

# MANUAL ON THE SETTING UP AND OPERATION OF LOCAL ECONOMIC ENTERPRISES

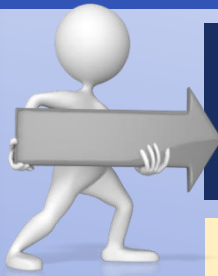
PHILIPPINE ASSOCIATION OF GOVERNMENT BUDGET ADMINISTRATORS

Bacolod City  
28 July 2017

ATTY. JULIAN LI. PACIFICADOR, JR.

# OUTLINE OF PRESENTATION

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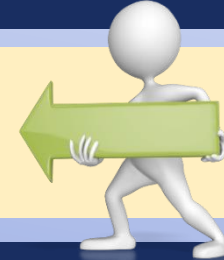


## INTRODUCTION

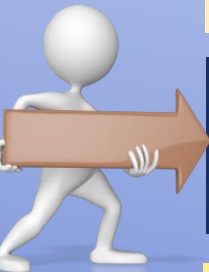
- Current Situation
- Uses of the Manual
- Definition and Classification of LEEs

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## POLICY FRAMEWORK



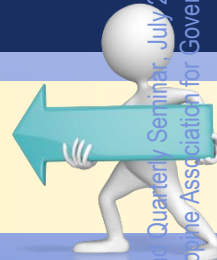
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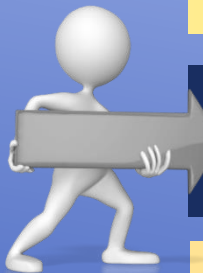
## PLANNING AND IMPLEMENTING PROCEDURES FOR PROPOSED / NEW LEEs

04

## IMPLEMENTING PROCEDURES FOR EXISTING LEEs



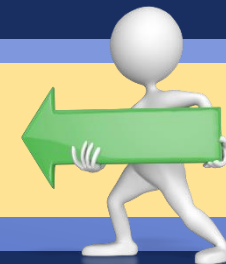
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## BUDGETING FOR LEEs

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## REVIEW AND ASSESSMENT OF LEEs



07



## BEST PRACTICES

# INTRODUCTION

- Current Situation
- Uses of the Manual
- Definition and Classification of LEEs

# CURRENT SITUATION

## IN TERMS OF POLICY:

- The local government code has provisions relating to LEEs
- Inadequate guidelines on how to implement the law



## IN TERMS OF IMPLEMENTATION:

- Dismal track record of most LEEs per review by *Castel and Manasan*

# PROPORTION OF LEEs OPERATING BY TYPE

TYPE OF LEE	PROVINCES	CITIES	MUNICIPALITIES
Water utilities		11	36
Garbage collection/disposal		23	17
Telephone		3	2
Electric/power utility		3	2
Public transport terminal	4	34	10
Markets		100	93
Slaughterhouses		95	71
Cemeteries		54	44
Commercial center		1	
Cultural/sports/recreational center	13	14	4
Parking lots	4	18	12
Hotels		9	1
Hospitals	48	16	3
Tertiary schools	4	9	3

# OPERATIONAL PERFORMANCE OF EXISTING LEEs

- 58% have income that can cover only half of its Personal Services requirement
- 21% have income that can cover about 75% of its PS requirements
- 11% have income that can cover PS requirement but not the MOOE requirements
- 9% have income that covers both PS cost and MOOE requirements
- Overall: 90% of existing LEEs are operating at a loss and rely on subsidy

➤

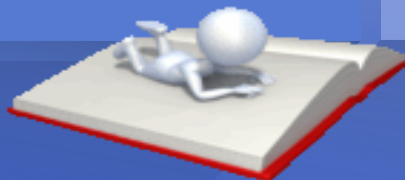
uses

# USES OF THE MANUAL

## GUIDE

The Manual will guide LGUs to:

- ✓decide whether to use LEE as the mode of public service and utility provision to its constituency;
- ✓establish, organize and operate an “profitable LEE;”



## REFERENCE

May also be used as a reference by oversight agencies, non-government organizations (NGOs), and civil society organizations (CSOs)

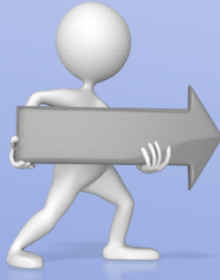


## INSTRUCTIVE MATERIAL

Instructive rather than mandatory



# LOCAL GOVERNMENT UNITS



## DUAL PERSONALITY OF LGUs

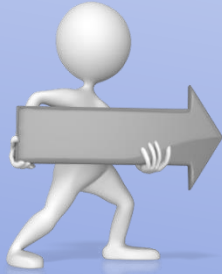
refers to a political subdivision of a nation or state which is constituted by law and has substantial control of local affairs (*UP Law Center*)

1. **Public** – carries out governmental powers as an agent (political subdivision) of the state to promote the public welfare.
2. **Private** – acts in a similar category as a business (corporate entity) performing functions not strictly governmental.

Lee defn



# LOCAL ECONOMIC ENTERPRISE



As a mode of delivering services – LEEs are ventures wholly or partially owned by LGUs that generate revenue/income through sale of services and goods to meet a perceived constituency demand.

