement from Window 3 loan	General Population of 5th and 6th class municipalities of Ilocos Sur, Nueva Vizcaya, Zambales, Occidental Mindoro, Oriental Mindoro, Palawan
Land Bank of the Philippines	Water Districts Development Project	World Bank	1,371,250,054 (\$36,300,000)	10-Sep-99	30-Jun-04 (31-Dec-05)	12%, fixed for the term of the loan	Up to December 31, 2016	Provinces, cities and municipalities outside of Metro Manila
Land Bank of the Philippines, Department of Interior and Local Government	Mindanao Basic Urban Services Sector Project	ADB	1,813,276,807 (\$35,000,000)	Sep-02	Jun-08	11.0 – 13.0%, fixed for the term of the loan	15 years inclusive of 3 years grace period on principal payment	Provinces, cities and municipalities in Mindanao
Local Water Utilities Administration	Provincial Towns Water Supply Program (I & II)	KfW	609,737,873 (\$15,205,039)	8-Feb-00	31-Dec-03 (31-Dec-05)	Regular Loan of the Water Districts: First P2M: 8.5% Next P5M: 10.5% Over P7M: 12.5%	Regular Loan of the Water Districts: 20 years to start after grace period; Grace Period: 5 years maximum to start from project completion depending on the WD capability to pay	Project sites already finalized

Annex F. Key Financial Data on EcoGov Partner LGUs

1. Financial Highlights of LGUs In Mindanao

a. Cities (in thousand pesos)

Annex Table F-1. Financial Highlights, Mindanao Cities

Cities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Isabela	77	9,089	184,894	95,228	4,555	122,554	76,052	4,959	185,653	87,135	48,918
Kidapawan	10	71,579	298,711	46,941	14,027	238,021	222,567	50,269	495,311	128,550	42,449
Koronadal	14	52,659	281,566	88,394	169,705	311,026	185,652		477,387	235,785	22,509
Pagadian	15	58,677	310,201	75,317	52,551	264,512	226,422	46,836	1,242,200	135,995	43,616
Tacurong	8	41,008	203,521	77,521	17,689	199,436	111,182	46,721	271,523	109,903	22,571
Zamboanga	65	250,980	1,053,988	373,538	114,235	595,155	674,177	22,810	3,447,271	1,187,1950	420,047

b. Municipalities (in thousand pesos)

Annex Table F-2. Financial Highlights, Mindanao Municipalities

Municipalities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Buug	35	10,047	40,935	6,028	12,217	39,023	34,383	20,000	70,778	11,238	12,549
Dimataling	26	71,010	27,750	15,030	2,338	27,368	27,497	1,875	39,620	5,954	2,483
Dinas	32	2,011	31,034	5,211	2,124	18,178	25,203	1,128	44,618	9,659	3,788
Dumaliniao	23	3,219	30,006	4,579	6,719	25,934	25,308	1,001	49,908	15,608	10,206
Ipil	53	22,616	66,518	13,363	37,279	80,617	50,167	29,539	155,743	37,492	14,914
Isulan	109	15,567	80,587	10,901	20,412	70,193	66,963	1,686	101,959	29,074	11,124
Kalamansig	47	2,849	59,194	3,188	7,651	56,950	53,150	1,180	55,762	15,493	9,014

