

## Chapter 4

# Local Development Investment Program

Based on Chapter 3, this chapter draws up a 10-year local development investment program (LDIP) containing a list of sectoral programs and projects in support of the City Development Plan.

Essentially, the LDIP aims to help realize the “Maogmang Naga” vision, especially on the four cross-sectoral challenges identified in the PGS Roadmap:

1. reducing poverty incidence
2. improving access to basic services
3. enhancing quality of life thru livable communities, and
4. promoting good governance and responsible citizenship.

Fundamentally, the program consists of either **new projects** or **expansion of existing initiatives** aimed at addressing the development indicators in the vision-reality gap analysis. Thus, it assumes that spending on current programs, projects and activities in the 2010 and previous year budgets that are delivering the current indicators shall be maintained.

Moreover, another key feature of the program is its **responsiveness to the projected increase in Naga’s population**; consequently, the various population-indexed socio-economic initiatives it contains have been adjusted to meet the additional requirements that more people brings to society.

### Sectoral Investments

By sector, the LDIP will comprise of the following priority undertakings:

## SOCIAL

To promote social development, the following priority programs and projects shall be pursued:

- **Universal Preschool Coverage.** This calls for the establishment of 25 additional Educare centers over the next five years (on top of the existing 73), and the hiring of the required teaching staff that will run these centers. Together with the expected expansion of both DepEd and private schools, this will put the city in a good position to attain 100% participation rate by 2015.
- **Naga City Children’s Home.** To comply with existing laws and further strengthen the city’s children programs, the Naga City Children’s Home for children in difficult situations will also be operationalized in partnership with civil society organizations.
- **Nutri-Dunong.** This involves the expansion of the existing program to cover all school children coming from the 20% low-income households living below poverty line. This will put the city in a good position to eliminate grade school malnutrition by 2015.
- **QUEEN and QUEEN Plus.** This, on the other hand, calls for the expansion of the existing QUEEN initiatives of the city government aimed at ensuring that school children will stay in school, thereby addressing the city’s problems on cohort survival and completion. It adopts the ASSRC self-rated poverty line as benchmark, thus targeting the lower 61% of the city household population for coverage of the subsidized school fees, school supplies and rice incentives being extended to beneficiaries.
- **Summer Enrichment.** Similar to the QUEEN initiatives, this calls for the regular conduct of summer enrichment classes for school children belonging to the lower 61% of the city’s household population, aimed at preparing them for and improving their academic performance during the regular school year.
- **Tertiary Scholarship Program.** This involves the progressive expansion of the city’s Iskolar kan Ciudad program, targeting the city’s college-going population (aged 17-24, which accounts for around 11% of the total city population). By offering access to college and technical-vocational programmes under a study-now-pay-later scheme, the city – in concert with other existing scholarship programmes – should be able to raise the percentage of its population with post-secondary degrees from 25 to 50% by the end of the planning period.

- **Development of Public Tertiary Institutions.** Side by side the above, the city government shall also progressively invest in developing its capability to offer both college and tech-voc programmes, anchored on the establishment of the Naga City TechVoc Academy and/or the expansion of the Camarines Sur Community College (which should be renamed Naga City Community College, catering exclusively to city residents).
- **Upgrading of the Naga City Hospital to Secondary.** This involves adding additional bed capacity to the primary-level Naga City Hospital, and its upgrading into a full-fledged secondary hospital by adding a surgery unit, including complementary staff. This will also put the city hospital in a better position to provide subsidized full-service hospital care to low-income families in Naga.
- **Establishment of an Infirmary at the Uplands.** To address the needs of the growing population in the upland areas (consisting of part of Upper San Felipe and Cararayan, Pacol, San Isidro, Carolina and Panicuason, a full-service infirmary will be established to reduce demand at the Naga City Primary Hospital.
- **PhilHealth Coverage.** This initiative relies on national government funding to provide coverage to the lowest 12% of the city household population (half of the higher end of official data on poverty incidence in Naga) by 2013 and beyond. In case it is not made available, the city will focus on strengthening its Naga City Hospital-based health service provision.
- **Upgrading Social Housing Capability.** This involves upgrading of the Urban Poor Affairs Office (UPAO) into a department-level Housing and Settlements Development Office (HSDO), strict delimitation of program coverage only to the lower 23% of the city's household population who are living in poverty, and additional infusion of capital for social housing development starting in 2016 when existing number of beneficiaries exceed this baseline due to population growth.
- **Shelter Upgrading Project.** This will provide housing material support to some 2,000 urban poor households who said they are currently living in makeshift housing, according to the 2011 Community Based Monitoring System (CBMS).

Over the next 10 years, it will require a total of P1.6 billion to implement these programs and projects, of which P947.3 million (59%) will be put up by the city government, with the balance (P650.7 or 41%) to be sourced from the national government. These are detailed in Table 12.

Table 12  
**SOCIAL SECTOR INVESTMENT PROGRAM, 2011-20**  
 In Million Pesos

Programs/Projects	Total Requirements	CGN	NGP	Private/External	Borrowings
<b>Universal Preschool Coverage</b> Physical Plant - 25 new DCCs + Additional Staff	55.3	55.3			
<b>Operationalization of Naga Children's Home</b>	10.0	10.0			
<b>Nutri-Dunong</b> Feeding Program	76.8	57.6	19.2		
<b>QUEEN</b> Pupil Retention Program	146.3	146.3			
<b>Summer Enrichment</b>	14.6	14.6			
<b>Tertiary Scholarship Program</b> College	130.8	130.8			
Techvoc	29.6	29.6			
<b>City Tertiary Institutions</b> Naga City TechVoc Academy	26.0	26.0			
Expansion of Naga City Community College	26.0	26.0			
<b>Conversion of NCH to Secondary</b> Infra - Additional Capacity + Additional Staff	36.5	36.5			
Naga City East Highlands Infirmary	10.0		10.0		