## TYPES OF LEEs

1. Public Utilities (PUs)
2. Other Economic Enterprises (OEEs)

# LOCAL ECONOMIC ENTERPRISE

## PUBLIC UTILITY (PU)

PU is a type of LEE:

- created by the Local Sanggunian through an ordinance;
- for the purpose of providing an **everyday basic necessity or service** to the public at large;
- which otherwise cannot be provided adequately by the private sector; and
- Charges fees for the service (Section 17(j), RA No. 7160)



# LOCAL ECONOMIC ENTERPRISES

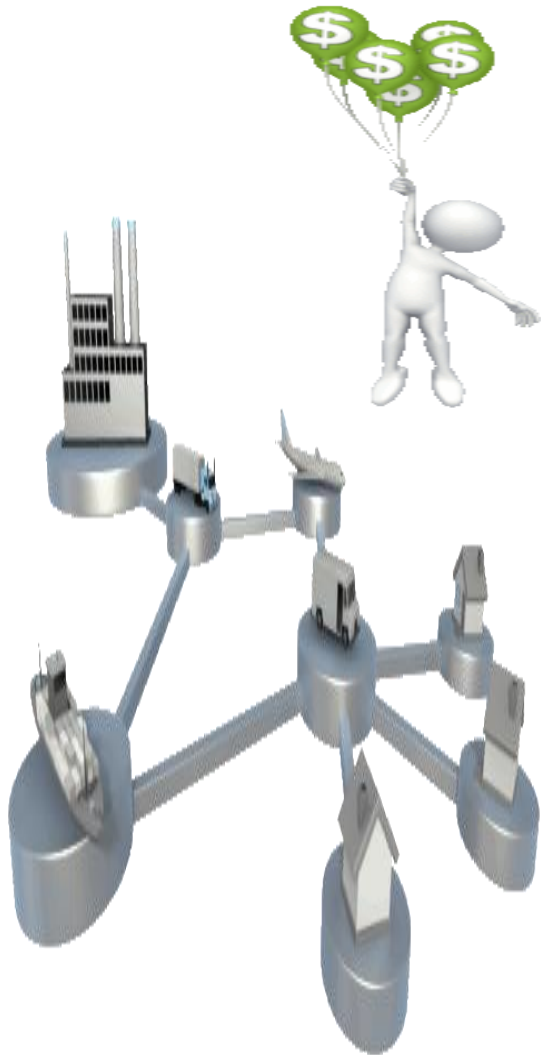


## PUBLIC UTILITY (PU)

LGU PUs shall be limited to:

- Water supply;
- Power supply and distribution;
- Telecommunications;
- Sanitation; and
- Public transportation and transport terminals.

# LOCAL ECONOMIC ENTERPRISE



## OTHER ECONOMIC ENTERPRISES (OEEs)

An OEE is:

- an LGU commercially operated establishment
- created by the Local Sanggunian through an ordinance
- for the purpose of improving production and delivery of marketable goods or services for specific market groups.

# LOCAL ECONOMIC ENTERPRISES

## OTHER ECONOMIC ENTERPRISES (OEEs)



OEEs may include but not limited to:

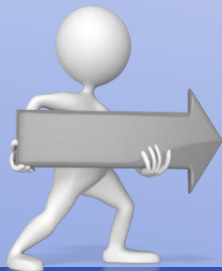
- Public markets and shopping centers;
- Slaughterhouses, livestock trading and animal raising;
- Fish landing, ice plants and cold storage facilities;
- Post harvest facilities (grain storage, drying, milling);
- Commercial retail and office spaces;
- Public parks, sports and recreational facilities; and
- Public cemeteries.

# POLICY FRAMEWORK

The parameters for the creation and operation of LEEs are laid down in the Local Government Code and related circulars.



# OPERATING PRINCIPLES



## LOCAL GOVERNMENT CODE

### SECTION 3(b)

There shall be established in every LGU an accountable, efficient, and dynamic organizational structure and mechanisms that will meet the priority needs and service requirements of its communities.

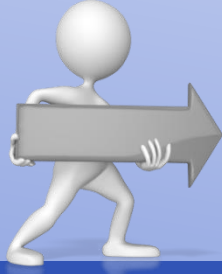
### SECTION 3(f)

Local government units may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them.

### SECTION 3(l)

The participation of the private sector in local governance, particularly in the delivery of basic services, shall be encouraged to ensure the viability of local autonomy as an alternative strategy for sustainability development.

# OPERATING PRINCIPLES



## LOCAL GOVERNMENT CODE

### SECTION 17(a)

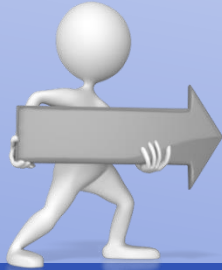
LGUs are enjoined to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them.

### SECTION 17 22(d)

LGUs shall enjoy full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises, subject to the limitations provided in this Code (LGC) and other applicable laws.



# RELATED CIRCULARS



## LOCAL BUDGET CIRCULAR NO. 100

### ITEM 3.1

LGU transfer/advance to LEE/PU refers to any amount transferred from the General Fund of the LGU to subsidize the financial requirements for operations of the LEE/PU.