Municipalities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Kiamba	48	8,468	51,421	6,485	9,379	50,323	44,895	8,907	76,854	14,409	6,553
Labangan	37	2,505	34,958	1,973	3,976	28,146	32,867	19,440	44,951	7,156	5,644
Lamitan	60	4,826	52,744	(1,790)	10,857	52,563	54,067	10,220	61,702	11,305	5,618
Lebak	76	5,056	65,336	7,960	11,744	56,226	52,939	8,249	70,549	24,517	6,279
Maasim	42	2,957	49,691	2,459	5,569	51,392	47,148	6,228	58,180	6,487	3,955
Maitum	37	5,251	42,884	5,137	13,157	39,282	37,766	1,106	76,792	10,960	6,168
Makilala	67	11,284	64,477	4,602	9,098	60,897	58,501	7,250	123,249	31,318	14,480
Naga	35	2,604	37,823	6,123	4,856	31,907	33,420	1,050	54,722	13,221	8,285
Parang	63	4,891	78,920	8,318	8,663	58,928	59,542	16,900	82,153	9,698	4,8660
Payao	28	1,865	32,201	2,279	2,014	25,642	29,718		36,226	13,951	5,896
RT Lim	36	1,855	38,751	2,839	6,140	36,822	35,705	4,977	28,383	9,684	5,805
San Pablo	29	1,325	27,359	2,680	2,913	25,972	24,799	6	47,656	5,444	12,859
Sultan Kudarat	101	5,376	68,582	8,470	23,301	58,733	65,883	30	110,798	23,715	12,463
Sumisip	54	26,730	54,874	58,980	5,164	54,242	54,022	27	59,107	4,136	992
Tabina	23	2,197	25,253	1,898	2,561	22,807	23,259	6,296	423,243	10,222	7,341
Tipo-tipo	52	11,160	39,836	(4,770)	3,009	38,882	44,607	1,434	6,643	247	2,523
Tukuran	35	2,988	34,063	3,896	4,716	31,311	29,307		45,055	12,602	7,745
Tungawan	35	2,744	45,588	4,423	5,405	42,779	40,395	6,814	47,889	10,711	6,021
Wao	38	5,645	48,210	4,373	2,036	47,136	43,836		93,277	2,672	2,728

2. Financial Highlights of LGUs in the Visayas

a. Cities (in thousand pesos)

Annex Table F-3. Financial Highlights, Visayas Cities

Cities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Bais	70	27,455	222,956	47,742	38,787	166,179	165,172		576,449	201,288	22,680
Bayawan	107	17,634	327,083	108,345	31,696	239,544	150,779	6,152	647,185	325,531	133,862
Danao	104	69,473	223,847	32,069	57,711,610	157,664	189,770		455,797	173,282	60,907
Tagbilaran	85	115,539	251,913	63,083	40,929	169,597	183,205	113,069	587,695	118,901	38,603
Tanjay	71	15,573	198,738	76,748	24,899	145,118	121,144	22,720	223,616	78,085	30,130
Toledo	155	25,349	239,016	56,014	32,262	197,533	179,368	6,160	54,473	171,977	58,764

b. Municipalities (in thousand pesos)

Annex Table F-4. Financial Highlights, Visayas Municipalities

Municipalities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Albuquerque	9	1,707	15,712	1,301	1,579	16,792	14,355		17,666	4,760	2,525
Alcoy	14	4,534	22,352	7,418	1,754	21,428	14,596		55,098	24,977	8,886
Amlan	19	2,697	24,832	2,827	1,843	23,253	21,837	121	24,893	10,444	4,755
Balamban	62	27,117	77,160	20,573	11,466	60,928	51,772	413	111,747	41,010	5,871
Compostela	33	10,409	36,436	7,575	1,763	25,652	28,549	1,625	55,550	23,934	10,095
Corella	5	2,212	15,702	1,417	2,189	14,893	14,180		16,784	6,569	4,096
Cortes	13	4,052	20,610	2,347	2,435	17,201	18,356	1,734	12,384	4,065	1,350
Dalaguete	60	11,094	53,36	16,102	12,411	55,467	36,116	26,602	123,713	25,321	9,280
Dauin	22	2,516	26,322	4,004	1,187	23,301	21,526		24,823	13,485	6,580
Daus	27	3,760	27,882	3,676	2,751	23,459	23,251	1,200	31,204	15,264	7,405