<b>PhilHealth Coverage</b> Poorest of the Poor	614.5		614.5		
<b>Upgrading of UPAO to HSDO</b>					
Additional Staff	32.5	32.5			
Social Housing (KsK Settlement Development)	378.7	378.7			
Improvement of Existing Housing Units for Urban Poor	10.0	3.0	7.0		
<b>Subtotals</b>	<b>1,598.0</b>	<b>947.3</b>	<b>650.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Percentage Share</b>	<b>100%</b>	<b>59%</b>	<b>41%</b>		

CGN – City Government of Naga; NGP – National Government of the Philippines

## ECONOMIC

To sustain and speed up economic development in Naga, four priority programs and projects will be implemented during the planning period:

- **SARIG Naga Program.** To enhance productivity, this flagship agricultural program will be expanded to progressively cover all families comprising the agricultural subsector, representing 14% of the city household population. This aims at primarily opening up access to input financing for everyone regardless of the crop they plant or the animals they raise. By 2015, all agricultural households shall have been covered, with repayment to be rolled over for the second half of the planning period to ensure sustained financing.
- This will be complemented by progressive investments in agricultural infrastructure, especially farm-to-market roads, and construction and/or rehabilitation of irrigation systems and related facilities.
- **Urban Agriculture.** At the same time, the establishment of urban community gardens will be promoted as a means of increasing food supply at the household and community levels, in the process addressing the incidence of hunger.
- **Tourism Subsector Development.** To promote sustained growth in the tourism subsector, the city government will invest on developing the “Naga” brand, establishing a fully functional, full-service visitors center as well as a city museum (preferably at the current Naga City Police Office headquarters once the NCPO moves its operations to the Camarines Sur Provincial Police HQ in Concepcion Grande), and further improving access to the East Highlands area.
- **Fair Trade and Commerce.** To promote livelihood and enterprise development, targeted interventions for micro and small entrepreneurs will be pursued. These include the allocation of seed capital for microlending exclusively for livelihood ventures of the lower 20% of the city’s household population living below the poverty line; the “Grow Negosyo” initiative aimed at developing one product per barangay; as well as the establishment of a “bagsakan” center that will ensure more competitive prices for the agricultural produce of local farmers and livestock growers.

In all, it will require government to invest a total of P316.5 million for these programs and projects, of which P91.7 (29%) will be provided by the city. The balance of P224.9 million (71%) will be secured from the national government, especially for its counterpart to SARIG Naga and the infrastructure requirements identified above. Table 13 provides the specific breakdowns.

Table 13  
**ECONOMIC SECTOR INVESTMENT PROGRAM, 2011-20**  
In Million Pesos

Programs/Projects	Total Requirements	CGN	NGP	Private/External	Borrowings
<b>Agriculture</b>					
SARIG Program	50.2	37.7	12.6		
Urban Gardens Development Project	2.0	2.0			
Construction/Repair of Diversion Dams, Irrigation Canals	17.0		17.0		
East Highlands Farm-to-Market Roads	80.0		80.0		

<b>Tourism</b>					
Heritage Tourism Zone (Branding, Visitor Center, City Museum)	16.0	16.0			
East Highlands Access Roads: Malabsay Falls	30.0		30.0		
Panicuason-Yabo, Carolina Road	30.0		30.0		
<b>Commerce and Trade</b>					
Micro-lending Program	15.9	15.9			
Loan Assistance Program for Agricultural Sector	4.0		4.0		
Naga City Bagsakan Center	30.0		30.0		
Grow Negosyo Program	13.4	2.1	11.3		
<b>Industry Development Support</b>	25.0	15.0	10.0		
<b>Subtotals</b>	<b>316.5</b>	<b>91.7</b>	<b>224.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Percentage Share</b>	<b>100%</b>	<b>29%</b>	<b>71%</b>		

## INFRASTRUCTURE AND PHYSICAL DEVELOPMENT

To boost the livability, competitiveness and economic vitality of the city, the following priority infrastructure programs and projects will be pursued over the next 10 years:

- **Universal Water and Sanitation Access.** This seeks to progressively provide water and sanitation services to the remaining 5% of city households who, according to Urban HEART data, do not have direct access to these services. By targeting 1% each year, the city will be in a good position to fully achieve this key MDG indicator.
- **Waste-to-Energy Power Plant.** This project, which has already broken ground, is a partnership between CJ Global, Inc. and the city government that seeks to put up a 19-MW power plant to be powered by solid waste being generated within the city and its neighboring towns. At P3.15 billion, it will be the single biggest foreign direct investment in Naga, and is expected to be operational by 2013.
- **Electric Power Aggregation.** This seeks to encourage private investors to operationalize electric power aggregation in Naga City, an innovation under the EPIRA Law, thereby introducing competition in the retail of electricity in local markets.
- **CBD I Urban Renewal.** This involves the continuing revitalization of Centro Naga, and will be anchored on the provision of adequate quality parking services in strategic sites within the district, as well as the construction of pedestrian bridges that will enhance connectivity between CBD I and its adjacent areas.
- **Enhanced Trunk Roads.** This involves the widening of key trunk arteries of the existing road network, specifically road links along Magsaysay Avenue (i.e. Melchor Villanueva Street) and Roxas Avenue (more popularly known as Diversion Road). This lays down the groundworks for a four-lane trunk route that will allow dedicated lanes for public transport conveyances.
- **Circumference Road 2 (C-2).** This involves the construction of three new road links and a bridge – with a combined length of around 2 kms connecting Barangays Calauag, San Felipe, Balatas, Concepcion Pequeña, Tabuco and Mabulo – that will comprise the Naga City section of its second circumferential or ring road. (See Fig. 11.)
- **New Road Links.** These are projects that seek to enhance radial and circumferential connectivities between key areas of the city, as well as with its neighboring towns. They include CBD I and II, especially through the PNR property between Lerma and Triangulo; Concepcion Grande (via Ramaida Village) and Balatas; completion of the Maogmang GK-Leon Aureus Road connection; and a new roadlink between Upper Pacol and Carangcang, Magarao.
- **Integrated Naga River Revitalization Project (iNRRP).** This flagship project seeks to implement a multi-pronged strategy to raise Naga River's water quality rating from C to B+ by 2015, and finally to A by 2020 based on the recommendations of the iNRRP Pre-Feasibility Study (PFS): (a) physical rehabilitation through the construction of a Riverwalk on both banks; (b) water pollution control through the introduction of sewerage services in the city, complemented by the progressive