### ITEM 3.2

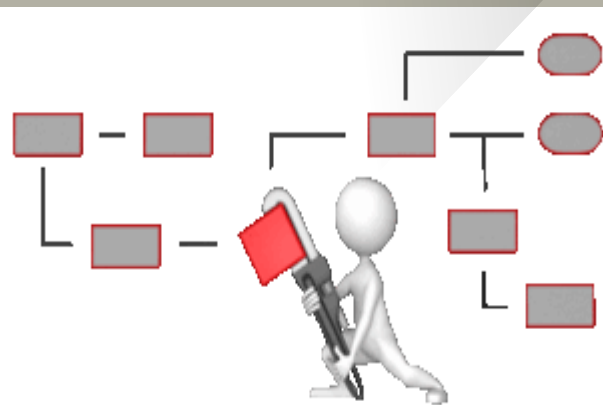
Transfer/advance to the LEE/PU shall be subject to the rule under Section 313 of the LGC.

### ITEM 3.3

No amount of the LGU transfer/advance to the LEE/PU shall be used to fund the PS requirements of the said LEE/PU.

# PROPOSED /NEW LEEs

## Planning and Implementing Procedures for Proposed / New LEEs



# PROCESS FLOW FOR PROPOSED/NEW LEEs

## STEP 1

Evaluate whether the LGU should engage in LEE



# STEP 1: EVALUATE WHETHER THE LGU SHOULD ENGAGE IN LEE

## RESPONSIBLE PERSON / UNIT

The LCE may assign or designate the relevant local officials who will be responsible for planning and implementing the new LEEs.

## 4-HURDLE CRITERIA

1. Satisfy the LGU economic and social objectives as reflected in the PDPFP/CDP and LDIP and AIP
2. Fill gaps and services not adequately provided by private sectors. The following points should be clearly established:
  - a. The LGU needs to play a primary role in the provision of the proposed output to be provided by the LEE
  - b. Output cannot be provided wholly or partly by private sector.

# STEP 1: EVALUATE WHETHER THE LGU SHOULD ENGAGE IN LEE

## 4-HURDLE CRITERIA

3. Operate as a business enterprise with its own business plan and budget.
4. Operate with appropriate staffing complement to satisfy its operating objectives.



**THE ANGRY MIDGET**

# STEP 1: EVALUATE WHETHER THE LGU SHOULD ENGAGE IN LEE

## DECISIONS

If:



1. Satisfy the LGU economic and social objectives as reflected in the PDPFP/CDP and LDIP and AIP



2. Fill gaps and services not adequately provided by private sectors.

Then:

1. Good/service should not be provided by the LGU; and
2. Provision of the good/service should be left to the private sector.

# STEP 1: EVALUATE WHETHER THE LGU SHOULD ENGAGE IN LEE

## DECISIONS

If:



1. Satisfy the LGU economic and social objectives as reflected in the PDPFP/CDP and LDIP and AIP



2. Fill gaps and services not adequately provided by private sectors.



3. Operate as a business enterprise with its own business plan and budget.



4. Operate with appropriate staffing complement to satisfy its operating objectives.



# STEP 1: EVALUATE WHETHER THE LGU SHOULD ENGAGE IN LEE

## DECISIONS

Then:

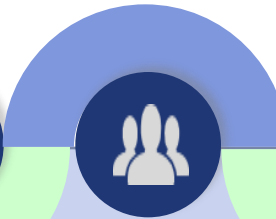
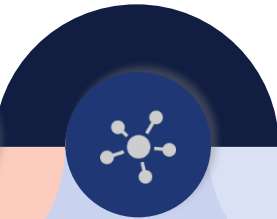
The LGU should consider partnering with the private sector or other LGUs:

1. Contracting out - service, management, lease and concession contracts;
2. Build-operate-transfer (BOT) and its variants;
3. Joint ventures – with other LGUs, NGOs, CSOs; and
4. Inter LGU partnerships.

# PROCESS FLOW FOR PROPOSED/NEW LEEs

## STEP 1

Evaluate whether the LGU should engage in LEE



## STEP 2

Conduct Feasibility Study (FS) for Proposed/New LEE



# STEP 2: CONDUCT FEASIBILITY STUDY FOR PROPOSED/NEW LEE

## RESPONSIBLE PERSON / UNIT

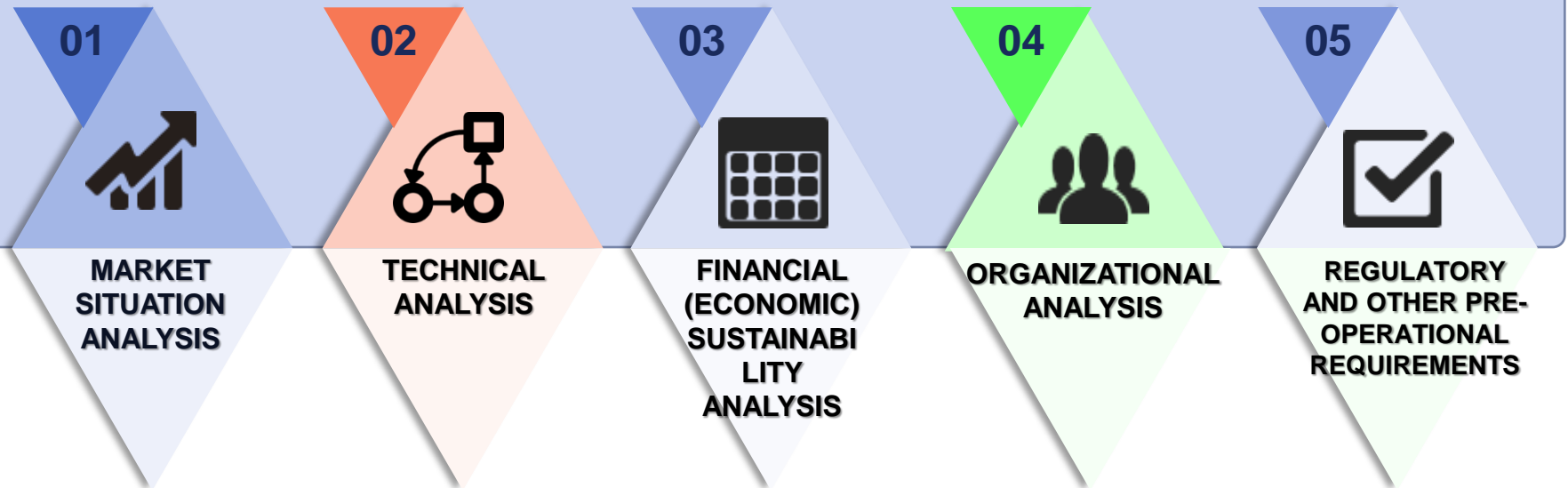
An FS shall be conducted by the responsible officials.