Municipalities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Duero	17	2,592	22,565	738	1,513	18,678	20,861	9,962	22,419	8,649	3,398
Jagna	32	5,819	33,569	5,690	5,302	28,579	27,147	14,983	60,188	21,431	9,670
La Libertad	35	4,093	35,528	11,526	3,785	31,321	23,219	20	54,599	24,188	12,873
Maribojoc	16	4,303	22,662	3,693	3,635	18,267	18,910		30,942	11,246	2,937
Pamplona	33	2,222	35,237	6,963	5,241	20,015	27,792		46,251	20,004	11,093
Panglao	22	7,229	27,612	4,857	3,879	22,212	22,691		41,320	11,884	3,064
Poro	22	2,795	23,881	6,198	2,875	25,827	21,259	342	40,450	9,018	2,220
San Francisco	43	2,899	35,490	6,210	1,423	29,009	30,236	2,716	64,896	20,427	3,615
San Jose	16	1,522	20,517	4,124	3,805	20,293	16,392	8	31,080	10,053	11,687
San Miguel	22	2,639	26,345	3,623	1,703	18,800	21,666		25,769	11,245	4,470
Sta. Catalina	71	5,076	66,986	9,327	10,864	59,264	54,583	742	135,510	46,333	34,187
Talibon	57	33,571	75,329	19,585	10,535	53,328	54,901	48,123	122,192	27,823	7,613
Tudela	10	1,670	16,636	6,433	1,037	13,727	16,328		26,201	3,322	2,628

3. Financial Highlights of LGUs In Luzon

a. City (in thousand pesos)

Annex Table F-5. Financial Highlights, Luzon City

Cities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Cauauyan	112	58,736	273,451	41,973	18,797	221,426	215,933	169,051	391,367	61,798	28,618

b. Municipalities (in thousand pesos)

Annex Table F-6. Financial Highlights, Luzon Municipalities

Municipalities	Population 2003 (in '000s)	Local Income	Total Income (COA)	Net Income	Economic Expenditure	Total Expenditure (BLGF)	Total Expenditure (COA)	Long-Term Liabilities	Total Assets	Current Assets	Current Liabilities
Aglipay	23	1,431	31,958	1,957	2,677	23,133	27,678	3,073	35,232	17,681	11,925
Bagabag	32	8,070	39,660	3,863	6,732	39,049	35,120		54,339	22,539	5,830
Baler	31	6,569	33,295	223	4,534	32,152	32,841	5,935	38,492	10,387	1,603
Bambang	43	14,490	56,169	7,889	13,481	46,914	48,230	16,750	81,836	18,223	3,663
Bayombong	52	11,943	50,130	2,949	22,808	58,712	46,788	13,500	64,183	20,356	7,182
Cabarroguis	27	650	38,061	1,966	4,828	23,081	35,800		24,739	8,306	3,876
Diffun	42	3,891	45,136	7,014	6,203	39,741	35,808	240	65,7210	23,019	7,039
Dinalungan	10	998	25,790	3,965	3,142	19,318	21,815		34,190	18,938	8,174
Dipaculao	24	3,137	37,339	4,825	3,033	35,336	32,315		55,785	11,950	2,937
Dupax del Norte	24	3,237	36,231	3,904	4,285	31,795	32,198	1,936	27,008	9,181	3,524
Dupax del Sur	17	1,857	41,185	5,938	5,686	36,095	34,186		49,808	25,553	7,133
Ma. Aurora	34	5,767	46,828	7,762	3,750	38,120	38,985		55,200	29,058	9,046
Maddela	34	8,590	67,132	(93)	19,412	60,830	65,435	22,949	72,710	16,587	9,465
Nagtipunan	19	1,782	77,659	16,395	9,763	79,321	61,203	23,197	162,784	19,985	10,892
Quezon	17	687	24,060	3,612	2,273	21,915	20,0140		27,000	7,190	4,738
San Luis	23	2,131	45,900	8,805	3,424	24,054	36,931	3,477	50,237	18,941	15,041
Solano	54	23,883	62,746	10,823	15,687	62,440	50,794	4,019	86,897	8,538	12,963