

**FINAL REPORT  
DEVELOPMENT INVESTMENT PROGRAM  
Governance and Local Democracy Project  
November 2000**

**INTRODUCTION**

The Development Investment Program of the Governance and Local Democracy Project (GOLD) ventured into five technical assistance areas or themes. These are, in order of coverage (1) Investment Prioritization and Programming, (2) Project Development, (3) Investment Promotion and Development, (4) Tourism Development and (5) Alternative Finance. Two LGUs were assisted in association with other GOLD Programs (Coastal Resource Management Program and GIS). The table below summarizes the total number of technical assistance packages and the number of LGUs under each theme.

Theme	Number of LGUs	T.A. through Institutions
Investment/Project Prioritization	55	28
Project Development	57	29
Tourism Development	11	6
Investment Promotion	9	0
Alternative Finance	11	4
CRMP with Environment Program	1	1
GIS with Computerization Program	1	1
<b>Total Technical Assistance Packages</b>	<b>145</b>	<b>69</b>

Two approaches to deliver technical assistance were used. One approach involved direct delivery of technical assistance to the LGUs while the other involved delivery of the same through an institution. Of the 145 technical assistance packages delivered, 69 were carried out in partnership with four institutions, three of which are regional offices of the National Economic and Development Authority (NEDA), the country's economic planning organization. Annex 1 enumerates the LGUs which received technical assistance from the Development Investment Program of GOLD, the subject of assistance and provides a brief description of the effort.

## CONTEXT AND APPROACH

### LGU APPROACH PRIOR TO GOLD

#### Investment Prioritization

At the beginning of the GOLD project, there was no endorsed method for prioritizing LGU concerns, projects, or investments. Most investment plans were wishlists so that six months through the Local Government Code's implementation, there was a perceived need for "guidelines to cover key aspects of the Code"<sup>1</sup>, specifically a planning "manual" to mitigate the situation.<sup>2</sup> In one extreme case, an observer described the allocation process as a "luxurious use of government funds"<sup>3</sup>. There was always the option of going back to the old mode of planning, used extensively prior to the Code. However there was a perceived "dissatisfaction" over those previous methods.<sup>4</sup>

Although the Code mandated the preparation of local plans and programs to local development councils (LDCs), these were not yet completely in place by the time GOLD commenced operation.<sup>5</sup> People's participation in planning and program formulation, including investment prioritization was yet to be realized through those councils. To complicate matters, the LDCs were described as "unwieldy", in reference to the size of their membership, and NGO participation in those councils did not help any to mitigate the situation.<sup>6</sup> Even in Bohol, where people's participation was supposedly "advanced", participants to a governance workshop saw the "need for more LGU-NGO collaboration".<sup>7</sup> There were exemplary LGUs that applied the principles of participation and generally, good governance in the investment prioritization process. In such cases, it was noted that the LGU's sense of priorities were responsive to short run, immediate needs of the locality, but fell short when it came to planning and programming for long term needs.<sup>8</sup>

In summary, there was neither policy nor method to guide LGUs in the investment prioritization process, that reflected the Code's purpose of promoting popular participation in planning and project identification, other than what was laid out in the Code and its Implementing Rules and Regulation.

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<sup>1</sup> *First Rapid Field Appraisal (RFA) on Decentralization, Local Development Assistance Program (LDAP), USAID p.10, July 1992. The use of the term "wishlist" to describe investment plans is mentioned as late as the Fourth RFA, LDAP/USAID pp. 11-12, June 1994.*

<sup>2</sup> *Second RFA LDAP/USAID p. iii, January 1993 and also Third RFA LDAP/USAID pp.15-16, October 1993.*

<sup>3</sup> *GOLD Project Planning Workshop for General Santos City, October 19-20, 1995.*

<sup>4</sup> *Fourth RFA, LDAP/USAID pp. 11-12 June 1994.*

<sup>5</sup> *Third RFA, LDAP/USAID p. 16, October 1993.*

<sup>6</sup> *Fourth RFA, LDAP/USAID pp. 18-19, June 1994. This was again mentioned in the Fifth RFA, LDAP/USAID p. 8 June 1995.*

<sup>7</sup> *GOLD Provincial Planning Workshop for Bohol, October 1995. See also the results of the Second RFA, LDAP/USAID, p.17, January, 1993.*

<sup>8</sup> *Second RFA, LDAP/USAID, p. 14, January 1993.*

## Project Development

At the Fifth RFA, the capacity of LGUs for project development and financial packaging was described as “inadequate” and direct training in that area was recommended.<sup>9</sup> In May 1999, that observation was again raised during a forum sponsored by the Department of Finance to discuss ways of promoting the use of municipal bonds.<sup>10</sup> The problem however, is not so much the inadequacy of skills of LGU staffs as the ability to understand the process of generating the local leadership’s support for a specific project and translating that support into financial resources to ensure its implementation. Many consultants agree that preparing a project study of itself is a straightforward technical process. This “expert’s” view that project development at the local level was simply a “technical process” was what prevailed prior to GOLD’s entry in project development work.

That “expert” view affected effective project development in many ways. First it alienated *the project* from the LGU and its staff, including the local development councils who were supposed to draft the local plans and programs of local governments. It became some *thing* that only the experts understood. This alone stymied staff initiative and support which translated into an inability to explain the project, firstly to the political leaders, the public and then finally to the investors or financing institutions. It was common then to encounter LGU staff and even Sanggunian members who had absolutely no knowledge of a project being funded by a bank or a national government agency.

Second and more importantly, project development technology did not adapt to the limitations imposed by the realities under which LGUs operate and even more importantly, under which LGUs relate with their constituencies. These realities had to bear on the choice or design of data generation methodologies, determination of market parameters, organizational and management approaches and even technical design.

## Investment Promotion

The prevalent approach to developing LGU capacities in investment promotion consisted of (1) establishing an investment promotions unit, (2) passing a resolution outlining an LGU’s Investment Incentives Package, (3) identifying sites for the development of industrial estates or export processing zones, (4) inviting and meeting with, “foreign investors”. Together, these mimic the Department of Industry’s approach to investment promotion at the national level. Because at the time the GOLD project started work in Bohol, there were only two operational investment promotion units in the country namely Cebu City and Davao City, local governments looked primarily to national government agencies for assistance. The Department of Trade and Industry provided much of the ideas for LGUs. These ideas were also carried by many, if not all consultants working with LGUs under most foreign donor programs such as the Local Government Support Program (LGSP) of the Canadian International Development Assistance (CIDA) Office.

There was also the tendency for LGUs to use micro-enterprise development centers as the units to promote more investment. Examples of this are the Micro-enterprise Program of Cagayan Province and the PIPBAC of Palawan province.<sup>11</sup>

<sup>9</sup> Fifth RFA, LDAP/USAID, p. 4 June 1995.

<sup>10</sup> See “Issues and Recommendations: Strategic Planning Workshop on Municipal Bonds” A Forum Sponsored by the Department of Finance, Republic of the Philippines, May 1999 pp.19-21.

<sup>11</sup> Report on the Ranking of Local Government Units in Connection with the GOLD Site Selection, submitted by Mr. Juan M. Ragragio to the USAID, June 20, 1995

## Tourism Development

Not much was known about the approaches used to pursue LGU initiatives in tourism. As early as 1994, there had been successful cases of LGU management of tourism facilities notably the St. Paul Subterranean Park in Puerto Princesa City and the Callao Cave of Cagayan Province. These were facilities or on-going concerns that were turned over to the LGUs. There was not much experience in the identification, planning and implementation of an LGU initiated Tourism Program or project. Surprisingly, tourism was not much of a concern raised by any of the LGUs covered by the site selection process.<sup>12</sup> There was no national government agency that took the lead to assist the LGUs in their tourism development initiatives.

## Alternative Finance

The Second Rapid Field Appraisal (RFA) under the USAID Local Development Assistance Program concluded that there was much interest among LGUs in alternative financing but many of these were not familiar with such modes of resource mobilization.<sup>13</sup> Into the third and fourth RFAs, LGUs saw the need for more information on alternative financing modes and for “guidelines on alternative financing”.<sup>14</sup> There had been reports of “openness to private sector participation in the management of public markets”.<sup>15</sup>

There was not much movement though in the arena of alternative financing of LGU projects until the first bond issuance by the Municipality of Victorias, Negros Occidental to finance its housing project. This was followed by the issuance of the Legazpi City Suerte Bonds and the implementation of the Mandaluyong Commercial Complex. The latter was constructed under a Build-Operate-Transfer arrangement. Proceeds from both bond issues were used to finance housing projects and the issues were guaranteed by the Government’s Housing Insurance and Guarantee Corporation. An HIGC guarantee carries with it a partial tax exemption. It would take another five years before a successful third bond issue. On the other hand, the Mandaluyong BOT was a negotiated contract. As with the bonds, it would take several years before a second LGU BOT transaction would be carried out.

Most of credit financing by LGUs were accessed through loans, especially from Government Financing Institutions (GFIs) which made borrowing a lot easier for LGUs.<sup>16</sup> The strong promotional campaigns launched by the GFIs resulted in the perceptible “expansion of their (LGU) loan” portfolios as early as 1994.<sup>17</sup> The facility with which LGUs could access loan funds diminished their interest in alternative financing modes that they knew so little about.

Another constraint to the expansion of the alternative finance market was the lack of project ideas that could be more appropriately funded through alternative financing means.<sup>18</sup>

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<sup>12</sup> This was very apparent in the Site Selection reports rendered by both Mr. Mario Galang and Mr. Juan M. Ragrario for the selection of the GOLD sites.

<sup>13</sup> Second RFA, LDAP/USAID, p. 12, January 1993.

<sup>14</sup> Third RFA, LDAP/USAID, p.24, October 1993 and Fourth RFA, LDAP/USAID p.8, June 1994.

<sup>15</sup> Fourth RFA, LDAP/USAID, p.14, June 1994.

<sup>16</sup> See the Fifth RFA, LDAP/USAID p. 3, June 1995.

<sup>17</sup> Fourth RFA, LDAP/USAID, p.5, June 1994.

<sup>18</sup> Fifth RFA, LDAP/USAID p.5, June 1995.

## POLICY AND LEGAL ENVIRONMENT

### Investment Prioritization

Ideally, the LGUs' development plans should be used as basis for prioritizing projects and programs. Under the Code<sup>19</sup> the plan is supposed to be prepared by the local development council. The Department of Interior and Local Government (DILG) in coordination with the National Economic Development Authority (NEDA) is tasked to provide the guidelines for local planning. With the assistance of the Local Development Assistance Program (LDAP),<sup>20</sup> DILG and NEDA drafted local planning guidebooks and advisories for use by LGUs in the preparation of their comprehensive development plans. These advisories were circulated among the Leagues of Local Governments in 1994. These documents are still in use today although these need updating.

Besides the comprehensive plan however, each LGU has to come up with an Annual Investment Plan that has become, by practice the basis for the allocation of their annual Development Fund that constitutes 20% of the income of the LGU. The DILG has issued several guidelines for the use of that fund although the Leagues have consistently voiced their resentment over what they feel to be an intrusion on the responsibility of the local Sanggunian.