## VALUE OF THE FS

- The FS will help in determining whether the proposed LEE is VIABLE and DOABLE.
- Good reference in conducting project feasibility study: NEDA's Project Evaluation and Development Manual.

# STEP 3: CONDUCT FEASIBILITY STUDY FOR PROPOSED/NEW LEE

## 5 MAJOR COMPONENTS OF A FEASIBILITY STUDY



- Establish the volume of demand and what the user-beneficiaries “can” and are “willing” to pay in terms of a combination of “user fees and charges” and “taxes” (the 2 cost recovery mechanisms for LGU projects and LEEs);
- Identify competing products and services as well as potential target markets and customers; and
- Position the LEE products or services against its competitors (or find a niche for the LEE products or services).
- Based on the magnitude and nature of the demand for the LEE output, properly align the project scope, design, and specifications with the market situation;
- Ensure that the project scope, design, and specifications have no adverse environmental impact; and
- In cases where there are potential negative environmental effects, provide for mitigation (or compensation) in the project design and costs.
- Establish financial viability in terms of adequate funds flow for the project cost and the subsequent annual operating and maintenance (O&M) costs since there is adequate cost recovery and sufficient financial (economic) incentives for the LEE.
- Identify the organizational structure and manpower requirements needed to operate the LEE, including positions, qualifications, and job descriptions.
- List down the necessary permits, leases, licenses, insurance, and other pre-operating requirements

# PROCESS FLOW FOR PROPOSED/NEW LEEs

**STEP 1**  
Evaluate  
whether the  
LGU should  
engage in LEE

**STEP 3**  
Assess Potential  
Financing  
Sources

**STEP 2**  
Conduct Feasibility  
Study (FS) for  
Proposed/New LEE



# STEP 3: ASSESS POTENTIAL FINANCING SOURCES

## SOURCES OF FINANCING

### 1. Current Available LGU Revenues

- Taxes
- Fees and charges
- Revenues from existing LEE reserves
- Surpluses
- IRA.

Transfers to LEEs shall take the form of advances or subsidy from the General Fund pursuant to LGC Section 313, subject to existing COA rules and regulations.

These advances or subsidy, however, cannot be used to finance the personnel services of LEE staff.

# STEP 3: ASSESS POTENTIAL FINANCING SOURCES

## SOURCES OF FINANCING

### 2. Borrowings

- direct loans from lending institutions
- bond proceeds

### 3. Foreign and Local Grants

- for “hard” projects - whose results are capital outlays and other infrastructure projects whose results are tangible assets)
- for “soft” projects – whose results are not tangible, such as capacity building, systems improvement and the like

### 4. Capital Income

- derived from sales or use of existing LGU assets.

# STEP 3: ASSESS POTENTIAL FINANCING SOURCES

## SOURCES OF FINANCING

### 5. Cost Recovery

- User fees and charges; and
- Revenue anticipating measures like special levies, and earmarked taxation of future benefits.

LGC Section 240 allows the LGUs to impose a special levy on lands especially benefited by public works projects or improvements funded by the LGU provided that the special levy shall not exceed 60% of the actual cost of such projects and improvements.

The special levy takes the form of an additional real property tax imposed on the benefited properties. The imposition of a special levy requires the enactment of an enabling ordinance.



# STEP 3: ASSESS POTENTIAL FINANCING SOURCES

## SOURCES OF FINANCING

### 6. Cost Sharing

- Share the cost in operating LEEs mutually beneficial to other parties, such as with other LGUs, the national government, or with the private sector.

### 7. Public Private Partnerships

- BOT and its variants;
- lease financing;
- contractor/supplier credit; and
- subject to the applicable rules and regulations set by the PPP Center.

### 8. Donations from public and private entities

# PROCESS FLOW FOR PROPOSED/NEW LEEs

**STEP 1**  
Evaluate  
whether the  
LGU should  
engage in LEE

**STEP 3**  
Assess Potential  
Financing  
Sources

**STEP 2**  
Conduct Feasibility  
Study (FS) for  
Proposed/New LEE

**STEP 4**  
Select  
Financing  
Source for  
the LEE

# STEP 4: SELECT SOURCE OF FINANCING

## CONSIDERATIONS

- **Adequacy of Funds** - Are funds adequate with respect to the LEE project's capital and pre-operating and initial operating maintenance and other operating expenses (MOOE) requirements?
- **Impact** - What is the impact of the funding source or scheme on the community, including economic impact such as necessary “belt tightening” measures and the deferment or even cancellation of other projects?