upgrading of septic tanks to mandated standards; (c) implementation of flood control interventions to mitigate flooding and protect the city center; and (d) redevelopment of the “Isla Sison” riverfront area; and revitalization of river transport in the Naga and Bicol rivers; and (e) greenway development through the establishment of a citywide network of public corridors that interconnect CBD I, CBD II and government and educational facilities.

- **BRT Study.** This feasibility seeks to determine the optimal configuration of the local transport system in Naga that would raise service quality and financial viability, in process encouraging residents to shift from private to public transportation.
- **Bicol Riverfront Development and Flood Control Project.** This seeks to accelerate the development of the South CBD II area, anchored on the establishment of flood control structures, public walkways and a river park in the Bicol Riverfront area along Barangay Tabuco. At the same time, the construction of the Naga South District Market and complementary medium-rise housing within the area will anchor this planned development. (See Fig. 11.)

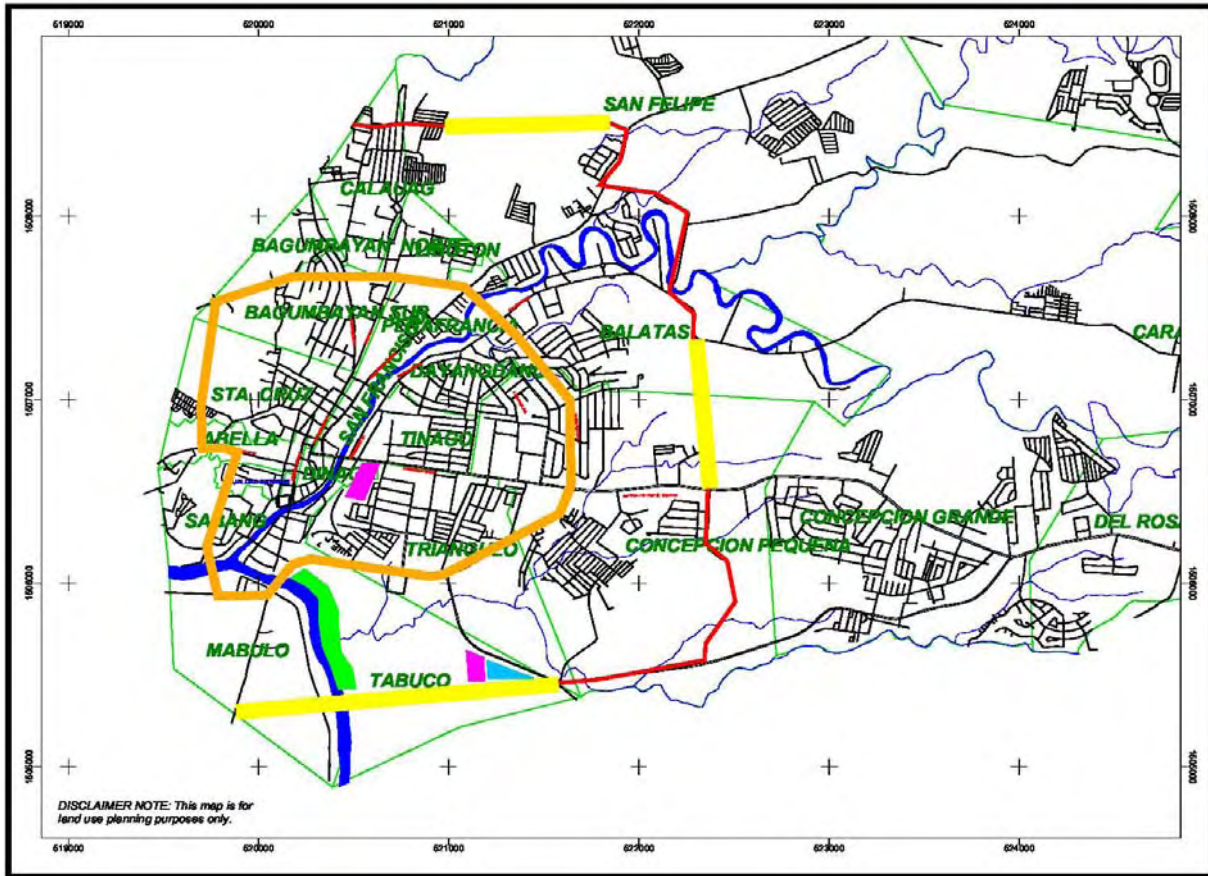
Table 14 details these priority infrastructure programs and projects, which will require total capital expenditures amounting to P7.0 billion. The private sector and donor agencies are expected to contribute the bulk of these funding requirements in the amount of P4.4 billion or 63% of the total. The balance will be covered by the city (P560.8 million or 8% through its annual budgetary outlays, and another P1.4 billion or 20% through borrowings), and the national government (P654.8 million or 9%).