### Project Development

All projects to be financed must be identified in the local development plan or investment program.<sup>21</sup> While support for project development for local governments is implied in many national government issuances<sup>22</sup>, manuals<sup>23</sup> and even at least one law<sup>24</sup>, project development work on the ground has been carried out on a systematically significant scale only by the NEDA Regional Offices through its Project Development Assistance Centers.<sup>25</sup>

At the Conference on Municipal Bonds held in May, 1999 and again on the second Municipal Bonds Workshop held in July 2000, private sector representatives noted the difficulty that they encounter to provide professional financial advisory assistance to LGUs in connection with the issuance of Municipal Bonds.<sup>26</sup> Removal of constraints to engaging the services of financial consultants is among the recommendations submitted by the participants to the May 1999 conference.

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<sup>19</sup> *Local Government Code of 1991.*

<sup>20</sup> *The Local Development Assistance Program (LDAP) was a program of the Philippine Government assisted by the USAID aimed at supporting decentralization at the policy level. LDAP provided technical assistance to both the DILG and the NEDA to draft Local Planning Advisories.*

<sup>21</sup> *Local Government Code of 1991.*

<sup>22</sup> *See for example the following: NEDA Memorandum dated August 1, 1996 on the formation of Project Development Assistance Centers.*

<sup>23</sup> *See for example the "LGU BOT Manual: Administering Build-Operate-Transfer Projects by Local Government Units" published by the Office of the President', Coordinating Council of the Philippine Assistance Program, BOT Center, November 1997 and the NEDA Project Evaluation Manual. The newly published "Municipal Bonds Manual", Financial Executives Institute of the Philippines (FINEX), October 2000, specifies the need for project development work to determine the appropriateness of bonds issuance as a mode of financing a local project.*

<sup>24</sup> *Section 4 of Republic Act 8182, otherwise known as the ODA Act of 1996.*

<sup>25</sup> *The PDACs were originally designed as inter-agency units. Some PDACs function effectively as such (e.g., the NEDA Region V office).*

<sup>26</sup> *"Issues and Recommendations: Strategic Planning Workshop on Municipal Bonds", Department of Finance, May 1999, pp. 19-21*

## Investment Promotion

The Code mandates provinces, cities and to some extent, municipalities, to promote investments in their respective constituencies.<sup>27</sup> The Department of Trade and Industry (DTI) which has traditionally handled this task at the national and regional levels, has been quite supportive of local initiatives. In many instances, DTI provincial offices have made available staff, office space and even financial resources to assist LGUs in their investment promotion work.

Frequent areas of assistance are (a) the design and publication of promotional literature and (b) the drafting of investment incentives codes. In these, the DTI has provided substantial support to LGUs.

A third area of assistance is in the planning of industrial centers, export processing centers and similar facilities. Under the Special Economic Zone Act of 1995 or Republic Act 7916, local governments are authorized to establish so-called ECOZONES. Ecozones are areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations. Under the said law, locators and developers of such zones enjoy tax and non-tax incentives.<sup>28</sup>

## Tourism Development

As with investment promotion, the Code mandates provinces and cities to develop the tourism potentials of their respective localities.<sup>29</sup> As early as August 1992, the Department of Tourism issued its *Rules and Regulations to Govern the Accreditation of Hotels, Tourist Inns, Motels, Apartels, Resorts, Pension Houses and other Accommodation Establishments* pursuant to the devolution of the Department of Tourism's (DOT) regulatory functions over tourist establishments.<sup>30</sup> In 1998, a Joint Memorandum Circular was issued by the Department of Environment and Natural Resources (DENR) and the DOT defining the guidelines for "ecotourism development in the Philippines".<sup>31</sup> In that circular, a national Ecotourism Steering Committee (ESC) Code created as a "policy making body to provide general direction in the over-all development and implementation of ecotourism projects in the Philippines". The local governments are not represented in that body. Representation for LGUs starts at the regional level (Regional Ecotourism Committee).

## Alternative Finance

The Constitution empowers the LGUs to create its own sources of revenues.<sup>32</sup> The Code authorizes the provinces, municipalities and cities to use an array of financing options: bonds<sup>33</sup>,

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<sup>27</sup> Section 17b of the Local Government Code of 1991.

<sup>28</sup> Republic Act 7916, The Special Economic Zone Act of 1995.

<sup>29</sup> Section 17b, Local Government Code of 1991.

<sup>30</sup> Issued on August 26, 1992.

<sup>31</sup> Joint DENR-DoT Memorandum Circular No. 98-02, "Guidelines for Ecotourism Development in the Philippines", 1998.

<sup>32</sup> Article X Section 5, Philippine Constitution.

<sup>33</sup> Section 299, Local Government Code of 1991

joint venture (JV)<sup>34</sup>, build-operate-transfer (BoT)<sup>35</sup>, other private-public partnerships (PSPs)<sup>36</sup> as well as the traditional loan. In addition to the Code, the newly issued guidelines on privatization exempts LGUs from seeking Presidential approval to privatize its operations either wholly or partly<sup>37</sup>. Viewed comprehensively, the Constitution provides a favorable environment for the creative generation of resources to finance the LGU projects.<sup>38</sup> That loan obligations contracted by the LGU will remain binding and enforceable even beyond the expiration of the terms of local elective officials who contracted the loan has increased the confidence of the financial community to transact business with LGUs.<sup>39</sup>

There are limitations however to LGUs' resource mobilization capacities. Debt servicing should not exceed 20% of the LGU's regular income.<sup>40</sup> Bonds can be used to finance only revenue generating and self-liquidating projects.<sup>41</sup> Projects costing more than P50 million need approval by the Regional Development Council (RDC) and the Investment Coordination Council (NEDA-ICC) for projects costing over P200 million<sup>42</sup>. Presently, only infrastructure projects are eligible for financing under the BOT agreement.<sup>43</sup>

The May 1999 Conference on Municipal Bonds highlighted problems arising from the legal environment for bond issuance. These include concerns on LGU depository accounts<sup>44</sup>, the convertibility of local government bonds and the tax treatment of issues which constrains the development of a secondary market for municipal bonds.<sup>45</sup>

Another major constraint to LGUs is the need for Presidential approval of projects costing more than P50 million.<sup>46</sup> In the case of Bohol, a response from the Office of the President came after several months.

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<sup>34</sup> Section 35 of the Local Government Code of 1991 and Rule XIII, Article 62 of the Implementing Rules and Regulations of the Code.

<sup>35</sup> Section 302, Local Government Code of 1991

<sup>36</sup> Section 302, Local Government Code of 1991

<sup>37</sup> See the Implementing Rules and Regulations issued on January 13, 1999, on the Executive Order 12 entitled "Revitalizing the Privatization Program of Government", issued in August 14, 1998.

<sup>38</sup> An entire Article of the Philippine Constitution (Article X) is devoted entirely to local government and its autonomy.

<sup>39</sup> Department of Justice Legal Opinion No. 160 Series of 1994.

<sup>40</sup> Section 324b of the Local Government Code of 1991 and Article 419b of Rule XXXV of the Code's Implementing Rules and Regulations (IRR).

<sup>41</sup> Section 299 of the Local Government Code of 1991.

<sup>42</sup> Republic Act 6957 "An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by Private Sector and for Other Purposes" as amended by Republic Act 7718,

<sup>43</sup> Section 302a Local Government Code of 1991.

<sup>44</sup> See Commission on Audit no. 92 and Bangko Sentral ng Pilipinas Circular 110 series of 1999 section 4.

<sup>45</sup> "Issues and Recommendations: Strategic Planning Workshop on Municipal Bonds", Department of Finance, May 1999.

<sup>46</sup> Memorandum Circular issued by the Office of the President dated August 25, 1998.

## SUMMARY OF APPROACH

The ToP approach was used in all aspects of delivery of technical assistance. This enabled the team to keep all aspects of the activity participatory, from carefully defining the focus of assistance to the formulation of activity plans.

Broadly, technical assistance would start with a meeting between the GOLD technical consultant and staff of the LGU to discuss the request for support. The output of this meeting is usually an agreement on the details of (a) problem being addressed, (b) the range of interventions needed, (c) the specific intervention that is expected of GOLD, (d) the roles of other stakeholders and (e) a schedule for the next meeting. This second meeting usually ends with an action plan, drafted in consultation with a larger group. The action plan usually includes the formation of a technical working group with whom the GOLD team would be coordinating with. After this first meeting, it was not uncommon for a request to evolve into a package of activities that would appear to be far different from what had been originally intended by the LGU. In the case of Palawan for example, the original request was for assistance to develop projects for private-public partnership or for funding through bonds issuance. After the initial meeting, the package of activities included a project identification process that was to be applied to all municipalities. This idea came about as the participants at the meeting realized that before any plans for private-public partnership or bond float could be realized, there should be a good list of priority projects to be funded, not to mention the studies on those projects.

After the these initial meetings, the actual delivery of technical assistance commences.

### Investment Prioritization

The Investment Prioritization effort roughly has two major phases. The first phase covers the investment prioritization efforts of 1996 into early 1997. Not much investment prioritization work was completed in 1998. A resurgence of this activity was discernible in 1999 into 2000. This second phase took on a new character. The characteristics of each phase are discussed below.

#### *First Phase: Joint Experimentation on New Approaches*

ToP was a new technology with no application to start with other than that applied at the GOLD Project Planning Workshops. Very few in the GOLD staff knew of the process. But everyone knew that it opened a new way of looking at how participatory processes could be done more effectively and most especially, quickly. Under this setting, everything was experimental. Four major designs evolved during this phase. These are: (a) the Palawan Investment Prioritization Workshop (IPW), (b) the Bohol Municipal Cluster Workshop (MCW), the (c) Capiz Strategic Organizational Assessment Workshop (SOAW) and the (d) Nueva Vizcaya Industry Assessments using the Focused Group Discussions (FGD). Brief descriptions of these designs are discussed in the following table.

To implement the investment prioritization effort, local teams were hired to complement LGU staff assigned to the activity. The local teams, together with the LGU counterpart staff are then trained in the ToP technology. The workshop design is used as the “practicum” for the training. After the training, the local team carries out the implementation plan. In Palawan, the workshops were held in 21 municipalities and one city from April to July, 1996. The Bohol



workshops were carried out from July to October 1996. For details of these activities please refer to Items 20-37, 56, 71-83 and 20 of [Annex 1](#).