# PROCESS FLOW FOR PROPOSED/NEW LEEs

**STEP 1**  
Evaluate whether the LGU should engage in LEE

**STEP 3**  
Assess Potential Financing Sources

**STEP 5**  
Present the FS Findings and Recommended Financing Source to the LCE

**STEP 2**  
Conduct Feasibility Study (FS) for Proposed/New LEE

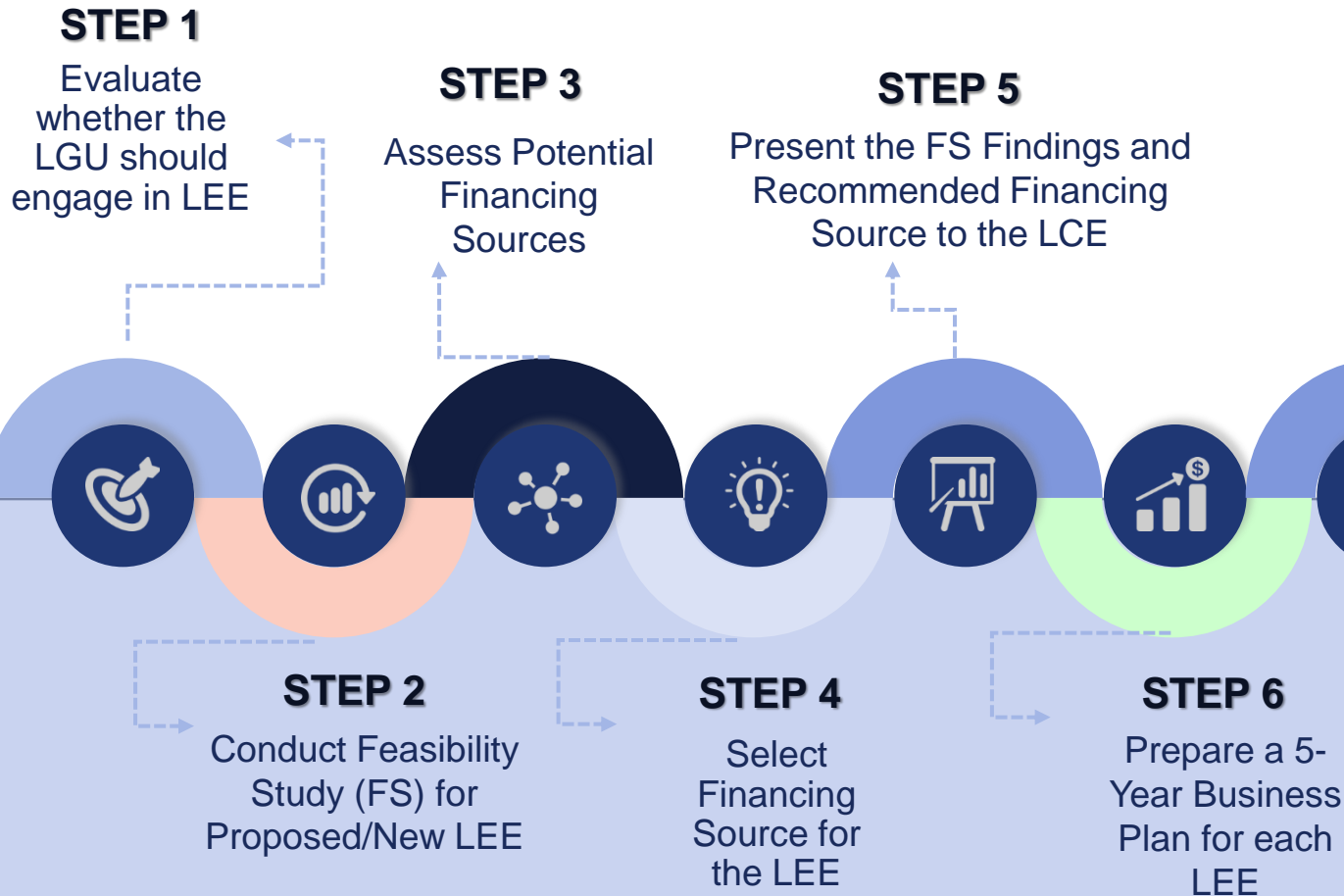
**STEP 4**  
Select Financing Source for the LEE

# STEP 5: PRESENT THE FS FINDINGS AND RECOMMENDED FINANCING SOURCE TO THE LCE

## CONSIDERATIONS

- The responsible LGU czar should present to the LCE the FS results as well as the suggested funding source for the proposed LEE.
- Should the LCE decide to proceed with the creation of the LEE, a Business Plan should be prepared by the designated LGU personnel for the LEE.
- In case of two or more proposed LEEs to be created, each LEE should have its own BP. The BP will spell out the implementing details of the LEE within a 5-year period.

# PROCESS FLOW FOR PROPOSED/NEW LEEs



# STEP 6: PREPARE A 5-YEAR BUSINESS PLAN

## CONSIDERATIONS

- A 5-Year BP for each LEE to be created should be prepared by the designated LGU personnel or external consultant.
- For new LEEs, the BP shall serve as a blueprint on how to make the operations of the LEE financially self-sufficient and eventually profitable.
- The BP is the heart and soul of the operation of an LEE and the most important document that will be required by any lending institution or potential investor.
- It is a powerful management tool that details how the LEE is going to reach its objectives and where it plans to go in relation to where it is.