Table 14  
**INFRASTRUCTURE SECTOR INVESTMENT PROGRAM, 2011-20**  
In Million Pesos

Programs/Projects	Total Requirements	CGN	NGP	Private/External	Borrowings
<b>Water Services</b>					
Universal access to WatSan Services	17.9	7.9	10.0		
<b>Power</b>					
Waste-to-Energy Power Plant	3,150.0			3,150.0	
Retail Energy Aggregation	70.0			70.0	
<b>Urban Development</b>					
CBD I Urban Renewal (including Parking)	130.0	30.0		100.0	
Pedestrian Bridges (2 units)	50.0	25.0	25.0		
<i>Enhanced Road Links</i>					
Widening, Maysaysay-Roxas Avenue (incl ROW)	31.3		31.3		
<i>C-2 Network</i>					
Calauag (Villa Karangahan)-San Felipe, 1.032 km	5.2	5.2			
Balatas-Concepcion Road, 0.987 km	4.9	4.9			
Almeda Highway-Mabolo Bypass, 2.099 km	10.5	10.5			
RROW acquisition (3 road links)	30.9	30.9			
New Tabuco-Mabulo Bridge	150.0		150.0		
<i>New Road Links</i>					
Enhanced CBD 1 & 2 connectivity	7.5	7.5			
Concepcion Grande (Ramaida Village)-Balatas	6.0	6.0			
Maogmang GK-Leon Aureus Road	6.0	6.0			
Upper Pacol-Carangcang Road	2.5	2.5			
<b>Integrated Naga River Revitalization Project</b>					
Riverwalk	250.5	50.1	100.2		100.2
Drainage and Flood Control	512.4	51.2	204.9		256.2
Sanitation - Rehabilitation of Septic Tanks	932.0	93.2			838.8
Sanitation - Sewerage System	822.0			822.0	
Isla Sison Redevelopment	111.8			111.8	
River Transport Revitalization	20.0		20.0		
BRT Study	5.0	1.5		3.5	



Naga City Riverpark	25.0	25.0			
Naga South District Market (10,000 sqm, 2 storey)	300.0	90.0			210.0
Medium-Rise Housing (7 units)	378.0	113.4	113.4	151.2	
<b>Subtotals</b>	<b>7,029.2</b>	<b>560.8</b>	<b>654.8</b>	<b>4,408.5</b>	<b>1,405.2</b>
<b>Percentage Share</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>63%</b>	<b>20%</b>



**Figure 11.** The Proposed C-2 and South CBD II Development.

**Legend:** C-2 Roadlinks | South District Market | Medium-Rise Housing | River Park and Flood Control Structures

## ENVIRONMENTAL MANAGEMENT

To promote environmental integrity and sustainability, one project is being lined up as key priority, especially as a contingency measure in case the CJ Global waste-to-energy project does not push through. This is largely due to the fact that the Naga River Revitalization Project, which can easily form part of the Environmental Sector plan, has already been incorporated among the urban development projects listed above.

The construction of a **Sanitary Landfill** that will meet the city’s need for the proper disposal and recycling of its daily solid waste generation will require around P90 million to realize. Of the amount, the city is expected to put up 75% or P67.5 million through a combination of borrowings and internal cash generation, with the balance to be secured from the private sector or donor agencies.

It will be complemented by the rehabilitation and upgrading of the city’s MRF facilities and the establishment of barangay MRFs – the latter to be co-financed with host barangays of the city. These

facilities should ensure that Naga’s environs will remain clean and its air quality in good condition, thereby ensuring livability and long-term sustainability.

Table 15  
**ENVIRONMENT SECTOR INVESTMENT PROGRAM, 2011-20**  
 In Million Pesos

Programs/Projects	Total Requirements	CGN	NGP	Private/External	Borrowings
Sanitary Landfill	90.0	22.5		22.5	45.0
Upgrading of City, NCPM MRFs	136.2	136.2			
Establishment of Barangay MRFs	12.5	7.5		5.0	
<b>Subtotals</b>	<b>238.7</b>	<b>166.2</b>	<b>0.0</b>	<b>27.5</b>	<b>45.0</b>
<b>Percentage Share</b>	<b>100%</b>	<b>70%</b>		<b>11%</b>	<b>19%</b>

## INSTITUTIONAL

Finally, to ensure that the City Government will continue to grow strong and mature as a public institution, the following priority projects (detailed in Table 16) are lined up for implementation, which will require a total of P121.1 million – mostly coming from its annual budget:

- **Civic Education.** To be pursued in partnership with the Naga City People’s Council and other civil society organizations, including the academe, this seeks to encourage citizens – especially the youth – to more actively do their part in community building, pursuant to the vision for a “citizenry that asserts their rights and accepts their roles and responsibilities in nation-building.”
- **Taxmapping.** To be pursued over the next three years, this seeks to give the City Treasury the wherewithal needed to attain its target of collecting half of the 25% uncollected revenues by 2013.
- **Human Resource Development.** This involves the development and implementation of capacity development interventions that will strengthen the knowledge, skills and practices of city government employees, and prepare second liners for leadership position within their respective departments.
- **Operationalization of “Anduyog Fund,” Strengthening of City OF Federation.** These twin measures seek to mainstream the local OF sector in governance and financing of local development projects.
- **Physical Plant Improvement.** This involves the upgrading of existing offices, facilities, installations, and equipment of the city government – including the acquisition of replacement vehicles in lieu of outdated, fuel-inefficient units in its fleet.