Design	Description
Palawan Investment Prioritization Workshop	Originally designed as a two-day workshop. The objective in this event is to generate a list of priority projects considered strategic to the attainment of a municipality's vision and goals. The design is applicable to municipalities and cities. It was later modified to fit into a one-day activity to cut on LGU cost. This event can be handled by only one facilitator.
Bohol Municipal Cluster Workshop	The Bohol Municipal Cluster Workshop was also designed as a two-day activity. The objective of this workshop is to define the cluster's chosen "path of development", select the lead economic sectors and prioritize investments, both public and private, needed to achieve the said path of development. It was designed to guide the Province in its effort to define the types of projects or investments to promote. This event needs to be handled by at least two facilitators.
Capiz Strategic Organizational Assessment Workshop	The Capiz Strategic Organization Assessment Workshop was designed as a participatory method of evaluating an LGU's (originally a municipality) performance in the delivery of services. The performance of each department is literally rated using a quantitative indexing method and is carried out mainly by the citizenry present at the workshop. The projects or investment areas are identified in the process of recommending how the performance of the LGU can be improved. At least three facilitators are needed for this type of event.
Nueva Vizcaya Industry Assessments	The Nueva Vizcaya industry assessments used the focused group discussions to draw quantitative as well as qualitative information from industry players consisting primarily of farmers, agri-businessmen, traders and government extension workers and planners. The FGD results were then used as basis for determining strategic projects needed to boost the province's agricultural industry. The process involves two designs: one for the FGDs and another for the sectoral workshop. A total of five facilitators were involved in this process.

### *Second Phase: Systematic Implementation With Institutional Partners*

The second phase in the development and application of the investment prioritization activity was carried out under the following conditions:

- GOLD had established partnerships with established institutions engaged in planning, project development and governance in general. These institutions included the three regional offices of the National Economic and Development Authority (Regions 4, 10 and 13) and the Ateneo de Manila University School of Government. The investment prioritization process became part of the institutions' "tools" in carrying out technical assistance to LGUs.
- There was now greater experience in the use of ToP. This experience translated into better design and facilitation skills. By early 1999, about 1,000 people had been trained in ToP.
- Both the IPW and the OAW had been manualized. In addition, the Environment Program had manualized the Municipal Environmental Planning Workshop, a ToP-based approach to rapid local environmental planning. The Ateneo de Manila School of Government also developed its own Strategic Planning Workshop, an event designed for inter-LGU planning and project identification.
- There was greater interest in inter-LGU planning and project design.

Working with NEDA and the Ateneo de Manila, a substantial number of LGUs were reached at a rapid pace. Investment prioritization workshops were held in more than 60 LGUs between July 1999 and February 2000.

The process was basically the same. Teams composed of NEDA and Ateneo staff were trained in ToP. These teams carried out the investment prioritization workshops. The NEDA Regional offices conducted these workshops to ensure that the projects, which their respective project development assistance centers would be working on, were indeed priority projects of the LGUs. The NEDA offices used four types of investment prioritization designs: (1) the standard IPW, (2) the MEPW for environmental projects, (3) the Strategic Planning Workshop (see items 38-41 of Annex 1) and customized designs for inter-LGU project identification workshops. For details on the latter, please refer to items 18-19, 45-48 and 49-54 of Annex 1.

In the case of the Ateneo de Manila School of Government, the LGUs in which the Strategic Planning Workshops were conducted were enrolled in the Ateneo's course on Project Development for LGUs. The investment prioritization workshops held with NEDA were coordinated mainly by the NEDA regional offices. NEDA also made available its resources in the form of transportation equipment, staff as well as supplies and materials to ensure the success of the workshops. The workshop expenses though were shouldered by the host LGU.

## **Project Development**

All project development work under GOLD followed investment prioritization activities. This was the case in Palawan, Bohol, Capiz and eventually the LGUs covered by the NEDA Regions 4, 10 and 13. Two approaches to technical assistance were used, and evolved: (1) the technical assistance delivery mode and the (2) training mode. These were used under both the direct technical assistance to LGUs and the technical assistance delivery through institutional partners. A list of LGUs that received technical assistance in project development under GOLD, including a brief description of the assistance, is presented under items 84-134 of Annex 1.

The challenge facing GOLD team was to how infuse participation of the LGU staff as well as the non-government stakeholders into the project development process beyond the project identification or prioritization phase. This was to be in response to the expert-driven approach to project study preparation. The early phases of technical assistance delivery therefore was highly experimental. There had been participatory land use planning modules already developed but no similar modules had been developed for the preparation of project studies. Technical questions such as "how could participatory principles be applied to engineering design work?" or "how could an entire LGU department be mobilized effectively to participate in writing up a report" without making them feel that the activity would merely be "for show"?

The technical assistance program for project development underwent roughly three major phases namely (1) the "case" approach, developing into the (2) guided workshop approach which developed finally into (3) the structured project development approach. The last of the three may be considered the stage where all the experience on project development were molded into one design. Each phase is described in the following table.

Project Development: Phases of Technical Assistance	Description
Phase 1: Prevalence of the "Case" Approach	<p>This phase developed under the conditions prevailing in the Palawan Technical Assistance in which project priorities were clustered into similar project types namely: irrigation, water supply, agri-processing, health and heavy equipment. Instead of preparing one project study for each, a "case" was selected and made subject of a "training". The first case chosen was San Vicente municipality (see Item 124, Annex 1), North Palawan for an irrigation project. Another municipality was selected as "case" for water supply (see item 122, Annex 1) and yet another for heavy equipment.</p> <p>A training module was designed to cover (1) site evaluation and needs analysis, (2) engineering design (dam design and construction and irrigations systems design) and (3) irrigation systems management. The modules were so designed that the affected farmers needed to inter-act with the engineers and farm extension workers in the design of the engineering and management systems. The output included topographic surveys of the site using GPS units provided by the Palawan Council for Sustainable Development. Resource persons from the National Irrigation Administration were invited. The training module included a one-week training workshop and a series of follow through activities. The objective was to allow the other participating municipalities to learn from the "case" project. Similar designs were used for the water supply and the heavy equipment.</p> <p>This approach however, was early on replaced by direct assistance as more LGUs requested that they be used as "case". The approach lasted through half of 1997 after which the individual technical assistance approach using the same participatory "ploys" prevailed. The approach introduced the participation of stakeholders in the project development process, particularly even during the engineering design phase, and was very effective in the engineering aspects of the project development process. However, a natural weakness was its lack of attention to the market analysis. It was indeed applicable to types of projects where the coverage of those to be affected can be associated directly with the metes and bounds of the site. And such are irrigation projects or municipal water supply systems.</p>
Phase 2: The phase of guided project development workshops.	<p>This phase came about as the types of projects became more diverse and difficult to cluster<sup>47</sup>. Furthermore, in the case of Palawan, more municipalities were requesting that they be used as "cases" in the trainings being held.</p> <p>The first few cases in which the approach was used were the municipal water supply systems of Taytay, Espanola (which was discontinued), Cuyo, Magsaysay and the irrigation project of Balabac in Palawan and the projects of Panay (fishport complex) Pontevedra (market), Jamindan (water supply), Ivisan (cemetery) all in the province of Capiz. This approach proceeded well into early 1999.</p> <p>The dominant design under this phase had the following features:</p> <ul style="list-style-type: none"> <li>• It incorporated the participatory aspects of the "case" approach, particularly in the preparation of the market study, the determination of revenue capture modes and the project management design.</li> <li>• It relied on a technical working group organized by the local chief executive to focus on the project being studied.</li> <li>• It involved extensive visits that were <i>loosely</i> designed to produce specific outputs in the form of agreements on an engineering design or a decision or a presentation before the local officials.</li> <li>• Unlike the "case" approach, this phase covered all aspects of a project study: market, management, technical and financial &amp; economic study.</li> <li>• The principal objectives of the activity were (a) to produce a study document, (b) to convince LGU officials on specific courses of action pertaining to engineering design, project management and in most cases, project financing. In that respect, the participatory feature of the process was a necessity rather than a matter of</li> </ul>

<sup>47</sup> In the case of Capiz, the range of projects extended from health centers (Sapian) to cemeteries (Ivisan, see Item 102 in Annex 1) or birth to death as they would say then.

Project Development: Phases of Technical Assistance	Description
	<p>intention, on the part of the GOLD team involved. A third objective was to (c) ensure that the local staff knew exactly what the project is about, in all its detail so that they could themselves explain the project to their respective leaders and council. Again in that respect, the participation of the local staff was a matter of necessity rather than choice on the part of the GOLD team.</p> <p>The process took on the following cycle:</p> <ul style="list-style-type: none"> <li>• Organization of the project study team or the technical working group;</li> <li>• Site visits and data gathering, including the conduct of consultations for the market study;</li> <li>• Hold a series of pre-designed workshops;</li> <li>• Finalize the draft. Usually done by the ARD consultant with a little support from the LGU staff.</li> </ul> <p>This approach found its perfection (or at least near perfection) in the Capiz Intermunicipal Water Supply Project (Item 101, Annex 1) Study. Project development templates began to emerge as early as the Panay fishport study (Item 95, Annex 1) where financial study templates were prepared for the port management, ice plant and market components of the project. Similarly, more sophisticated yet very participatory market study approaches were used in the determination of the demand for fishport services in Panay.</p>
Phase 3: Phase of the Structured Project Development Approach	<p>This phase actually builds on the previous one. At the time this phase began to develop:</p> <ul style="list-style-type: none"> <li>• Consultants began to recognize activity patterns in the project development process. Such patterns were being reflected in activity schedules as well as in the design of “workshop events”.</li> <li>• The technical assistance strategy shifted from direct assistance to LGUs to institutional arrangements, which gave the consultants more time for the substantive aspects of technical assistance delivery while the institutions provided more administrative and coordination support. Institutions were predisposed to “large scale” technical assistance delivery thus forcing the Consultant teams to design “training mode” approaches to project development work.</li> <li>• The finance industry began to cite concerns over the dearth of “good project ideas” and the lack of project development skills of LGUs<sup>48</sup>.</li> </ul> <p>Its development was hastened by the need to summarize the project development process into compact training modules for use by the NEDA -PDACs in their effort to train LGUs. The first modular design was applied in Imus, Cavite for the NEDA Region IV PDAC. The result was far from spectacular. The design was loose and did not incorporate the rigorous methods that had been in wide use in the second phase, e.g engineering design standards, market studies and the like.</p> <p>The principal features of the design used in this phase are as follows:</p> <ul style="list-style-type: none"> <li>• It starts with the organization of a project development team at the LGU level and the holding of a project prioritization workshop to validate project need.</li> <li>• All activities in the process are highly structured: from project validation through to the project development workshop to the final writeshop and presentation of output before the LGU officials.</li> <li>• The entire process is capped by a Writeshop in which LGU staff and the Team of Consultants complete the final draft in a form that is ready for submission to a financing institution or the LGU development council.</li> <li>• Both the Project Development Workshop and the Writeshop may be held “in plenary,” that is, with a group of LGUs holding the workshop together or, “individually,” that is, the workshops are held in the LGU.</li> </ul> <p>The design used in this phase differs from that in the second phase in that (a) it is more</p>

<sup>48</sup> As noted earlier: “Issues and Recommendations...” *op. cit.*

Project Development: Phases of Technical Assistance	Description
	<p>structured and organized and to a certain extent, very rigorous and (b) it can be used interchangeably for either the “technical assistance” or “training” modes.</p> <p>The process involves (a) the conduct of a project validation or prioritization workshop followed by (b) the conduct of a project development workshop and then (c) a series of coaching activities until the LGU is prepared for the final (d) writeshop event. The coaching activities usually covers three to four structured visits. Each visit produces an output that leads to the completion of the components of the study.</p> <p>The project development modules reached their best during the GOLD-Ateneo School of Government Partnership in the design and establishment of the Project Development Course for LGUs. That design was used extensively in NEDA Region 4, 10 and 13. A similar specialized module was designed for drainage projects. The design was tested for the cities of Ozamis and Tangub in Region 10.</p>

A fourth phase seems to be discernible. Its two main features include (a) the use of project study templates and (b) the establishment of specialized courses. The use of the templates substantially reduced the duration of project development by fast-tracking documentation and data analysis, especially the financial component of the project study. As of September 2000, fourteen templates had been drafted but remained unedited. Some of these templates were actually used in Region 10 and 13 (Landfill, Water Supply and Property Development Templates). On the other hand, GOLD has entered into partnerships with the University of the Philippines in Visayas to specialize in Landfill Projects and the De La Salle University to specialize in Micro-Hydro and Urban Infrastructure Projects.