# STEP 6: PREPARE A 5-YEAR BUSINESS PLAN

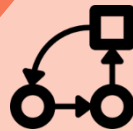
## 3 MAJOR COMPONENTS OF A BUSINESS PLAN

01



### LEE GOALS, POTENTIALS AND OUTLOOK

02



### MARKETING ANALYSIS AND PLAN

03

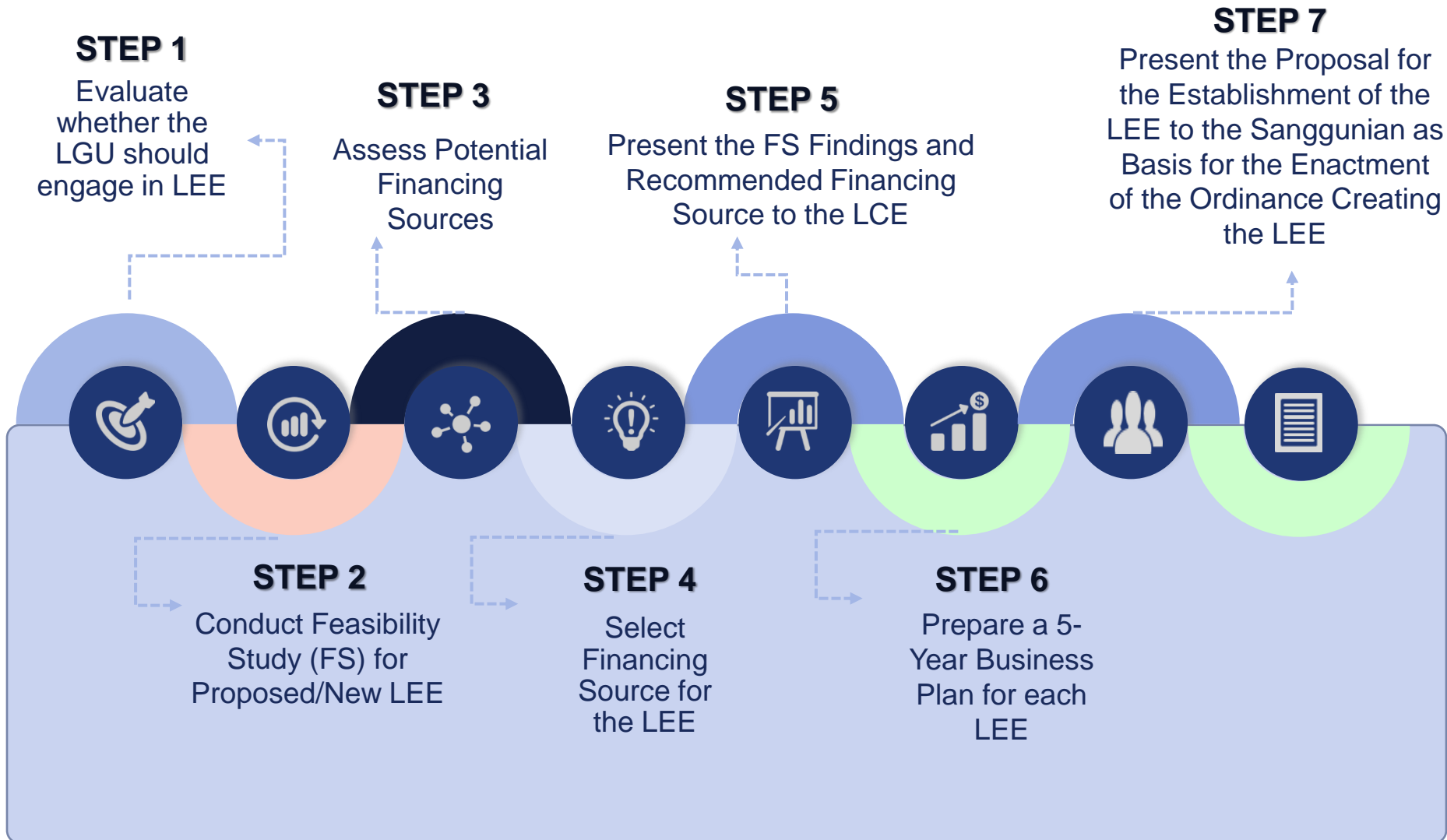


### MANAGEMENT AND PERSONNEL PLAN

- Goals of the LEE based on an analysis of the industry to which the LEE belongs; consumption trends; and
- Economic forecasts or outlook for the industry.
- Includes:
  - profile of the target market;
  - assessment of competitors;
  - distinct advantages of the LEE's products or services; and
  - marketing and sales strategies.
- 1<sup>st</sup> year of operations - detail some personnel holding permanent positions to the LEE to supervise and facilitate coordination and compliance to LGU regulatory requirements.
- The LEE personnel hired shall be on contractual status and/or on casual or job-order status. If their performance falls below standards, these personnel can be replaced.
- The LEE may be exempted from paying local regulatory fees if so desired by the LGU. However, in the course of LEE operations, the LGU and its personnel (in their official and personal capacities) shall not be exempted from paying user fees and charges in keeping with the LEE's economic nature.



