



Foreword

Kaban-Galing(roughly translated as a chest-load of achievements) is a case bank of expertise or a storehouse of knowledge validated practice. Derived from Kaban, a Filipino antique chest where the most prized possessions of the old folks were kept, Kaban-Galing is a replication guide and a compendium of innovative and excellent practices, which are paragons of local governance from where inspirations and lessons can be drawn.

The cases are organized according to focus: Good Local Governance, Environmental Management, Local Economic Transformation, Poverty Reduction, Urban Governance, and Child-friendly Local Governance. This thematic grouping puts the spot light on advocacy themes and is meant to be flexible. One can refer to a case in a local economic transformation for a theme on poverty alleviation and vice versa. And while these cases relate to a theme, they can and do overlap. Each theme represents a volume prefaced by Replication Guide that crystallizes basic theories and approaches in local program management.

This guide is a convenient tool not only for local officials, but also for functionaries and professionals involved in local project and project management. The replication strategies presented here however, need not all be present when replicating a program as their applicability may differ from one local situation to another. Nor it is guaranteed that experiential results will be exactly the same as cited by local governments. Rather, the Guide emphasizes that these strategies are doable and have been tried and tested for program success.

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Galing Pook Foundation remains in faith that in the succeeding annual volumes of Kaban-Galing, more individuals and organizations, local government units and stakeholders will join us in sharing the fruits of effective local governance.

Transforming the **Local Economy**

A REPLICATION GUIDE

This section is about how local government units can prepare themselves and their areas for economic growth. Economically transforming an area involves many activities. This section does not pretend to cover all of them. In fact, *it covers only broad principles that the LGU should consider in obtaining development financing and in helping people start and grow businesses.* Local economic transformation remains the primary responsibility of the private sector, with the LGU playing a catalytic, regulative, and supporting role.

WHAT IS FINANCING?

Simply and generally defined, financing is supplying money for starting, operating, and sustaining a project. The supply sources may be internal or external to the organization.

The LGU may finance projects through:

- Using its internal funds, e.g. IRA, revenues from local taxes and service user charges.
- Accessing funds from the national government, e.g. budget of national government agencies, President's Fund, Countryside Development Fund of legislators;

- Borrowing from Public, Private, and Multilateral Financial Institutions, the National Government, and other LGUs;
- Floating Bonds; and
- Entering into Joint Ventures with Private Firms and other privatization schemes.

SOME TIPS IN CHOOSING THE KIND OF FINANCING SCHEME

Know what you want. Financing is only a means to the end. The choice of means- would depend on the end chosen. The vision of being a world-class industrial center would require a different set of projects and a different menu of financing strategies than say being a provincial agri-industrial center.

Explore different financing options. Before going into debt, explore other financing options that may not be immediately evident. Usually, project financing

Look before you leap.

would come from more than one source. It is good to explore different financing schemes to get the best mixture of equity, debt, and grants or to decide which one would be the dominant financing scheme.

For its low-cost housing project, Victorias City

Box No. 3.1

The Legal Basis for LGU Financing

Local Government Code

- Section 295-303. Discusses various ways by which the LGU can finance its projects from credit financing, issuance of bonds, indebtedness to other LGUs and to the national government to BOT schemes.
- Section 324. Limits debt servicing to 20% of the LGUs income

Republic Act 7718 or the Build Operate and Transfer Law (BOT) and its Implementing Rules and Regulations.

Box 3.2

Bohol's Vision To Become a Prime Eco-Cultural Tourism Province

In 1996, the Bohol Provincial Government conducted multi-sectoral consultations in municipal clusters to define the vision, mission, goals, and strategies of the province. The consultations envisioned the province to become "a prime eco-cultural tourism province and a strong agro-industrial province." The consultations identified eco-cultural tourism as the province's primary economic strategy and agro-industrialization as its secondary strategy.

To become a prime eco-tourism province, Bohol had to do something about its poor water and power utilities.