## Investment Promotion

The phases of technical assistance delivery under investment promotion could be generalized into two: (a) that phase without the benefit of modular development and (b) that phase where modules began to be used for the guidance of the Consultant. A pivotal point in investment promotion work was the conference held in May, 1998. At that conference the experience in Bohol and Negros Oriental and Cotabato were assessed. In that assessment, the elements of technical assistance towards improving capabilities of LGUs in investment promotion work were identified.<sup>49</sup> Some of those elements were later translated into technical assistance “modules”. Fifteen types of “event-activities” were identified in that May 1998 conference. These are presented in the table below:

Purpose	Activity/Event	Output
Formulate an Investment Promotion Plan	Overview on Investment Promotion	General knowledge on investment promotion
	Consultations to determine Investment Priorities	Agreement of investment priorities
	Focus Group Discussions on Specific Priority Sectors	Sector profiles
	Investment Promotion Planning Workshop	Investment Promotion Plan

<sup>49</sup> The documentation of the results of that conference is available among the GOLD documents on investment promotion. A compilation of those documents is available for reference.

Purpose	Activity/Event	Output
Define the Appropriate Organizational Structure	Investors' Assistance Network (IAN) Workshop	Agreement to facilitate business location.
	"Meaningful Discussion Workshop"	Organizational Structure
	Presentation of Proposed Organizational Structure to Sanggunian	Support of the Sanggunian
	Workshop to Enhance Investment Promotion Skills of Staff	Skills
	Workshop on the Development of Investment Promotion Collaterals	Skills
Mobilize the Private Sector	Strengthening the Industry Association Representation	Increased private business" enthusiasm to participate in investment promotion activities.
	LGU-Private Sector Partnership Workshop	Joint LGU-Private Sector Plans to promote investment in the locality.
Ensure that LGU Resources are Allocated to the Investment Promotion Unit.	Resource Mobilization Workshop	Support of the LGU, especially the Sanggunian.
Maintain a Climate Conducive to Investors.	Workshop on Approaches at Formulating Incentives Investment Codes	Knowledge on alternatives incentives packages.
	Workshop to Draft Investment Incentives Code	Draft Investment Incentives Code
	Advocacy Workshops	Commitment of NGOs to support the Investment Promotions Program of LGU

### *Initial Phase of Technical Assistance Delivery: Investment Promotion*

This phase covered roughly the period 1996 to 1997 in which technical assistance was delivered to the provinces of Bohol, Cotabato and Negros Oriental. The approach of delivery relied mainly on the stock of knowledge of Consultants who had been trained under a previous USAID-funded Program, the PITO-P. However, a major contribution of the GOLD Program was the introduction of participatory processes in the choice of lead sectors or priority industries to be promoted by the investment promotion unit. The steps in technical assistance delivery basically involved the selection of the lead industry or the development path of the province, followed by assistance in the formulation of local investment incentives codes, the design of investment promotion materials, training of investment promotions unit staff, preparation of sectoral profiles, conduct of industry studies, establishing networks of government and non-government agencies to facilitate the establishment of businesses in the locality and others. No modules were developed by the Consultants who relied mainly on their own stock knowledge to provide the technical inputs to the LGUs.

### *Second Phase: Prominence of the Modular Approach to Technical Assistance Delivery*

The second phase was a development from the experiences of the initial phase in that the activities and events began to be modularized for delivery to LGUs. In addition, a core team of Consultants specializing in investment promotion had been formed. Using those modules, the technical assistance was rapidly delivered to Naga City, Tiwi (Albay), Camarines Norte and Palawan.

There was however, an added feature of this phase namely (a) the focus on the promotion of domestic investments, (b) the application of investment promotion techniques to the municipal level, (c) the added emphasis on social marketing skills.

## Tourism Development

Technical assistance in tourism began as an extension of technical assistance in the arena of investment promotion, particularly in Bohol and Nueva Vizcaya. In the case of Bohol, the Municipal Cluster Workshops identified “environmentally and culturally sound tourism” as one of its two engines of growth and development, the other being agricultural development. In response, GOLD organized a team to assist the province formulate its tourism program and provide some support to push for the implementation of that program. Thus, in the case of Bohol, begun the first technical assistance in tourism. This was later followed by Nueva Vizcaya, which also identified Tourism as also one of its two major engines for development.

The process of technical assistance delivery is summarized in the table below:

Phase	Description
1. Inventory of tourism potentials	Using a standard form, the LGUs are asked to list and describe all potential tourism sites. These form are sent to the GOLD Team who plan out a trip to evaluate the sites. Often the list is incomplete and sites are added during the site evaluation trip itself.
2. Assessment	The GOLD Team coordinate with LGU for the evaluation of each site. When ready, the GOLD team visit each site and evaluate its tourism potentials based on a set of criteria. The results of the evaluation are presented before the local officials and staff. Some recommendations are included in the presentation. Usually the GOLD team takes a position on the list of sites that definitely have potentials for tourism development. The presentation also includes an orientation on tourism or where requested, eco-tourism, its basic principles, requisite management system, role of the private sector, tourism marketing.
3. Orientation on Tourism or Ecotourism	The LGU officials and staff are oriented on the principles of tourism and/or ecotourism. This usually consists of a series of visits in which formal lectures and discussions are held. During this period, the staff and officials are also oriented on marketing approaches to enable them to promote the identified tourism destinations.
4. Circuit Planning	This is a major event. About 20 to 40 people from the LGU and the private sector cooperate to draft a circuit plan in two to three days. The circuit plan consists of the following: (a) descriptions of the various tourism destinations, (b) tourist destination clusters, (c) public sector investment requirements to support these clusters, (d) management guidelines for the sites and (e) recommended policy support from the Sanggunian.
5. Documentation	As the circuit planning workshop results in a very rough draft, some time is devoted to refine the draft. This is done through a series of visits from the GOLD team.

A variation was experienced though in the case of the Provinces of Sorsogon, Albay and Romblon. In these three cases, design plans and very specific management plans were prepared for specific ecotourism sites. In the case of Sorsogon and Albay, the design and management planning events were preceded by environmental investigations. The management plans in the three LGUs were brought down to the community level by the Consultants using ToP-based workshop or event designs.

## Alternative Finance

Technical assistance in this subject was provided in two modes: (a) through direct technical assistance to LGUs and (b) through institutions. A total of 11 LGUs were directly assisted on their alternative financing needs. The Investment Program worked with 10 private and government institutions, including other USAID programs.

### *Direct Assistance to LGUs*

Except in one case, direct assistance to LGUs came after project development work. The project studies were used as basis for the formulation of recommendations on the appropriate financing mode. The recommendations were usually presented to the local officials and their staff immediately after completion of the project study. In the case of the LGUs in CARAGA, the project studies were presented before a group of financing institutions representing distinct modes. These institutions include the Development Bank of the Philippines, the Municipal Development Fund Office, and the Land Bank offering their loan services and the Coordinating Council of Private Sector Participation offering its assistance to finance projects through BOT and/or joint venture.

When the LGU decides on its preferred mode of financing, some level of technical assistance to pursue the decision is given. That level of assistance could come in the form of modifications or refinements to the financial and economic studies or the conduct of financial simulations. In at least one case, further assistance included the drafting of tender documents.

The presentation of recommendations to LGU officials are formal but unstructured. A Consultant summarizes the findings of the study and gives the range of possible financing options before making a final recommendation. In all cases, the chief executive shows the most interest and asks the most questions.

### *Working With Institutions*

The following table summarizes the role of GOLD in encouraging the use of alternative financing for LGU projects.

<b>Institution</b>	<b>Description of Joint Effort</b>
Department of Finance (DoF), USAID-AGILE, LGU-Guarantee Corporation (LGUGC)	From about February to May, 1999, the GOLD Project worked closely with the DoF initially and later with the LGUGC and the USAID-AGILE to promote the use of municipal bonds in general and in particular to encourage the participation of private finance in LGU projects. The holding of the First Conference on Municipal Bonds in May 1999 represented the peak of the cooperative undertaking.
Multinational Investment Bancorporation (MIB)	This institution readily provided resource persons during presentations to LGUs, especially when the principal recommendation was to finance a project through bond float. Admittedly a private investment firm, therefore with an interest to promote the use of municipal bonds. MIB nevertheless took risks.
Coordinating Council for Private Sector Participation (CCPSP), USAID-BOT III	The CCPSP and the BOT III provided resource persons during presentations before LGU groups, to explain the various BOT variants and joint venture as a means of financing LGU projects. The CCPSP and the BOT III were involved in the CARAGA Investors' Forum in September 2000, the Orientation on Alternative Financing Modes for LGUs also in September 2000.
Financial Executives Institute of the Philippines (FINEX), LGUGC and USAID-AGILE	This group initiated and completed the drafting of a Municipal Bonds Manual. The Manual was launched in October 2000. The launching was highlighted by the turn-over of the Manual to the League of Cities of the Philippines.
National Economic and Development Authority (NEDA) Project Development Assistance centers	The PDACs continuously promote the use of alternative financing modes. Several staffmembers of NEDA PDACs were oriented on these alternative financing modes in September, 2000.