# PROCESS FLOW FOR PROPOSED/NEW LEEs



# STEP 7: PRESENT THE PROPOSAL TO THE SANGGUNIAN

## CONSIDERATIONS

- The LCE shall propose to the local Sanggunian the creation of the LEE.
- All the necessary documents, particularly the FS and BP, shall support the proposal.
- The LCE may present a draft bill for consideration of the local Sanggunian.

# PROCESS FLOW FOR PROPOSED/NEW LEEs

**STEP 1**  
Evaluate whether the LGU should engage in LEE

**STEP 3**  
Assess Potential Financing Sources

**STEP 5**  
Present the FS Findings and Recommended Financing Source to the LCE

**STEP 7**  
Present the Proposal for the Establishment of the LEE to the Sanggunian as Basis for the Enactment of the Ordinance Creating the LEE

**STEP 2**  
Conduct Feasibility Study (FS) for Proposed/New LEE

**STEP 4**  
Select Financing Source for the LEE

**STEP 6**  
Prepare a 5-Year Business Plan for each LEE

**STEP 8**  
Enact the Ordinance Creating the LEE

# STEP 8: ENACT THE ORDINANCE CREATING THE LEE

## CONTENTS OF THE ORDINANCE

The ordinance enacted by the Local Sanggunian should contain, among others:

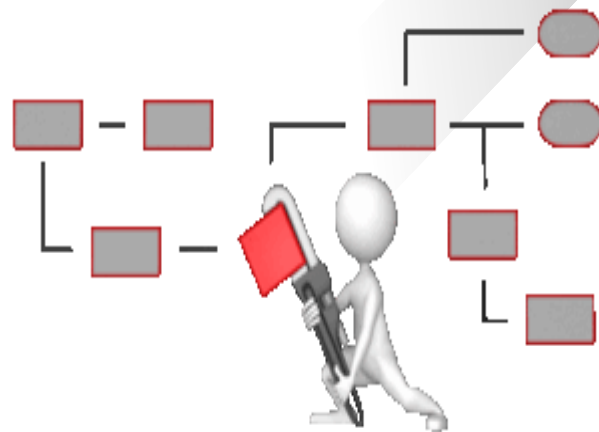
- purpose and justification for the LEE;
- capitalization;
- sources of financing;
- organization and staffing;
- pricing policy; and
- Sunset provision.

**SIZE DOES NOT MATTER....**

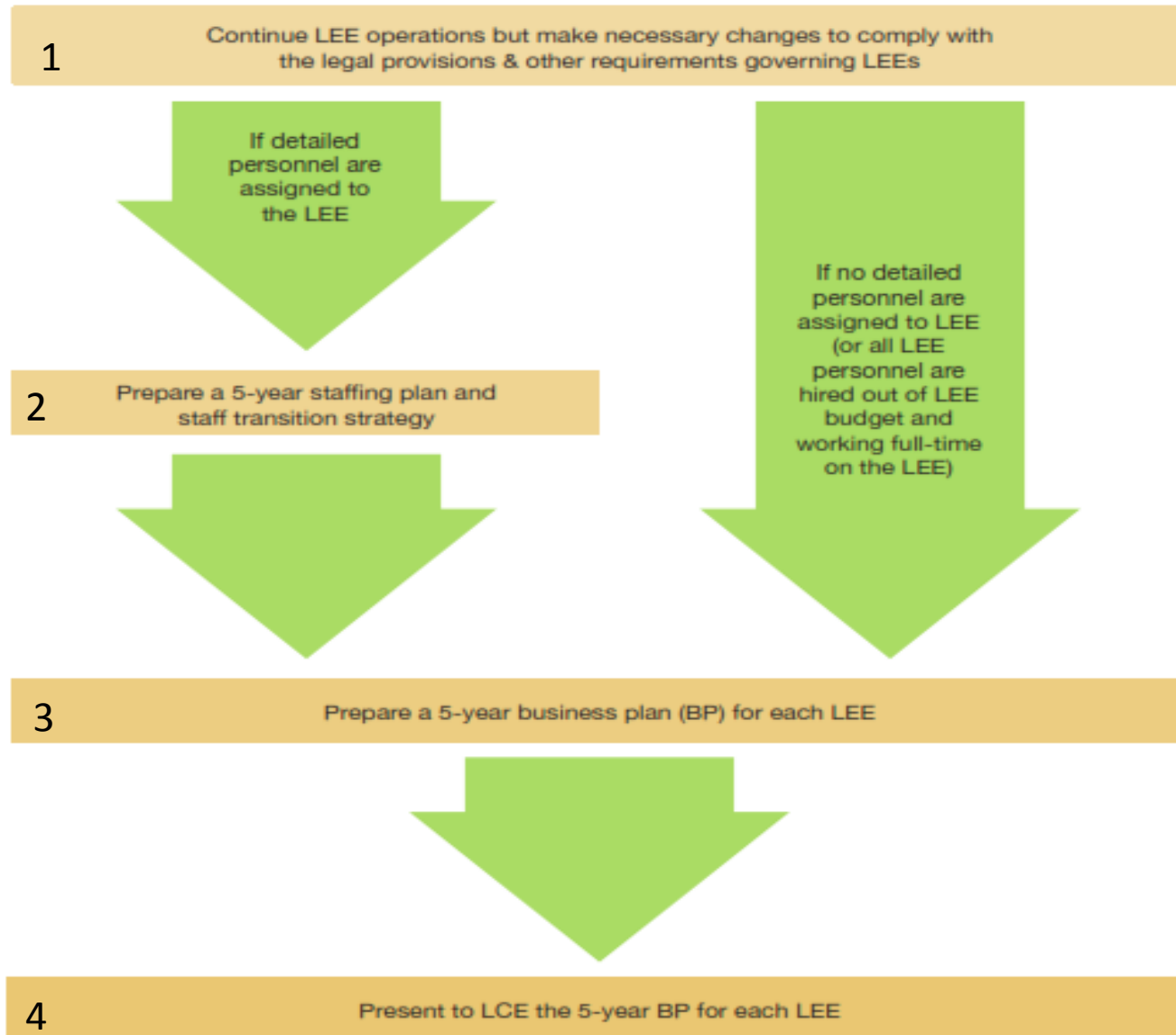
**It is HOW  
you USE IT  
that Matters.**