Table 16  
**INSTITUTIONAL DEVELOPMENT SECTOR INVESTMENT PROGRAM, 2011-20**  
 In Million Pesos

Programs/Projects	Total Requirements	CGN	NGP	Private/External	Borrowings
<b>Institutional Development</b>					
Civic Education Program (with focus on the Youth)	6.0	6.0			
Taxmapping/Updating of CLUP	8.0	8.0			
Operationalization of 'Anduyog Fund'	3.0	3.0			
Strengthening of City OF Federation	1.0	1.0			
HR Development	7.5	7.5			
Document Management System	5.0	5.0			
Codification of General Ordinances	2.0	2.0			
<b>Physical Plant Improvement</b>	0.0	0.0			
City Health Office Building and Lab	20.2	20.2			
SWMO Office, Workbay, Bio-inoculant Lab, IEC	14.4	14.4			
LAM/OFW One-Stop-Shop	10.0	5.0	5.0		
Acquisition of new equipment, service vehicles	44.0	44.0			
<b>Subtotals</b>	<b>121.1</b>	<b>116.1</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Percentage Share</b>	<b>100%</b>	<b>96%</b>	<b>4%</b>		

## Projected Cost of the CDP

In sum, Table 17 presents the highlights of the LDIP:

Table 17  
**LOCAL DEVELOPMENT INVESTMENT PROGRAM, 2011-20**  
**By Sector and Source of Fund, In Million Pesos**

Sector	Total	%	CGN	%	NGP	%	Private/ External	%	Borrowings	%
Social	1,598.0	17%	947.0	50%	651.0	42.4%				
Economic	316.5	3%	91.7	5%	224.8	14.6%				
Infrastructure/ Physical	7,029.2	76%	560.8	30%	654.7	42.6%	4,408.5	99%	1,405.2	97%
Environmental	238.7	3%	166.2	9%			27.5	1%	45.0	3%
Institutional	121.1	1%	116.1	6%	5.0	0.3%				
<b>Totals</b>	<b>9,303.6</b>	<b>100%</b>	<b>1,881.8</b>	<b>100%</b>	<b>1,535.5</b>	<b>100%</b>	<b>4,436.0</b>	<b>100%</b>	<b>1,450.2</b>	<b>100%</b>
% Share			20%		17%		48%		16%	

- On the whole, the CDP, executed through the LDIP, will cost P9.3 billion over the next 10 years. Of the total, the City Government will assume P1.8 billion (or 20% of the total cost) using its budget, the national government P1.5 billion (17%), and the private sector and international development agencies P4.4 billion (48%, with the former contributing 35% and the latter 13%). The balance of P1.4 billion (16%) will be financed through borrowings.
- In terms of sectoral spending, Infrastructure and Physical Development takes the lion's share at 76%, followed by Social Development at 17%, Economic Development and Environmental Management at 3% apiece, and Institutional Development at 1%.
- Three-quarters of the LDIP will be poured into capital expenditures projects, all aimed at boosting the livability, competitiveness and economic vitality of the city. In terms of value, the planned waste-to-energy power plant of CJ Global accounts for close to half (45%) of these projects.
- Consistent with the thrust to leverage the city's borrowing capacity to finance revenue generating capital investments that have outstanding economic benefits and/or can pay for themselves, the construction of the Riverwalk, the sanitation component of the iNRRP, the planned Naga South District Market, as well as the planned sanitary landfill (with a combined project cost of P2.1 billion), are mostly being proposed for funding through borrowings to lessen pressure on its budget.

## Financing the Plan

Based on the above, the city government is eyeing four major sources of financing for the CDP. These are:

1. **Internally generated cash.** These are drawn from local incomes and national transfers that comprise its annual budget.
2. **National government outlays.** These are grants from the annual budget of the national government, either through the executive departments or legislative earmarks facilitated by friendly senators or congressmen.
3. **External sources.** These are program or project fund outlays by donor agencies to support specific line items in the CDP. They also include public and private sector investments in support of the city's priority projects.
4. **Borrowings.** These are loans taken out by the city government from local or international financing institutions to be repaid by its future earnings.

## Internally Generated Resources

Can the city government generate sufficient revenues to support the investment requirements of the CDP, or specifically its 20% share of the proposed financing mix, as spelled out under its LDIP?

### *Projected Resources of the City Government, 2011-20*

From 2004 to 2011, the City Government's budgetary resources are summarized in Table 18:



Table 18  
**HISTORICAL REVENUES OF NAGA CITY BY SOURCE, 2006-10**  
 In Million Pesos

Year	2004	2005	2006	2007	2008	2009	2010	2011	Average Growth
Local Taxes	110.8	124.3	143.9	155.6	161.8	178.5	210.7	266.5	14%
Permits and Licenses	8.0	9.3	9.0	10.7	14.4	14.0	12.1	12.4	8%
Service Income	5.0	7.3	6.7	8.5	10.1	11.6	11.9	16.4	20%
Business Income	36.0	39.4	41.3	44.4	47.6	53.7	60.4	56.7	7%
National Transfers	183.2	197.7	220.9	237.1	255.9	318.8	362.8	362.4	10%
<b>Total</b>	<b>343.0</b>	<b>378.0</b>	<b>421.8</b>	<b>456.2</b>	<b>489.8</b>	<b>576.6</b>	<b>657.9</b>	<b>714.5</b>	<b>11%</b>

Source: Audited financial statements of Naga City from the Commission on Audit (COA)

Based on the above, Table 19 presents the city's projected budgetary resources for the planning period, using the following conservative assumptions:

- o local taxes will grow by 9% annually;
- o permits and licenses by 5%;
- o service income by 13%;
- o business income by 5%, and national transfers by 7%.

Annually, this assumes an average annual growth of 7%, which is four percentage points lower than its historical performance from 2006-10.