## SYNERGIES DEVELOPED

In the course of implementing the Program, synergies were developed with the following institutions, agencies and projects:

Institution, Agency, Project	Points of Synergy
USAID-AGILE Project	<ul style="list-style-type: none"> <li>• Organization and holding of the First and Second Conferences on Municipal Bonds;</li> <li>• Drafting of the Municipal Bonds Manual.</li> </ul>
USAID-BOT III & the Coordinating Council for Private Sector Participation (CCPSP)	<ul style="list-style-type: none"> <li>• Assistance to the municipalities of Panay, Capiz; Alfonso Lista, Ifugao; the province of Nueva Vizcaya; the province of Bohol and other LGUs;</li> <li>• Provide resource persons for the Ateneo de Manila School of Government Project Development Course; CARAGA Investment Forum and the Orientation of Alternative Financing Modes for LGUs.</li> </ul>
Department of Finance	<ul style="list-style-type: none"> <li>• Organization and holding of the First and Second Conferences on Municipal Bonds.</li> </ul>
National Economic and Development Authority Regions IV, X and XIII	<ul style="list-style-type: none"> <li>• Strengthening of the Project Development Assistance Centers;</li> <li>• Advocacy for the use of Alternative Financing Modes by LGUs.</li> </ul>
Board of Investments (BOI)	<ul style="list-style-type: none"> <li>• Source of resource persons for Investment Promotion Workshops for Cotabato.</li> </ul>
UNICEF	<ul style="list-style-type: none"> <li>• Jointly developed a planning process for the UNICEF Children's Program V for use by the NEDA Regional Offices IV and XIII.</li> </ul>
Department of Agriculture	<ul style="list-style-type: none"> <li>• Jointly held the Cotabato Agricultural Planning Workshop.</li> </ul>
GTZ	<ul style="list-style-type: none"> <li>• Jointly developed a privatization plan for the Palawan Level 1 water supply project.</li> </ul>
World Bank-Community Based Resource Management Program	<ul style="list-style-type: none"> <li>• Tested a project development process for possible modification and adoption by CBRM.</li> </ul>
LGU Guarantee Corporation (LGUGC)	<ul style="list-style-type: none"> <li>• Drafting of the Municipal Bonds Manual and advocacy for the use of bonds as a financing mode for LGUs.</li> </ul>
IVA (Belgium)	<ul style="list-style-type: none"> <li>• Jointly held consultations with vegetable farmers' cooperatives on the establishment of an agricultural terminal in Nueva Vizcaya.</li> </ul>
European Union	<ul style="list-style-type: none"> <li>• Coordinated very closely with the institution's project office in Sibuyan in connection with the Romblon Ecotourism development program.</li> </ul>
Coordinating Council for Private Sector Participation (CCPSP)	<ul style="list-style-type: none"> <li>• Worked very closely with CCPSP in the development of LGU projects with good potentials for private sector participation. These included the Panay Fishport Complex, the Bohol Utilities Privatization, the Nueva Vizcaya Agricultural Terminal, the Agusan del Norte Capitol Complex and others.</li> <li>• Worked very closely with the institution to advocate for the use of privatization as a resource mobilization mode.</li> </ul>
University of the Philippines, School of Architecture	<ul style="list-style-type: none"> <li>• Agreed to allow several students to work on the Romblon Municipal Master Planning Project in connection with the Romblon Tourism Program.</li> </ul>
Ateneo de Manila University School of Government	<ul style="list-style-type: none"> <li>• Entered into a partnership with the institution to establish a Project Development Course for LGUs.</li> </ul>
University of The Philippines at Visayas (Cebu)	<ul style="list-style-type: none"> <li>• Entered into a partnership to establish a Project Development Course on Solid Waste Recycling and Municipal Landfill Development.</li> </ul>
De La Salle University CERTC	<ul style="list-style-type: none"> <li>• Entered into a partnership with the institution to establish courses for LGUs on Solar Energy Development, Microhydro Power Development and Urban Infrastructure Development.</li> </ul>

## KEY RESULTS AND IMPACT

### OVER-ALL ASSESSMENT

As a benchmark for this assessment, the following is excerpted from the GOLD Project Paper<sup>50</sup>. The Development Investment Program will measure its achievements against the expected “end of Project status”.

*“By the end of the five-year project period, provincial, municipal and city communities should be demonstrating greater vitality in their decision-making processes because of the active participation of many of their local organizations in the pursuit of local development. The perception of communities regarding the credibility and effectiveness of their governments should have improved measurably. Local Governments should be more comfortable with participatory decision making, more responsive to their communities’ priorities, more transparent and entrepreneurial in their actions and more readily accountable for their performance. Communities should have increased substantially their revenues from local sources, including significantly increased rates of tax collection. The private sector in these communities should be increasingly involved in LGU capital investment and other development priorities. Concerns regarding environmental planning and management in support of sustainable development should be addressed broadly by the communities as a whole.*

*Citizens will be participating actively in democratic governance through people’s organizations and through the active partnerships of the non-government sector and local governments in the local special bodies and other community decision-making structures. The Leagues of Provinces, Cities and Municipalities will be self-sufficient and will have functioning secretariats providing services to their members, including generating and providing information on local government performance that should assist and enhance decision-making. Manuals and handbooks will have been developed and distributed in such areas as local finance, tax management, project finance and management, access to services and community participation in local governance.*

The italicized sections refer to specific objectives related directly, although not exclusively, to the Development Investment Program. These are:

- (a) active participation of non-government sector in the LGU decision-making process in pursuit of local development;
- (b) development of LGUs that are responsive to the communities’ priorities;
- (c) foster transparency and accountability in LGUs;
- (d) develop an LGU that is more entrepreneurial in its actions;
- (e) increased private sector involvement in LGU capital investment and other development priorities; and
- (f) develop manuals and handbooks on project finance and management, access to services and community participation in local governance.

<sup>50</sup> GOLD Project Paper, September 1994, USAID pp. 11-12.

Over-all, the program contributed directly to fostering active participation in the LGU decision-making process, increasing responsiveness of LGUs to local priorities and promoting transparency and accountability. This was done through the introduction of participatory investment prioritization methods and developing ways of ensuring that the priorities identified under the methods were addressed by the LGUs. Clear examples of these<sup>51</sup> are the work done in Palawan, Bohol, Region 13, and Capiz.<sup>52</sup> The investment prioritization techniques have been bequeathed to the LGU staff, the NEDA regional offices (13, 10 and 4), Ateneo de Manila School of Government, the Gerardo Roxas Foundation (GRF) and other institutions. Thus the method can be applied even beyond the GOLD project. In many cases, the bidding process was used to seek out private sector parties who would be interested in implementing LGU projects. In Bohol for example, a transparent process of privatizing its water and power utilities departments was successfully used.<sup>53</sup>

Likewise a very participatory process of project development was introduced. By involving more LGU staff and private sector participants through technical working groups, project implementation becomes more transparent and the LGU staff become more accountable. Throughout the process, which starts at project identification, the non-government sector is involved.<sup>54</sup>

The Program increased private sector involvement in LGU capital investments. The effort resulted in the first serious privatization effort of an LGU in the Philippines (Bohol). The program zealously promoted privatization as a resource mobilization strategy,<sup>55</sup> as well as other non-traditional financing modes such as bond financing<sup>56</sup> and guarantee.<sup>57</sup> Working very closely with the LGUGC and FINEX, the program promoted the use of municipal bonds to finance LGU projects.

## MAJOR ACCOMPLISHMENTS

The program's major achievements are in the seven areas listed and discussed below:

### Acceptance of Various Investment Prioritization Processes

Several agencies and institutions have accepted the various investment prioritization processes introduced under the program. There are a number of them but four stand out as the most commonly used. These are the Quick Investment Prioritization Workshop, the Capiz Strategic Organizational Assessment Workshop, the Ateneo de Manila Strategic Assessment Workshop and Bohol Municipal Cluster Workshop. These methods have been introduced to institutions that are in a position to organize the events. These institutions include the National Economic and Development Authority Regional Offices 4, 10 and 13, the Ateneo de Manila School of Government and the Gerardo Roxas Foundation.

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<sup>51</sup> See Annex 1 Items 12-54 and also Items 71-83.

<sup>52</sup> In the case of Capiz, GOLD introduced a process of evaluating an LGU's performance in a participatory manner. This method can be accessed through the Gerardo Roxas Foundation in Roxas City, Capiz.

<sup>53</sup> See Annex 1 Item 2.

<sup>54</sup> A very good case for this would be the Nueva Vizcaya experience. See Annex 1 Item 120. See also the case of Polangui, Albay where the involvement of the Parish Priest became critical. Refer to Item 86.

<sup>55</sup> Refer to Annex 1 Items 2,3,7 and 8-11.

<sup>56</sup> Refer to Annex 1 Items 1,4,5,7. Unfortunately, because of extremely high interest rates brought about by the economic crisis in the latter part of 2000, issuance of municipal bonds became very costly for LGUs.

<sup>57</sup> Refer to Annex 1 Item 6.

## Institutionalization of Project Development Work

The program introduced a project development process that is highly participatory. The process allows the involvement of civil society from project identification to study. As mentioned earlier, by involving more LGU staff and private sector participants through technical working groups, project implementation becomes more transparent and the LGU staff become more accountable. Another advantage of the process is its structured application, thus facilitating the project development process. The process was tested rigorously and used extensively.

## Bohol Privatization

The Bohol Privatization effort is significant in many ways. Many consider it the first joint venture between an LGU and the private sector that was implemented using the rules and regulations of the BOT Law governing solicited proposals, i.e. through public bidding. The bidding was carried out successfully with full support from the public. Secondly, is that based on the results of the bidding, it provided the proof that privatization, if properly and transparently carried out can be very beneficial to the LGU and its communities. Third, it shows that privatization can be transparently carried out by an LGU.

## Bohol Investment Prioritization Center<sup>58</sup>

The significant thing about the GOLD Project's involvement in the Bohol Investment Promotion Center (BIPC) is not so much its establishment, as the process by which it was carried out. The Center was established only after extensive consultations between the provincial government and its constituency through the municipal cluster workshops. Those workshops were designed principally to determine, from the communities' representatives, the kind of development they wanted the province to achieve. Even today, the results of those workshops guide the province's investment promotion effort. Another significant aspect of the process was the creation of the Investment Promotions Advisory Group (IPAG) which preceded the Center. The IPAG was composed of representatives from the private sector, the non-government organizations, the religious sector and concerned national government agencies.

## Institutional Development

The institutionalization process addressed the concern of preserving and even perhaps expanding, the gains achieved under the GOLD project. The Program formally entered into partnerships with five institutions to serve as centers to which local governments and other interested entities could go for assistance or advice on investment prioritization, project development, investment promotion and alternative financing. These institutions are listed below. A more detailed description of the partnerships between GOLD and these institutions is described in a later section.

Institution	Subject Area
Ateneo de Manila School of Government Rockwell Center, Rockwell Avenue Makati City	Strategic Planning Workshop Structured Project Development
De La Salle University Taft Avenue, Paco Manila City	Project Development: Microhydro Power Source Development Urban Infrastructure Development

<sup>58</sup> Refer to Annex 1 Item 56.

Institution	Subject Area
University of the Philippines Visayas, Cebu Cebu City	Project Development: Solid Waste Recycling Systems Municipal Landfill Systems
National Economic and Development Authority (NEDA) Region 4 EDSA, Quezon City  NEDA Region 10 Cor. Capistrano-Echem Sts. Cagayan de Oro City  NEDA Region 13 072 J. Satorre St. Butuan City	Investment Prioritization Workshop Strategic Planning Workshop Structured Project Development Alternative Financing Modes
Development Academy of the Philippines Pearl Drive, Pasig City	Investment Promotion Modules

### Alternative Finance Advocacy

The program's intensive advocacy for the use of alternative financing modes for LGU projects yielded measurable results. For example, the Conference on Municipal Bonds held in May 1999 solidified private sector action to move for a more liberal regulatory environment for municipal bonds. The action in turn resulted in the inclusion of municipal bonds as an alternative form of compliance to Presidential Decree 717 (otherwise known as the Agri-Agra Law)<sup>59</sup>. Much of the concerns raised by the private sector also found their way into the proposed revisions to the Local Government Code of 1991. The said conference seemed to be a signal for the financial sector as several bond issues followed the event.

