

Chapter 1

LOCAL DEVELOPMENT INVESTMENT PROGRAMMING

1.1 Background

1.1.1 Development Investment

Development investments are all LGU expenditures, either capital investments or operating expenses, which may be for “hard” or “soft” assets. Examples of “hard assets” include roads and bridges, slaughterhouses, community centers, and other buildings, water and wastewater treatment plants, major construction equipment, while “soft assets” cover various human resource programs.

Future annual operation and maintenance costs over and above that of the traditional Maintenance and Other Operating Expenses (MOOE) estimated during the budget process are considered part of the costs of development investments.

1.1.2 Local Development Investment Program (LDIP)

LDIP is a program of prioritized programs, projects and activities (PPAs) for funding and implementation at the local level. The process of formulating the LDIP involves formalizing and ranking the PPAs identified by the local government and matching the prioritized projects with the investment financing capacity of the city. The matching process, done

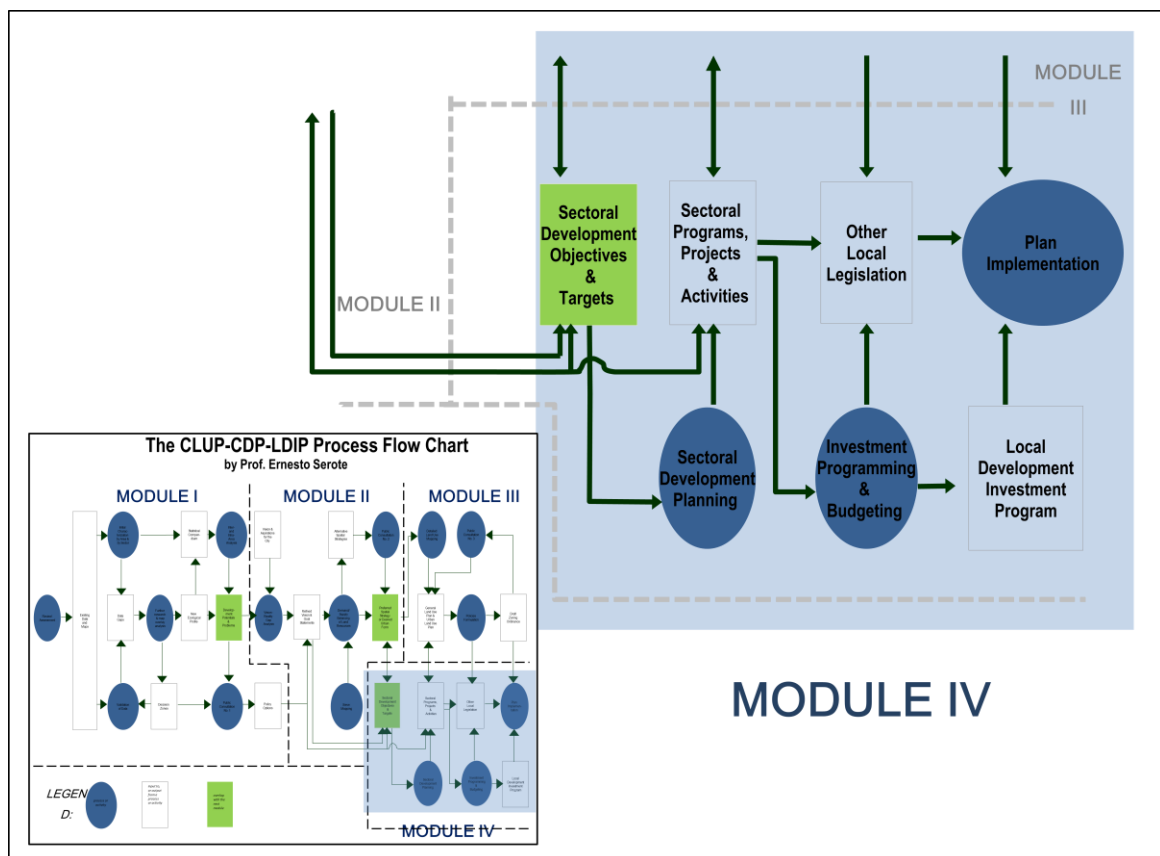
iteratively, leads to a final investment schedule and financing plan where it shows on an annual basis the investment requirement of the proposed PPAs and their funding source.