Table 19  
**PROJECTED REVENUES OF NAGA CITY BY SOURCE, 2011-20**  
 In Million Pesos

Year	2011	2012	2013	2014	2015	5-Year Total
Local Taxes	266.5	290.5	316.7	345.2	376.2	1,595.1
Permits and Licenses	12.4	13.1	13.7	14.4	15.1	68.7
Service Income	16.4	18.5	20.9	23.6	26.7	106.1
Business Income	56.7	59.5	62.5	65.6	68.9	313.3
National Transfers	362.4	387.8	415.0	444.0	475.1	2,084.3
<b>Total</b>	<b>714.5</b>	<b>769.4</b>	<b>828.7</b>	<b>892.8</b>	<b>962.0</b>	<b>4,167.5</b>

Year	2016	2017	2018	2019	2020	10-Year Total
Local Taxes	410.1	447.0	487.2	531.1	578.9	4,049.4
Permits and Licenses	15.9	16.7	17.5	18.4	19.3	156.4
Service Income	30.2	34.1	38.5	43.5	49.2	301.5
Business Income	72.4	76.0	79.8	83.8	88.0	713.2
National Transfers	508.3	543.9	582.0	622.7	666.3	5,007.6
<b>Total</b>	<b>1,036.8</b>	<b>1,117.6</b>	<b>1,205.0</b>	<b>1,299.5</b>	<b>1,401.6</b>	<b>10,228.0</b>

*Base year*

*Projected CapEx Ceilings*

In terms of capital spending, the city government should be able to mobilize between P1.0 to 1.6 billion from its annual budgets over the next 10 years. (Table 20.) The lower end is based on using the Local Development Fund (LDF, which is 20% of the Internal Revenue Allotment) as the sole source for capital expenditures.

The higher end will be realized if the city adopts the policy proposal of allocating 50% of real property tax collection as additional source of capital spending, based on the premise that RPT (or at least part of it) should be reinvested in projects that will drive up property values, which will then enable government to collect more taxes, thereby creating a virtuous cycle.

Table 20  
**PROJECTED CAPITAL EXPENDITURE FUNDS OF NAGA CITY BY SOURCE, 2011-20**  
 In Million Pesos

Year	2011	2012	2013	2014	2015	5-Year Total
LDF	72.5	77.6	83.0	88.8	95.0	416.9
RPT - CapEx	40.0	43.6	47.5	51.8	56.4	239.3
Total Potential CapEx	112.5	121.1	130.5	140.6	151.5	656.1

Year	2016	2017	2018	2019	2020	10-Year Total
LDF	101.7	108.8	116.4	124.5	133.3	1,001.5
RPT - CapEx	61.5	67.0	73.1	79.7	86.8	607.4
Total Potential CapEx	163.2	175.8	189.5	204.2	220.1	1,608.9

#### Projected Spending by Type

As a result, CapEx spending under the more optimistic scenario is expected to take up a constant 16% of the city's annual budget during the planning period.

For personal services, the city is projected to continue maxing out the 45% mandatory ceiling for the next three years as it completes the implementation of Salary Standardization 3 and creates more accountable operating units aimed at enhancing the responsiveness of the local bureaucracy. This is projected to progressively go down to 43% from 2015-17; to 41 from 2018-19, before settling at 40% by 2020. This conservative stance takes cognizance of the fact that the city government is not just a corporate but also a political entity.

Consequently, the city's projected budgetary resources in terms of major expenditure type over the next 10 years are broken down as follows:

Table 21  
**PROJECTED SHARE OF BUDGETARY RESOURCES BY TYPE OF EXPENDITURE, 2011-20**  
 In Million Pesos

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CapEx	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
PS	45%	45%	45%	45%	43%	43%	43%	41%	41%	40%
MOE, Social, Others	39%	39%	39%	39%	41%	41%	41%	43%	43%	44%

In view of the above, the city government can confidently assume that it has sufficient budgetary resources to support its 20% share of the LDIP financing mix. This is based on the following reasons: (1) It has a substantial CapEx budget that can cover between 54-87% of the required amount. (2) Its social spending, boosted by reliable sources like the Special Education Fund and its robust business tax collections, will increase by 12% during the planning period. This puts the city on solid footing to fund social development projects in the LDIP – which account for 51% of its 20% share in the mix.

The second point is bolstered by Table 22 below, which summarizes the historical and projected statement of fund operations of the city government. Using a 10% annual average growth as basis (instead of the 7% used above), the city will have at its disposal almost P2 billion in spending for social services – which is double than the P937 million it is supposed to spend for the social sector during the planning period.

Table 22  
**HISTORICAL AND PROJECTED STATEMENT OF FUND OPERATIONS, 2011-20**  
 In Million Pesos

Particulars	2004	2005	2006	2007	2008	2009	2010	2011	Average Growth
General Administration	177.3	180.4	237.4	249.0	258.3	268.0	306.7	364.9	11%
Social Services	58.6	54.7	38.3	40.9	42.9	51.1	49.1	101.9	14%
Economic Services	83.1	83.8	82.4	118.1	114.9	141.5	161.1	142.2	9%
<b>Grand Total</b>	<b>319.0</b>	<b>318.9</b>	<b>358.2</b>	<b>408.0</b>	<b>416.0</b>	<b>460.6</b>	<b>516.9</b>	<b>609.0</b>	<b>10%</b>

Particulars	2012	2013	2014	2015	2016	2017	2018	2019	2020	Projected Resources
General Administration	406.2	452.2	503.3	560.2	623.6	694.1	772.6	860.0	957.3	6,194.6
Social Services	116.2	132.4	150.9	171.9	195.9	223.3	254.4	289.9	330.4	1,967.2
Economic Services	155.4	169.8	185.6	202.8	221.6	242.2	264.7	289.3	316.2	2,189.8
<b>Grand Total</b>	<b>677.7</b>	<b>754.3</b>	<b>839.7</b>	<b>935.0</b>	<b>1,041.2</b>	<b>1,159.6</b>	<b>1,291.8</b>	<b>1,439.3</b>	<b>1,604.0</b>	<b>10,351.7</b>

Source: City Budget Office

Base year

## Borrowings

Is the city also capable of raising the P1.4 billion balance through borrowings?