The effort also resulted in the first implementation of a joint venture involving an LGU using the BOT Laws' rules and regulations on solicited proposals and the generation of interest in alternative financing modes among LGUs in the Southern Tagalog Region, CARAGA (Region 13) and Northern Mindanao (Region 10) as well as other provinces in northern Luzon and the Visayas.<sup>60</sup>

The program contributed to the drafting of the Municipal Bonds Manual which was launched in October 2000. The Financial Executives Institute of the Philippines and the LGUGC, supported by the USAID programs GOLD and AGILE, spearheaded the Manual 's preparation. The program likewise led in the development of the capability of NEDA Regional Offices 4, 10 and 13 to provide advice on alternative financing modes to LGUs in their respective regions.

### Sorsogon Ecotourism

The Program's work on eco-tourism development came late in the project. However, the province of Sorsogon, powered by the extraordinary interest and support of the private tourism sector in the province, managed, with GOLD assistance, to establish eco-tourism learning centers. These are the Prieto Diaz Mangrove Reforestation and the Bulusan Volcano eco-tour sites. The project was significant because of the process used in establishing the learning

<sup>59</sup> The Decree requires all banking institutions, whether government or private, to set aside 25% of their loanable funds for agricultural credit in general, of which, at least 10% of the loanable funds shall be made available for agrarian reform credit. *Bangko Sentral ng Pilipinas Circular 190 Series of 1999 states that investments in municipal bonds shall be included as an alternative form of compliance with Presidential Decree 717.*

<sup>60</sup> Refer to Annex 1 Items 1-11.

sites. The process involved the community from site identification to the drafting of site management guidelines.

## **AWARDS**

The program assisted in two projects which garnered prizes in the Galing Pook Awards. These are the Bohol Investment Promotion Center (BIPC) and the Bohol Tourism Program. The Galing Pook Awards is the most coveted award for local governments.

## **OBSTACLES AND DIFFICULTIES**

### **CONSTRAINTS AND DIFFICULTIES ENCOUNTERED WITHIN THE PROJECT**

#### **Investment Prioritization and Programming**

In the beginning, the GOLD team had to hard-sell its participatory Investment Prioritization process with LGUs that had experienced "workshop fatigue", or waning enthusiasm for participatory workshops. The team had to design quicker and more efficient processes that would merit the resources and efforts of all stakeholders, and position it in such a way that they would see the particular benefit of the process, such as avoiding wasted effort in pursuing unpopular projects.

#### **Project Development**

There were project studies that had to be discontinued early since they were found technically or politically not viable. The stoppage of work in these cases was a response to regular project development situations. A few were not completed when LGU teams were unable to supply all the needed information and technical staff on designated workshops and the GOLD Project could no longer afford to extend additional resources. In these latter cases, which occurred during the GOLD Project extension, the concerned LGUs together with NEDA-PDAC had to take on the remaining tasks.

#### **Investment Promotion and Development**

Being program-oriented, the technical assistance packages developed in Investment Promotion took a longer time to complete. Modularization was seen as a way of coming up with chewable cuts. Unfortunately, the modularization process that was attempted in May 1998 was interrupted by budget cuts. The second attempt was to develop the modules with the Development Academy of the Philippines (DAP), particularly DAP-Pasig and DAP-Mindanao, in 2000. To a lesser degree, the team's momentum again suffered from the need to scale down Project efforts.

#### **Tourism Development**

The growth of LGU interest in this area of assistance came in quite late and slow. Although many novel ideas were brought out, the technical assistance tools are still not consolidated into one standard package.

### **CONSTRAINTS AND DIFFICULTIES ENCOUNTERED EXTERNAL TO THE PROJECT**

#### **Investment Prioritization and Programming**

The Program encountered difficulty in completing the Organizational Assessment process in Capiz when the Provincial Government refused to undertake the workshop it encouraged its municipalities to go through. Subsequently, contemplated support to some spin-off development investment activities was abandoned.

In the earlier days of the Project, the Investment Prioritization workshop was not a pre-requisite step to modularized project development or investment promotion activities. Some of the prioritization results were not adopted by the LGU, or did not get the necessary approval by the Sanggunian. The resulting list of investment priorities was not used as active development tools as intended.

### **Project Development**

The presence of project development experts coming from service providers, like LWUA, and project development assistance offered by grant/financing sources tend to discourage the LGU from pursuing the step-wise approach of "project studies first before deciding on appropriate financing." This likewise diminishes the LGU staff's appreciation for capability-building in project development.

GOLD always advised LGUs to consider social acceptability of their project each step of the way, and as a matter of practice, used participatory and social marketing tools to address this concern. Nonetheless, not even such steps proved sufficient to counter strong and deeply entrenched political stakes. Obstacles such as these are manifested through delaying action or non-action on supposedly feasible projects, or expressly obstructing implementation of the initiative. Such was the experience in Nueva Vizcaya where the LGU was unable to resolve the question of where to locate and how to finance its Agri-Terminal location.

### **Investment Promotion and Development**

GOLD had to discontinue certain activities or assistance in some LGUs when conflicts between consultants and LGUs on matters that violated basic governance principles or public work ethics. Although partner LGUs were already pre-screened, there were still some isolated instances that demonstrated LGU indecision despite clear advantages posed by a recommended course of action.

Another constraint encountered by this activity area is USAID Fund's restriction on assisting estate development initiatives. Besides granting LGUs the authority to establish Ecozones, the national government through the Department of Trade and Industry actively promoted Ecozones and estate development as one of the key strategies in investment promotion. Hence, many LGUs have the notion that any serious investment promotion effort would involve estate development. This constraint limited the number of LGUs which pursued work in investment promotion.

### **Tourism Development**

A popular notion among most LGUs interested in tourism is that it can generate quick money. Not surprisingly, "sustainable tourism," which was advocated throughout the technical assistance, became one of the very first blocks the Project had to hurdle. Nonetheless, some LGU partners decided to pursue tourism as its sustainability requirement blended well with their overall development thrust. But some interest turned lukewarm as the "complexity" dawned on them during the technical assistance. While others decided to go ahead turning a blind eye on contentious issues such as tourism's, particularly ecotourism's, incompatibility with extractive mining.



Identified potential tourism assets, particularly nature or ecotourism sites, are usually managed by National Government through regional agencies or organizations. This complicates or slows down the development process in local tourism. And since LGUs are not represented in the National Ecotourism Steering Committee, resolution of such matters will take time.

### **Alternative Finance**

While the LGC expressly encourages LGUs to explore and develop new fund sourcing schemes with the private sector, countervailing regulatory measures (like DoF's position to regulate the issuance of municipal bonds) or the lack of guidelines tend to delay if not altogether stifle initiatives in this area. The privatization of Bohol's water and power utilities, for instance, was delayed for about a year when the Committee on Privatization failed to inform the province of a new guideline exempting LGUs from CoP supervision.

As a matter of course, most privatization efforts generate local resistance. In the case of Bohol, technical diligence, public hearings/consultations and transparency in all transactions made the LGU overcome allegations of graft raised against them.

A serious problem in the promotion of alternative financing is the private sector's non-enthusiasm towards openings for private sector participation offered by the LGU, particularly in non-traditional service areas such as agricultural development. The general public's expectation remains that government is a provider of free services. One such case was experienced in Nueva Vizcaya when the LGU's partner cooperative that had been involved throughout the preparation of the project study failed to take on the challenge of implementing a highly viable enterprise.

Finally, some failed attempts in alternative financing were anticipated in LGUs that insisted on fund raising without the support of solid investment portfolio or project studies. Such is the case of Palawan which, contrary to GOLD consultants' advice proceeded to raise funds through bond flotation without first preparing the necessary project studies.

## SUSTAINABILITY OF PROGRAM INITIATIVES

To sustain its initiatives, the GOLD Development Investment Program entered into joint partnership with established institutions for the purpose of ensuring that the successful approaches developed and used by the program would be continued, as much as possible through commercial offerings. As mentioned earlier, the GOLD project entered into agreements with five institutions namely the National Economic and Development Authority (NEDA) Region 4 Office, the NEDA Region 10 Office, NEDA Region 13 Office, the Ateneo de Manila School of Government, the University of the Philippines in the Visayas (at Cebu City), the De La Salle University in Manila and the Development Academy of the Philippines (DAP) in Pasig City. Additionally, a very loose agreement was entered into with the University of the Philippines' School of Architecture through its Dean (Dr. Christopher Espina), but was not formally documented.

### THE INSTITUTIONS

#### National Economic and Development Authority Regional Offices

NEDA is a constitutional body mandated to manage the country's economic affairs. Its Director General holds Cabinet position of Secretary for Economic Development. The NEDA has regional offices<sup>61</sup> which serve as technical secretariat to the Regional Development Councils. In all there are 14 regular, including the National Capital, and two autonomous regions. The Regional Development Councils (RDC)<sup>62</sup> are tasked to prepare the region's development agenda and ensure the coordination of projects and programs among the different local government units and national government agencies in the region. In August, 1996, the NEDA Central Office through its Director General issued a Memorandum enjoining the NEDA regional offices to organize project development assistance centers (PDAC) to assist LGUs as well as national government agencies, translate ideas developed in their plans into firm project documents.<sup>63</sup> In a technical paper prepared by the GOLD Development Investment Program, it was argued that one way of significantly increasing the pipeline of LGU projects, regardless of financing mode, is to strengthen the NEDA PDACs as these are already in place and staffed by competent NEDA personnel.<sup>64</sup>

The program saw this as an opportunity to develop an institution that would carry on project development as well as financial advisory work (particularly in alternative financing) among the LGUs. With the endorsement of the NEDA Regional Development Coordination Staff (NRDCS) the program issued invitations to all regional offices to participate in the GOLD program under a standard memorandum of agreement (MOA). The MOA stipulated technical assistance packages that would be made available to willing NEDA regional offices. Three NEDA regional offices expressed interest in the MOA.