The LDIP is a multi-year planning tool with a six-year coverage that coincides with the two-year term of the local chief executive. It is a rolling program because subsequent year projects are moved up with each new program year. Nevertheless, the first three years of the investment program is firmed up, while each year's PPAs list forms the basis for the annual budget.

1.2 The Local Development Investment Programming Process

As shown in Figure 1-1, the LDIP comes as an output of sectoral development planning and investment programming and budgeting. The latter two are part of Module IV of the CLUP-CDP-LDIP Process.

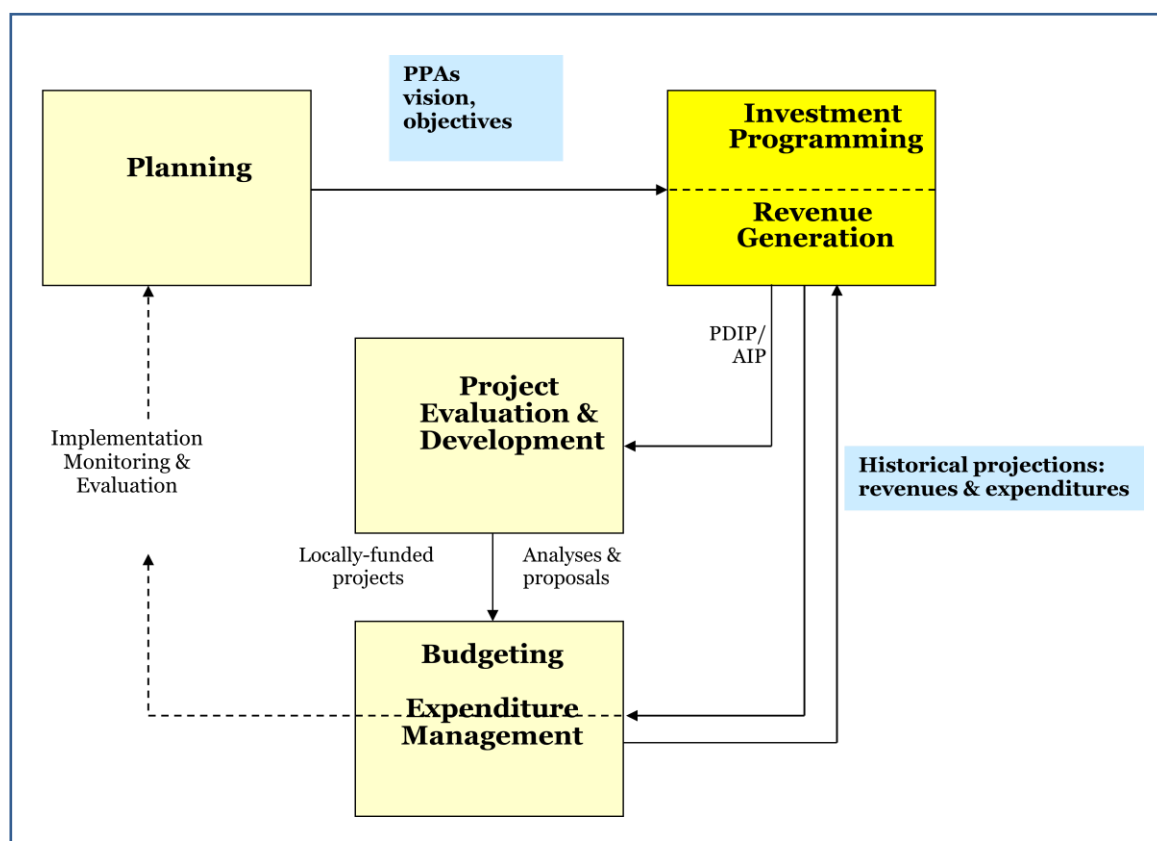
**Figure 1-1 MODULE IV of the CLUP-CDP-LDIP Process Flow Chart
By Professor Ernesto Serote**



On one hand, Figure 1-2 shows the key inputs to the LDIP process. This includes the city’s goals and objectives and corresponding PPAs. The goals and objectives form the basis for prioritizing and ranking the PPAs.