Table 23 presents the city government's projected borrowing capacity and other related metrics during the planning period. Offhand, it must be stated that the Bureau of Local Government Finance's (BLGF) certification of Naga's borrowing capacity of P343 million for 2011 is very conservative – based on a fixed interest of 5.5% and a loan tenor of 5 years. By contrast, the PFS for the iNRRP, using an interest rate of 9% and a loan tenor of 15 years, places the city's maximum loanable amount for 2011 at P519 million.

For big-ticket development projects, the latter is more realistic. The loan that funded the Naga City Coliseum, for instance, bore an interest rate of 8.75% and a loan tenor of 15 years.

Table 23  
**PROJECTED BORROWING CAPACITY, 2011-20**  
In Million Pesos

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Locally Sourced Income	220.2	301.7	342.9	382.5	414.7	449.9	488.1	529.7	575.1	624.5
Internal Revenue Allotment	341.1	387.8	415.0	444.0	475.1	508.3	543.9	582.0	622.7	666.3
Annual Regular Income	561.3	689.5	757.9	826.5	889.8	958.2	1,032.0	1,111.7	1,197.8	1,290.8
Maximum Debt Service Capacity	112.3	137.9	151.6	165.3	178.0	191.6	206.4	222.3	239.6	258.2
Amortization of Existing Loan*	32.0	45.1	45.4	41.2	39.2	33.0	19.5	18.5	17.5	16.2
Net Debt Service Ceiling	80.3	92.8	106.2	124.1	138.8	158.6	186.9	203.8	222.0	242.0
Borrowing Capacity	342.7	396.2	453.4	529.8	592.7	677.5	798.3	870.5	948.2	1,033.4

### Actual

Sources: Bureau of Local Government Finance (BLGF) certification of Naga City's borrowing and debt capacity for 2011. City Treasurer's Office data. Methodology based on the BLGF certification

\*Includes the short-term loans used to pay the Casureco II arrearages

Nonetheless, even using BLGF's conservative assumptions, it is clear that the city government, if its political leadership so decides, can resort to borrowings within the planning period to fund the bulk of its big-ticket projects identified above.

A recommended strategy is to pursue this in two phases:

1. The first phase involves borrowing around P200 million to fund the completion of the Riverwalk component of the iNRRP and the Sanitary Landfill beside the Waste-to-Energy (WTE) power plant site in Lower San Isidro.
2. The second phase would be to go through the process of full feasibility study and detailed engineering design recommended in the iNRRP Pre-FS, with the end view of negotiating a P1.25 billion long-term concessional loan (with a loan tenor of at least 20 years) from international financing institutions. The amount will be used to implement the sanitation (i.e. progressive citywide rehabilitation of septic tanks) and flood protection components of the iNRRP, as well as the proposed Naga South District Market.

By spreading payments over a longer period of time, the city government will hew to its conservative strategy of maintaining total debt servicing below 50% of its ceiling. For instance, a P1.25 billion loan, at 5% fixed interest rate over a 25-year term, will require only amortizations totalling P90 million annually.

### **National Government, External Financing**

The city's success in mobilizing the remaining two-thirds (64%) of the LDIP – which goes down to a more manageable 30% if the CJ Global WTE project materializes in the short term – is predicated on the following:

1. It maintains and cultivates good working relations with decisionmakers and gatekeepers of the national government, both at the executive and legislative departments. This is a challenge that the political leadership of the city government must embrace.
2. It is successful in convincing the leadership and management of the Metro Naga Water District, its primary partner and co-implementor of the iNRRP, to invest or welcome external investors for the P822-million sewerage system recommended for the river project. The ideal situation would be to use it (as well as the proposed Naga South District Market) as flagships for diaspora investments by the local overseas Filipinos (OF) sector.
3. It continues to sustain and strengthen its good governance and innovations traditions, thereby ensuring that it will maintain interest of the international donor community.

### **Project Programming**

As a strategy to manage risk in plan implementation, the individual projects comprising the 10-year local investment plan were also ranked participatively.

Using a combination of tools, the sectoral workshops that reviewed the revised draft of this planning document went through project prioritization exercise. Its results can guide the city leadership in allocating its internal resources and borrowing program should envisioned funds from the national government or international development agencies do not materialize.

Annex “A” summarizes the results of these prioritization workshops.

### **Conclusion**

The proposed 10-year spending program of the city government to implement the CDP described in this chapter responds to the challenge of building a resilient, globally competitive city consistent with its “Maogmang Naga” vision.

It is responsive, in the sense that the programs and projects are population-indexed and addresses the multi-sectoral demands of society, particularly in the context of climate change induced by global warming.

It is likewise realistic and feasible, in the sense that its financing mix calls for equitable sharing of the burden between the city government (38%), the private sector (35%), the national government (16%), and the international donor community (13%). Moreover, it is doable since the city has both the internally generated resources and borrowing capacity required to support its share in the financing mix.

Finally, it is proactive in providing for a prioritized list of development projects that the city leadership can use as guide in crafting its annual budgets – in the event external funding support from the national government and the donor community does not materialize as planned.