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<sup>61</sup> *The Regional Groupings of the Philippines are mandated under the Constitution.*

<sup>62</sup> *Presidential Executive Order 326 Series of 1996. The RDCs also are Constitutional bodies.*

<sup>63</sup> *NEDA Memorandum addressed to all NEDA Regional offices including CARAGA, dated August 1, 1996 issued by the then Director General Cielito Habito.*

<sup>64</sup> *"Strengthening Project Development Work Among LGUs: A Technical proposal", issued by the GOLD Project in May, 1999. The paper obtained the endorsement of USAID after it was circulated for comments.*

Selected NEDA and LGU staff, the latter recommended by the NEDA regional office, underwent training in ToP approaches. At that training the Investment Prioritization Workshop method was introduced. Later however, two other methods were introduced namely the Strategic Planning Approach developed with the Ateneo School of Government and the Municipal Environmental Planning Workshop (MEPW). The latter was introduced in coordination with the GOLD Environment Program. These three methodologies were used extensively by the NEDA staff, with or, often, without GOLD co-facilitators. To date, all three methods are established methods that NEDA staff readily use. Other customized applications for planning and investment prioritization or project identification, were developed. Among these were the Strategic Planning approach used for both the Cagayan de Oro-Misamis Oriental (Region 10) Joint Planning and the Surigao-Davao Oriental Pacific Rim (SUDOPARIM, Region 13) Strategic Planning exercises and finally the Mainstreaming Child Rights Local Planning (Region 4). The latter was designed for the Countryside Program for Children V, a UNICEF-assisted program which NEDA regional offices were implementing. These customization experiences were proof that the three NEDA regional offices had adopted the GOLD approach to project identification and prioritization.<sup>65</sup>

Using Manuals developed under the GOLD project, GOLD consultants and NEDA technical staff worked on projects prioritized by the LGUs to prepare pre-feasibility studies. The method embodied in those manuals allowed for the full participation of stakeholders and LGU staff in the preparation of the studies. The Manuals however were continuously modified resulting in what is currently referred to as the GOLD Project Study Templates which reduces even more, the time needed to complete the project studies. These templates were formally turned over to the NEDA regional offices in November, 2000. In all, about 23 studies were completed with the NEDA PDACs over the period March to August 2000 or a period of six (6) months.

In September, 2000, an Orientation Workshop on Alternative Financing Modes for LGUs was organized. The participants included staff members from the three NEDA Regional Offices, representatives from the NEDA Central office and technical staff from one LGU. The workshop had for its objective the transfer of knowledge and manuals on Alternative Financing developed under the GOLD project. The orientation was echoed by the NEDA Region IV less than a month later while an Investors Forum was organized by NEDA Region 13. At that Forum, the LGUs in attendance were oriented on alternative financing modes available to them. Materials developed at the Orientation Workshop were used in that Forum.

### **Ateneo de Manila School of Government (ASG)**

The partnership between GOLD and the ASG had the specific objective of establishing a Project Development Course for local government units using the aforementioned manuals. The original design for the course included the following:

- Training in Technology of Participation
- Training in Strategic Planning Workshop Facilitation
- Training in Project Development
- Training in Social Marketing

The course output included a packaged pre-feasibility study presentable to credit financing institutions and private investors. The original design covered a period of three months and had a fixed course fee of P25,000.00 per participant.

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<sup>65</sup> More than a dozen other customized designs were developed under the agreement but describing each would take up much time.

The course delivery method was designed jointly by the ASG and GOLD, through its consultants. This preparatory period extended through about a month. The course was offered to LGUs and ten (10) attended its initial offering. During the evaluation, the implementors agreed that the P25,000 per participant was not viable and suggested that the modules be offered separately. They also suggested that the focus be on the project development module proper.

The ASG-GOLD experience yielded manuals that were used by the NEDA PDACs, with some modification. It also heralded the first attempt to *manualize* the experience of GOLD consultants in project development. As of now, the ASG still has the course as one of its offerings.

### **Development Academy of the Philippines**

GOLD entered into a MOA with the Academy for the purpose of developing courses on Investment Promotion for LGUs. The courses would use modules to be developed jointly by GOLD and DAP technical staff. Those Modules reflect the experiences and insights generated over more than four years of Consultancy work in the area of investment promotion. A total of three courses were developed: Introduction to Investment Promotion, Investment Promotion Skills Development and Investment Promotion Approaches (Planning Investment Missions, Marketing etc.).

To ensure that the modules would be based on real experience, technical staff from DAP and consultants of GOLD met in May 2000 to define the subject matter as well as the contents of the planned course. DAP Mindanao had an existing Basic Course on Investment Promotion that was offered to some LGUs in Mindanao, but the technical team handling that course had wanted it reviewed and modified for nationwide offering. In addition to that review, the May conference tackled the entire array of subject matter that needed to be included in a full course on investment promotion. The results of the conference were used as the basis for designing detailed modules for the three courses. These modules were handed over to the DAP in November, 2000.

### **University of the Philippines in the Visayas (UPV), Cebu City Campus**

UPV and GOLD agreed to establish an informal course for LGUs on solid waste recycling and solid waste disposal through municipal landfills. The course covers a module designed for local government executives and another for the technical aspects of recycling and landfill development. GOLD contracted the UP Sugbuanon Foundation to assist in the design of the course modules. The University of the Philippines intends to run the course for LGUs in the Visayas on a fee basis although they are open to securing grants to fund special runs of the course to select LGUs.

### **De La Salle University**

The GOLD project supported the University's effort to establish an extension program for LGUs, focusing on three project areas namely (1) Micro Hydro Development, (2) Solar Power Development and (3) Planning for the Urban Infrastructure Needs of LGUs. The three courses consist of two-day events in which both technical and financial aspects of the subject matter are discussed. De La Salle Professors serve as resource persons.

## REPLICATION COST

The following table summarizes the cost of replication during the roll-out period, by type of program and by LGU.

### Development Investment Programs Roll-out Phase By Type of Program, Cost and Number of LGUs Covered

Project	Type	Number of LGUs Covered	Cost	Cost per LGU
<b>Alternative Finance</b>				
Bohol Province Private-Public Partnership Initiative	Alternative Finance	1	464,180.77	464,180.77
<b>Investment Promotion</b>				
Building the Capability of Bulacan for Investment Promotion, Networking and Servicing	Investment Promotion	3	242,720.00	81,000.00
Camarines Norte Investment Promotion Program	Investment Promotion	1	377,988.00	377,988.00
Davao del Sur Investment Promotion Program	Investment Promotion	1	134,950.00	134,950.00
Operationalization of Local Support Towards Investment Promotion in Tiwi, Albay	Investment Promotion	1	167,906.00	167,906.00
Palawan Investment Promotion Program	Investment Promotion	1	338,109.13	338,109.13
Strengthening the DAP Investment Promotion Course	Investment Promotion		500,000.00	
Strengthening the Naga City Investment Promotion Board	Investment Promotion	1	422,189.00	422,189.00
<b>Project Development</b>				
Establishing the Ateneo de Manila School of Government Course in Project Development	Project Development	14	2,677,147.98	191,224.00
Establishing the De La Salle Course for LGUs on Renewable Energy Development and Urban Infrastructure Planning	Project Development		801,000.00	
Polangui Water Supply Project	Project Development	1	351,585.00	351,585.00
Strengthening Alfonso Lista's Project Development Unit	Project Development	1	494,701.00	494,701.00
Strengthening PDAC Teams NEDA Region 10	Project Development	6	2,171,330.92	361,888.00
Strengthening PDAC Teams NEDA Region 13	Project Development	23	2,838,451.17	123,411.00
Strengthening PDAC Teams NEDA Region IV Phase 2	Project Development	15	2,122,578.45	141,505.00
Strengthening PDAC Teams NEDA Region IV Phase 1	Project Development	4	857,200.00	214,300.00
UP Visayas Course on Solid Waste Recycling and Landfill Development	Project Development		850,000.00	

Project	Type	Number of LGUs Covered	Cost	Cost per LGU
<b>Tourism</b>				
Albay Ecotourism Development Program	Tourism	1	539,022.00	539,022.00
Camarines Norte Tourism Development Program	Tourism	1	377,988.00	377,988.00
Community Ecotourism for Sorsogon	Tourism	3	936,000.00	312,000.00
<b>Average Cost of Technical Assistance By Program</b>				
Program Area		Total Number of LGUs	Total Cost	Cost Per LGU
Alternative Finance		1	464,180.77	464,180.77
Investment Promotion		8 <sup>66</sup>	1,683,862.13	210,483.00
Project Development		64 <sup>67</sup>	11,512,994.00	179,891.00
Tourism		5	1,853,010.00	370,602.00
<b>All Program Areas</b>		<b>78</b>	<b>15,514,046.90</b>	<b>198,898.00</b>

<sup>66</sup> Excludes DAP

<sup>67</sup> Excludes the De La Salle and UP Visayas programs.

The cost estimates reflect only the ARD/GOLD contribution to the efforts and do not reflect the contributions of the local government units and in many cases, that of the private sector. These are difficult to estimate as there was no attempt to ask the LGUs nor concerned private entities, on their actual expenses.

To date, three institutions have decided to continue providing technical assistance to LGUs using GOLD-developed approaches, on a commercial basis. The fee structure for these courses are presented in the table below.

### Estimated Fees for Courses Developed with GOLD Assistance

Course Technical Assistance	Cost Unit Item	Cost
Project Development under the Ateneo de Manila School of Government (ASG) based on very preliminary estimates.	Per LGU	300,000.00
Project Development under the DPEM <sup>68</sup>	Per LGU	300,000.00
Investment Promotion under the Development Academy of the Philippines (DAP)	Per participant	7,000.00 - 9,000.00

<sup>68</sup> DPEM stands for the Development Planning and Environmental Management, Inc., a corporation composed of Consultants who were involved with the GOLD project and decided to provide technical assistance to LGUs on a commercial mode.

## CONCLUSIONS AND RECOMMENDATIONS

### ROLE OF LOCAL GOVERNMENTS

The local governments' level of preparedness and enthusiasm are the rich soil in which the seeds of technical assistance germinates. Often it is the innate motivation and initiative of the local technical staff and just as often, the local chief executive's and his councilmen, that constitute that "rich soil". The technical assistance program cannot claim to having "developed" such motivation and initiative, rather it builds on it. Selecting the LGU to be assisted, therefore, must be done with extreme care. Fortunately, an LGU's preparedness appears not to be correlated to its level of income or urbanization. In fact, third to sixth class LGUs seem to be more motivated, going by the Program's experience.

LGUs can be very decisive once convinced of the correctness of a specific course of action. That specificity is something that must come out of the technical assistance. The local government official, stereotyped as the laid-back bureaucrat whose only concern is his or her well-being does not apply to the prepared LGU.

### ADVANTAGES OF LGU INVOLVEMENT IN PROJECT DEVELOPMENT AND THE ROLE OF THE TECHNICAL WORKING GROUP

The GOLD Project introduced a highly participatory approach to project development. This is in contrast to the common, expert-led approach. The participatory approach has many advantages. First, it generates, in the LGU, a sustained interest in the project. Second, it makes the LGU confident enough to defend the merits of the project before oppositors, even in court. Third, it is easier for the LGU to make modifications if called for.

The nature and extent of LGU participation varies. In many aspects or stages of project development, participation comes in the form of public consultations through focus group discussions, key informants, public discussions and others. In most stages however, LGU participation is through the technical working group which is directly involved in the drafting of the project study document. The role of technical working groups cannot be underestimated. If the LGU executive is himself involved in the choice of its membership, he is likely to include his most trusted people and staff. This means that the TWG<sup>69</sup> itself is a key link to other LGU sections including the Sanggunian, the different key departments and, often the most important, the Chief Executive himself.

The TWG usually include staffmembers tasked to ensure coordination between departments and the steady flow of administrative and logistic support to the technical assistance team. In Palawan, and Capiz the provincial engineering office also provided ready assistance to municipalities in the form of topographic survey services.