Other key inputs are the historical projections of revenues and expenditures.

Figure 1-2 LDIP Key Inputs



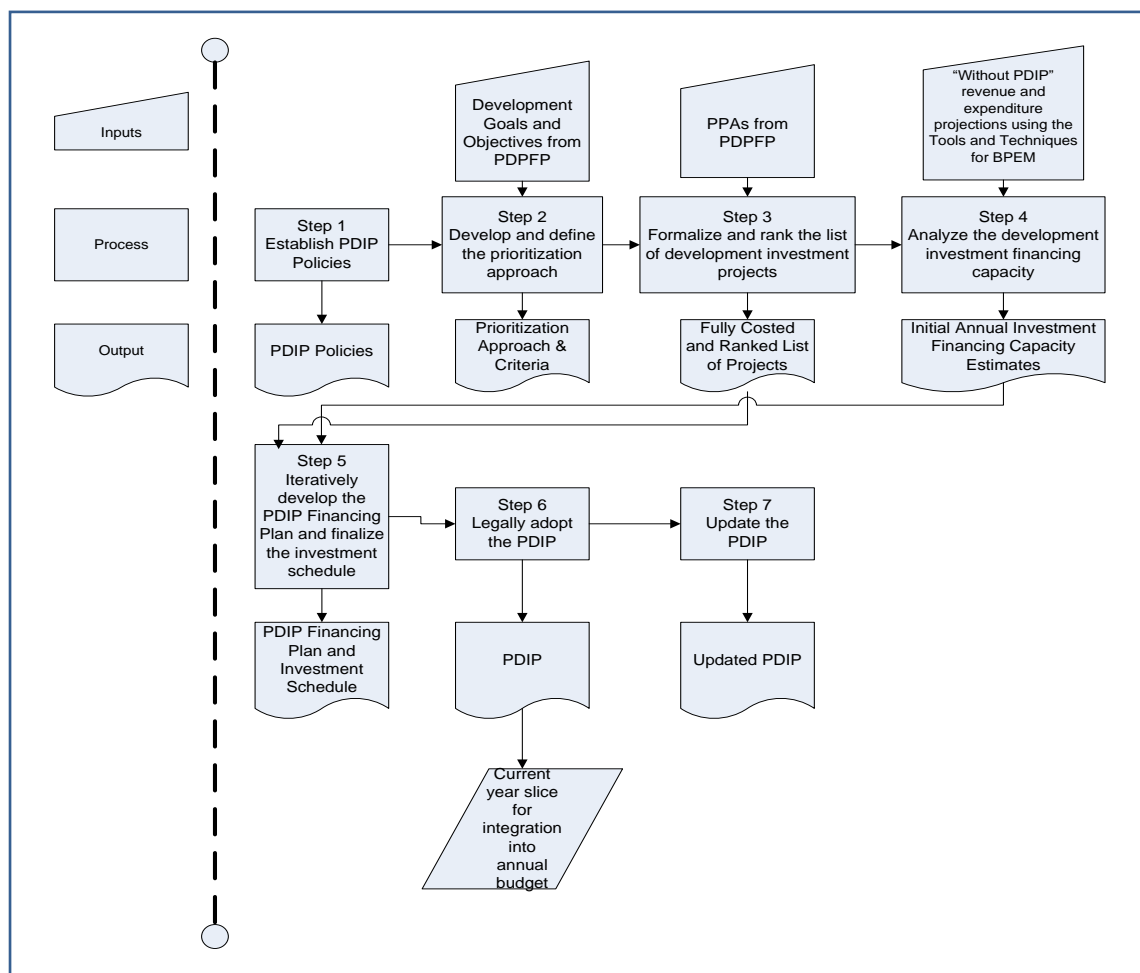
The basic reference used for the preparation of the Angeles City LDIP is Volume 3 (Investment Programming and Revenue Generation) of the Guidelines on Provincial/Local Planning and Expenditure Management. The guidelines provide for a Seven-Step Process in the formulation of the LDIP listed as follows:

- Step 1. Establish the LDIP policies.
- Step 2. Develop and define the prioritization approach.
- Step 3. Formalize and rank the list of development investment projects.

- Step 4. Analyze the development investment financing capacity.
- Step 5. Iteratively develop the LDIP financing plan and finalize the investment schedule.
- Step 6. Legally adopt the LDIP.
- Step 7. Update the LDIP.

Figure 1-3 shows the Seven-Step Process of the LDIP.

**Figure 1-3 LDIP Process Flow Chart
(Seven-Step Process)**



1.2.1 Preparing the Final Project List

Development projects making up for the final list that the city has committed itself to implement were derived from the CLUP and CDP. The list,

however, could still be expanded as new projects are determined to be critical to the growth and development of the city.

The selection of projects for the final list were based on an evaluation of the projects' potential contribution to the realization of the long-term goals and, in the case of land-based, land contingent projects, their consistency with the preferred spatial strategy or urban form.

1.2.2 Financial Analysis and Projection

The financial performance of the LGU for the past several years was analyzed. This was done to establish a trend in the LGU's revenue generation, which was then used to project future revenues to determine the LGU's financing capacity. The funds available for public investments are those funds not earmarked for personal services, office maintenance and operations, debt servicing, mandatory reserves and other statutory obligations.

1.2.3 Fiscal Management

The projected total funds available for investment are matched with the total funds required to implement the projects in the final list. Where funding requirements exceed available funds, the LDC or the Sanggunian Panlungsod may adopt any or a combination of the following options:

- i. Trim down the final list further, starting from the bottom of the ranked list until the cumulative total cost matches with the available funds.

- ii. Retain the project list and program the augmentation of the projected funds by:
 - a. Intensifying collection of revenue sources where the current collection efficiency is low;
 - b. Tightening the belt on non-essential expenditures; and,
 - c. Enacting new revenue measures such as utilizing the special levies on private property, e.g. idle lands tax, special benefit assessment, and the like, or taxing new subjects and activities within the prescribed powers of the LGU.
- iii. Contract for loans and other forms of indebtedness as authorized in the Local Government Code.
- iv. Privatize some projects or enter into joint venture arrangements.

1.3 Investment Programming in the Future

The conservative approach of limiting the number of projects to those that can be funded out of regular recurrent revenues will, in the long run, turn out to be unacceptable because there are always more projects that need to be implemented than what available local funds can finance. For LGUs, therefore, to be able to meet the additional financing requirement they would have to augment their resources through bolder options (e.g., loans and bond flotation, among others) that are nonetheless already authorized under the Local Government Code.

1.4 The Structure of this Volume

The LDIP is normally made an integral part of the Comprehensive Development Plan. In this particular case, the LDIP has been prepared as a separate volume to facilitate reference by those who will use it most frequently, namely, the City Development Council, the Local Finance Committee, and to some extent the Sangguniang Panlungsod. This volume comes in four main parts. After this introductory part:

Part II deals with the processes that guide the investment programming process. This also includes (i) PPAs selection, (ii) criteria for prioritizing and ranking of PPAs, and (iii) estimates of the total investment requirements. This part involves Steps 1, 2 and 3 of the LDIP Seven-Step Process.

Part III presents the analysis of the financial capability and resources of the city and the projection of funds expected to become available for investment programming. This is Step 4 of the LDIP Seven-Step Process.

Part IV suggests various strategies and policies to augment the city's financial resources.

Annexes are integral parts of the LDIP. These consist, among others, of particulars that are intended for the consumption of those who are interested in technical details.