## Annex “A”

### Ranking of Development Projects, By Sector

SOCIAL SECTOR	PRIORITIZATION CRITERIA					TOTAL
	PROJECT PURPOSE	PUBLIC RESPONSE	SOCIO-ECONOMIC IMPACT	ENVIRONMENTAL IMPACT	PROJECT IMPLEMENTATION FEASIBILITY	
Tertiary Scholarship Program	14	13	12	14	7	60
Conversion of NC Hospital to Secondary	14	9	13	11	10	57
Upgrading of UPAO to HSDO	4	7	9	8	8	36
Operationalization of Naga Children’s Home	6	7	4	8	8	33
Universal Pre-School Coverage	3	4	4	5	6	22
Queen/Sanggawadan	5	3	2	3	5	18
PhilHealth Coverage	6	4	4	2	2	18
Nutri-Dunong	3	3	2	3	5	16
Summer Enrichment	2	3	0	0	0	5
City Tertiary Institutions	3	0	0	0	0	3

ECONOMIC SECTOR	PRIORITIZATION CRITERIA					TOTAL
	PROJECT PURPOSE	PUBLIC RESPONSE	SOCIO-ECONOMIC IMPACT	ENVIRONMENTAL IMPACT	PROJECT IMPLEMENTATION FEASIBILITY	
SARIG Program*	9	9	6	1	7	32
Grow Negosyo Program	7	5	8	0	5	25
Urban Gardens Development Program	2		4	13	4	23
Industry Development Support	6	5	6	0	3	20
Construction/Repair of diversion dams, irrigation canals	6	5	4	3	2	20
Farm-to-Market Roads	2	4	2	4	4	16
East Highlands Access Roads: Malabsay Falls, Panicuason-Yabo, Carolina Road	0	1	0	8	4	13
Naga City Bagsakan Center	0	1	1	0	1	3
Heritage Tourism Zone (Branding, Visitor Center, City Museum)	0	0	0	0	0	0

\*Micro-lending Program and Loan Assistance Program for Agriculture Sector are components of SARIG and were therefore dropped

INFRASTRUCTURE SECTOR	PRIORITIZATION CRITERIA					TOTAL
	PROJECT PURPOSE	PUBLIC RESPONSE	SOCIO-ECONOMIC IMPACT	ENVIRONMENTAL IMPACT	PROJECT IMPLEMENTATION FEASIBILITY	
Drainage and Flood Control	10	8	10	9	9	46
Pedestrian Bridges (2 units)	10	9	7	11	5	42
Calauag (Villa Karangahan)-San Felipe, 1.032 km	6	8	12	5	9	40
Sanitation - Rehabilitation of Septic Tanks	7	8	2	11	9	37



Waste-to-Energy Power Plant	4	7	10	6	8	35
Universal access to WatSan Services	2	7	9	6	8	32
Concepcion Grande (Ramaida Village)-Balatas	3	8	10	7	3	31
Almeda Highway-Mabolo Bypass, 2.099 km	4	8	6	4	6	28
Balatas-Concepcion Road, 0.987 km	1	4	2	10	7	24
Widening, Maysaysay-Roxas Avenue	8	7	4	2	1	22
Naga South District Market (10,000 sqm, 2 storey)	5	4	4	5	0	18
Sanitation - Sewerage System	4	1	5	2	3	15
RROW acquisition (3 road links)	4	0	0	4	2	10
Maogmang GK-Leon Aureus Road	3	2	1	1	3	10
River Transport Revitalization	1	1	1	2	3	8
Retail Energy Aggregation	3	2	0	0	2	7
Medium Rise Housing	2	1	3	0	1	7
Upper Pacol-Carangcang Road	3	0	1	0	2	6
Riverwalk	3	0	0	0	3	6
Isla Sison Redevelopment	2	0	0	1	2	5
CBD I Urban Renewal (including Parking)	2	1	0	0	0	3
New Tabuco-Mabulo Bridge	0	0	0	0	2	2
Enhanced CBD 1 & 2 connectivity	1	0	0	1	0	2
Naga City Riverpark	0	0	0	1	1	2
BRT Study	0	0	0	0	0	0

Integrated Naga River Revitalization Program (iNRRP) component  
Circumferential Road 2 (C-2) Network component  
New Road Links component

ENVIRONMENTAL SECTOR	PRIORITIZATION CRITERIA					TOTAL
	PROJECT PURPOSE	PUBLIC RESPONSE	SOCIO-ECONOMIC IMPACT	ENVIRONMENTAL IMPACT	PROJECT IMPLEMENTATION FEASIBILITY	
Establishment of Barangay MRFs	6	3	2	5	5	21
Drainage and Flood Control	1	6	4	2	3	16
Sanitation – Rehabilitation of Septic Tanks	4	0	2	3	3	12
Sanitation - Sewerage System	2	0	4	0	1	7
Sanitary Landfill	0	3	0	2	0	5
Upgrading of City, NCPM MRFs	0	0	0	0	0	0

INSTITUTIONAL SECTOR	PRIORITIZATION CRITERIA					TOTAL
	PROJECT PURPOSE	PUBLIC RESPONSE	SOCIO-ECONOMIC IMPACT	ENVIRONMENTAL IMPACT	PROJECT IMPLEMENTATION FEASIBILITY	
Taxmapping/Updating of CLUP	7	6	6	0	9	28
SWMO Office, Workbay,	3	3	5	14	2	27

Bio-inoculent Lab, IEC						
Civic Education Program (with focus on the youth)	4	6	5	3	6	24
City Health Office & Lab	4	3	6	7	3	23
Document management system	4	4	4	0	5	17
Operationalization of 'Anduyog Fund'	4	3	1	3	0	11
Codification of General Ordinances	2	2	2	0	1	7
HR Development	1	0	1	0	3	5
Acquisition of new equipment, service vehicle	1	1	0	0	1	3
Strengthening of City OF Federation	0	1	0	0	0	1
LAM/OFW One Stop Shop	0	0	0	0	0	0