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<sup>69</sup> The TWG is sometimes called the Project Development Team.



## **STRUCTURING TECHNICAL ASSISTANCE HASTENS THE DELIVERY PROCESS**

The initial period of technical assistance delivery is a process of defining in clear terms, the objective of the intervention. During this period, miscommunication is not uncommon and coordination slip-ups may occur. All these are normal. After the initial period of seeming confusion, it is important that the technical assistance be structured as this hastens the delivery process. A structured technical assistance delivery approach is characterized by the extensive use of manuals, carefully planned events, carefully scheduled activities and well-defined decision points.

The manuals need not be perfect, especially if the technical assistance team is treading on new ground, as in most cases in the GOLD project. In the latter, the manuals serve the distinct purpose of bringing order to each event or activity. Its frequent use leads to the perfection of the process. The technical assistance team must not be tied down to one final process design in a manual.

## **THE CONSULTANT AND TOP SKILLS**

The competent Consultant with ToP skills is doubly effective. He is able to deliver the assistance in a competent manner and more importantly, in an acceptable and understandable way. Possession of facilitative skills makes the structuring of technical assistance easy. The Consultant however, must genuinely believe in the potency of participatory approaches to technical assistance delivery.

## **PROJECT IDENTIFICATION, PRIORITIZATION AND DEFINITION AS INITIAL STEPS TO PROJECT DEVELOPMENT**

All project development work must proceed from project identification, prioritization and definition. This is one of the painful lessons learned in one case. In the first phase of technical assistance to a national government agency, LGUs used projects pre-identified by the LGU participants in a training on project development. The workshop collapsed on the first day (of the five-day workshop) as both participants and consultants were unsure about what the project under study was about. Once defined, it becomes easy to determine clearly what the project components are, its objective, product line, cost and service centers.

The project identification process need not be complicated. There are designs for a one-day project prioritization process. The success of these designs rely on the effective participation of the communities or their representatives.

## **THE NEDA PROJECT DEVELOPMENT ASSISTANCE CENTERS**

The NEDA PDACs or for that matter, the NEDA Regional offices in general, are potentially effective partners of LGUs in project development. These offices are endowed with competent staff with experience in dealing with the LGU, equipment needed to prepare project studies, a strong capacity for coordinative work and the mandate to assist LGUs in preparing project studies. As noted in an earlier section, of the 145 technical assistance packages delivered 69 were delivered with the assistance of NEDA PDACs within less than a year. Unfortunately,

NEDA offices are constrained mainly by the lack of operating budget. In many instances this was the primary reason for their staff not joining important LGU events.

## **LGUs AND PRIVATIZATION**

More than 150 projects were identified under the program, about 50 of which were subject of feasibility studies. Of those identified, no less than 70% would have qualified for private sector participation. These projects include public markets, hospitals, bus terminals, landfills, agricultural facilities, property development ventures, power distribution, water supply and distribution and others. Private sector participation (PSP) in these projects could have varied from joint venture, BOT, management and service contracts, concessions, lease contracts and others. LGU executives and staff however remain skeptical of these schemes principally because of their unfamiliarity with those modes.

Unfortunately, the skepticism ails not only the local officials, but also the general public. Such was the case in Bohol. Promoting PSP entails extensive advocacy work and consultations before the process of privatization takes place. Informing LGU officials, especially Sanggunians, and the public, of its advantages is a task in itself.

Familiarizing LGUs with privatization also involves the inclusion of privatization among the options available to them during organizational assessments. Often this option is left out, perhaps because of the unfamiliarity of organizational experts with privatization. Organizational development principles readily apply to situations where privatization is relevant. These include rehabilitating local enterprises or planning for appropriate uses of local government properties. Often recommendations touch only on improvements in the existing system of operations rather than looking at the operation "from outside the box". This actually happened in one case in which the Program focused on privatization while another GOLD component focused on alleviating operational efficiency through palliatives.

## **PROMOTING ALTERNATIVE FINANCE MODES FOR LGUs**

It appears that the best way to promote alternative financing modes to LGUs is to approach it from the project development side. Many institutions, using free money from grants and other support programs have been actively promoting alternative financing schemes through conferences, workshops, meetings and other forums. GOLD success in promoting alternative financing types was mainly through direct project development assistance to LGUs. But it must be emphasized that while convincing LGUs to adopt alternative modes of financing is difficult enough, seeing them through the process of implementing the financing mode is an extremely arduous effort. It is at that point that the assistance should be sustained.

Two other factors that handicap the promotion of alternative financing modes are (1) the continued issuances of national government agencies that limit the range of financing options of LGUs and (2) the competition from government financing institutions, specifically the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP) and Municipal Development Fund (MDF). Even as of this writing, the Department of Finance is drafting an Executive Order that will be affecting the issuance of LGU bonds. It is surprising that rather than enhancing the range of financing options available to LGUs during times when it is hard pressed financially, the national government continues to limit the financing options available to

LGUs. As for the GFIs, non-traditional financing schemes will find it difficult to compete with these, as much of the GFIs' program funds are loaned out with some levels of subsidy.

Advocacy for alternative financing has focused mainly on bonds, joint venture and BOT leaving out many other PSP forms such as management and service contracting, leasing, concessions and others.

## **PSP AND THE SCALE OF LGU PROJECTS**

Often, PSP is associated with large scale, sophisticated projects. This association is, to say the least, unfortunate. The multitude of municipalities' strategic projects require fairly small investment levels ranging from P500,000.00 to P30 million. Most of these require unsophisticated engineering works and technologies. There is no national agency that can help them with these small scale, but high impact initiatives. There is evidence though that "homegrown" PSP modes with its own appeal among small municipalities are likely to evolve<sup>70</sup>.

## **TRANSPARENCY THROUGH THE PROJECT DEVELOPMENT PROCESS**

Financing large projects is always an opportunity for inappropriate transactions. In this respect, one way of promoting transparency is to ensure that these are subject to the project development process involving both the technical staff and, whenever opportune, the communities concerned. The process must at commencement, be neutral as to financing mode. The latter is to be determined by the result of the study. The Program's experience suggests that this is possible and acceptable to LGUs.

## **KEY LESSONS IN INVESTMENT PROMOTIONS**

As in all other efforts, the participation of the private sector was crucial to the success of technical assistance in investment promotion. Its participation in the case of Bohol was distinctive. The first activity of the investment promotion program was to define the province's development direction. This was done through extensive consultations as many businessmen believed that the Cebu City model was the fastest way to development. The Bohol case proved that an effective investment promotion work can proceed only after such a direction has been agreed upon. The other aspects of investment promotion seem to fall into place after that decision is made.

Many LGUs are of the opinion that the only way to induce the location of investors to a place is by offering them fiscal incentives, duplicating those accorded by the national government to preferred industries. Surprisingly, even the City of Cebu has no investment incentives ordinance of its own. Instead it focused on complementing the effort of existing estates and business organizations promoting Cebu as a good location for industry and business. The Program has spent substantial effort in trying to change this notion and refocused attention instead to such practical aspects as facilitating business registration and licensing and making the concerned national government agencies more facilitative.

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<sup>70</sup> For particulars, one may contact the municipalities of Alfonso Lista, in the province of Ifugao and Concepcion in the province of Iloilo.

Another prominent notion is that investment promotion deals mainly with inducing the inflow of foreign investment to the place. It was not uncommon to receive requests for technical assistance to establish “investment promotion capability” and improve the inflow of foreign investments from LGUs faced with serious peace and order problems. For such LGUs, the teams focused on approaches to generate the interest of local businessmen to invest in economic activities preferred by communities. This approach was used in Cotabato and Palawan.

## **KEY LEARNINGS IN ECO-TOURISM**

The strong interest and desire to develop of LGUs their eco-tourism potentials, surprised the Program. As a new sector, very few individuals could be counted on to provide competent advice to LGUs. There are very few notable examples of LGU-operated eco-tourism enterprises, Puerto Princesa City’s St. Paul Park being the most successful. All others are run by the Department of Tourism or the private sector. This constitutes the first learning from the assistance: the dearth of initiatives from which LGUs could learn.

In the course of the assistance, the teams could not help but notice the immense loss of eco-tourism potentials wrought by inappropriate methods applied in the development of scenic or activity sites. Uninformed as they are, LGUs tend to destroy, rather than enhance these. The culprit is the “build-mentality” as well as the notion that eco-tourism is no different from traditional tourism which requires huge investments in structures. Unfortunately, there is no national agency providing proper advice to LGUs on this matter. Most private sector groups with knowledge in eco-tourism development are based in Manila or Cebu or Cagayan de Oro, making them inaccessible to LGUs.

The teams fielded by the Program also could not help but notice the loss of cultural heritage brought about by ill-advised and ill-planned “renovations” of cultural heritage structures that could have served as focal points for tours. In this respect, the private citizens including the religious groups who own or at least are in the custody of, most of these structures, are mainly responsible. The Program applied participatory approaches to tourism development planning and policy formulation providing the stakeholders a venue to discuss relevant eco-tourism issues such as the preservation of heritage sites and natural scenic spots.

## **THE SANGGUNIAN'S ROLE IN ENSURING THE PROJECT'S REALIZATION IS VITAL**

Without Sanggunian support, it is unlikely that the project will ever get off the ground. If the objective of the technical assistance team is to implement the project under study through whatever financing scheme, it is imperative that from the start of project development, the Sanggunian is kept aware of the technical working group's progress. In one case, the Sanggunian refused to act on a plan to float a bond to finance a public market, even despite the show of support from most of the vendors. (see Pontevedra, Item Annex 1). There have been many similar cases, where the Sanggunian, lacking an appreciation of a project simply ignores it. Often the role of the Sanggunian is underestimated.

## **COMMERCIALIZATION**

Of the three attempts to commercialize training, only one was successful. Even in that case, the fee was not sufficient to entirely cover the cost of the course. Except in cases of large cities and first and second class provinces, it is likely that some level of cost subsidy will be needed. There are many reasons for this and one of these is not the inavailability of funds but rather in meeting the requisites for fund release for training. The training course needs to be accredited by the Department of the Interior and Local Government (DILG) and this accreditation seems to be elusive. Government institutions are of course exempt from this requirement, making it difficult for private institutions to compete for the LGU market. However, approval by the Commission on Audit of expenses for training carried out by private institutions seems to be discretionary in this respect.

## **PACKAGING COURSES FOR LGUs**

Designing courses for LGUs is a very difficult task, its effectivity relies not only on the competence of the course designer but more so, on the manner of delivery. The usual academic teaching approach, is the most ineffective way of capacity building for LGUs. The hands-on approach, in which real world cases are tackled during trainings, is definitely the way to go. The most difficult aspect of designing a hands-on course is structuring the activities in a manner that will keep the LGU participants intensely interested in every new topic discussed. Because of this, academic institutions, owing to the lecture-mindset of its faculty, are handicapped. It would be unwise to leave design work entirely to academic faculty. It is important that the design team include a non-academic faculty with a very long experience in LGU capability building using the proper hands-on approach.