# EXISTING LEEs

## Implementing Procedures for Existing LEEs



# PROCESS FLOW FOR EXISTING LEEs



# STAFFING PLAN AND STAFFING TRANSITION STRATEGY

## STAFFING PLAN

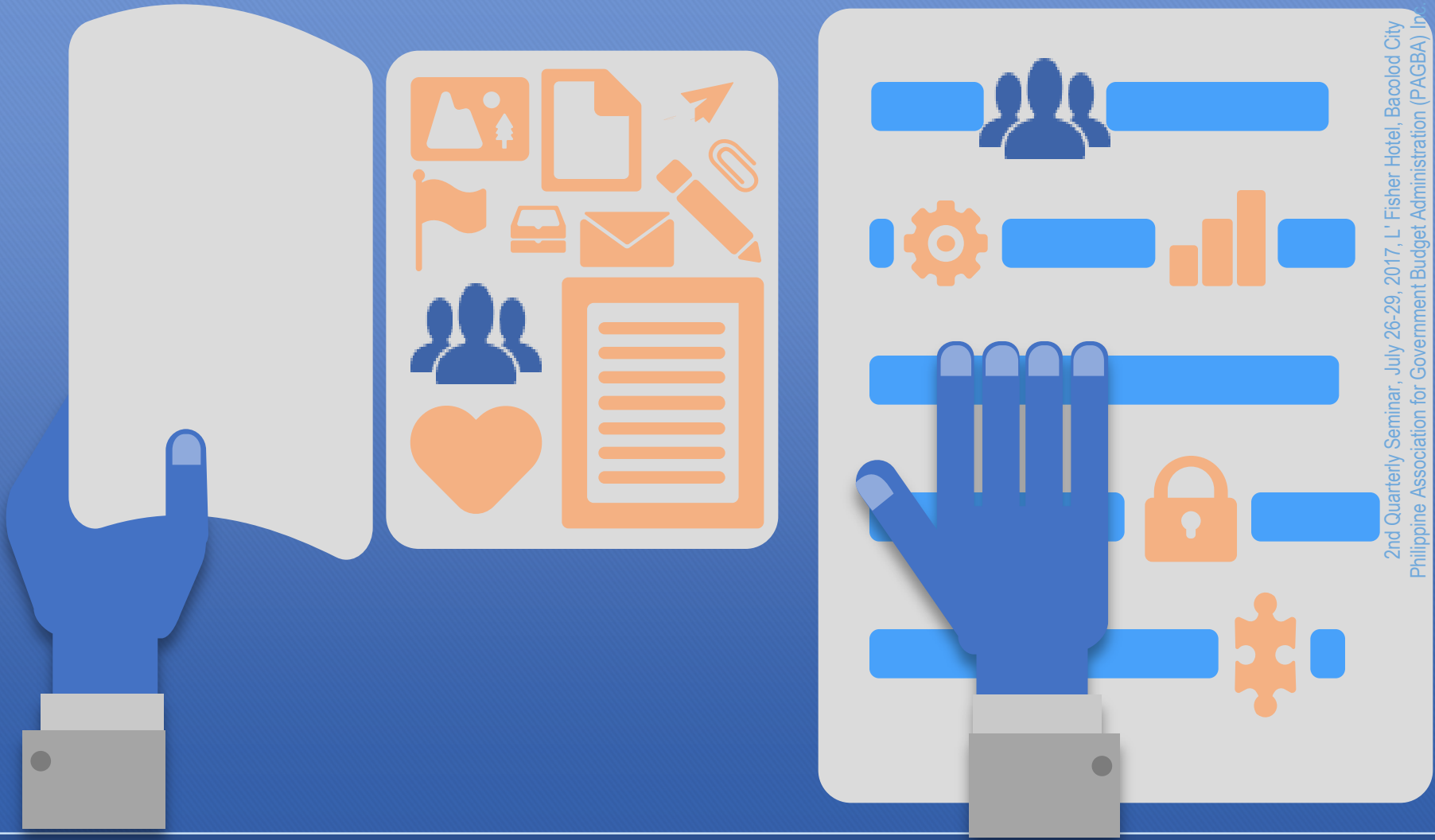
- Includes a transition strategy such that LGU personnel detailed (either full time or part time) to the LEE and concurrently working in other LGU units would gradually be weaned out.
- The plan should include the hiring of full time staff in the management and operations of the LEE.
- At the end of 5 years, LEE should be staffed with full time personnel.



# FIVE-YEAR BUSINESS PLAN

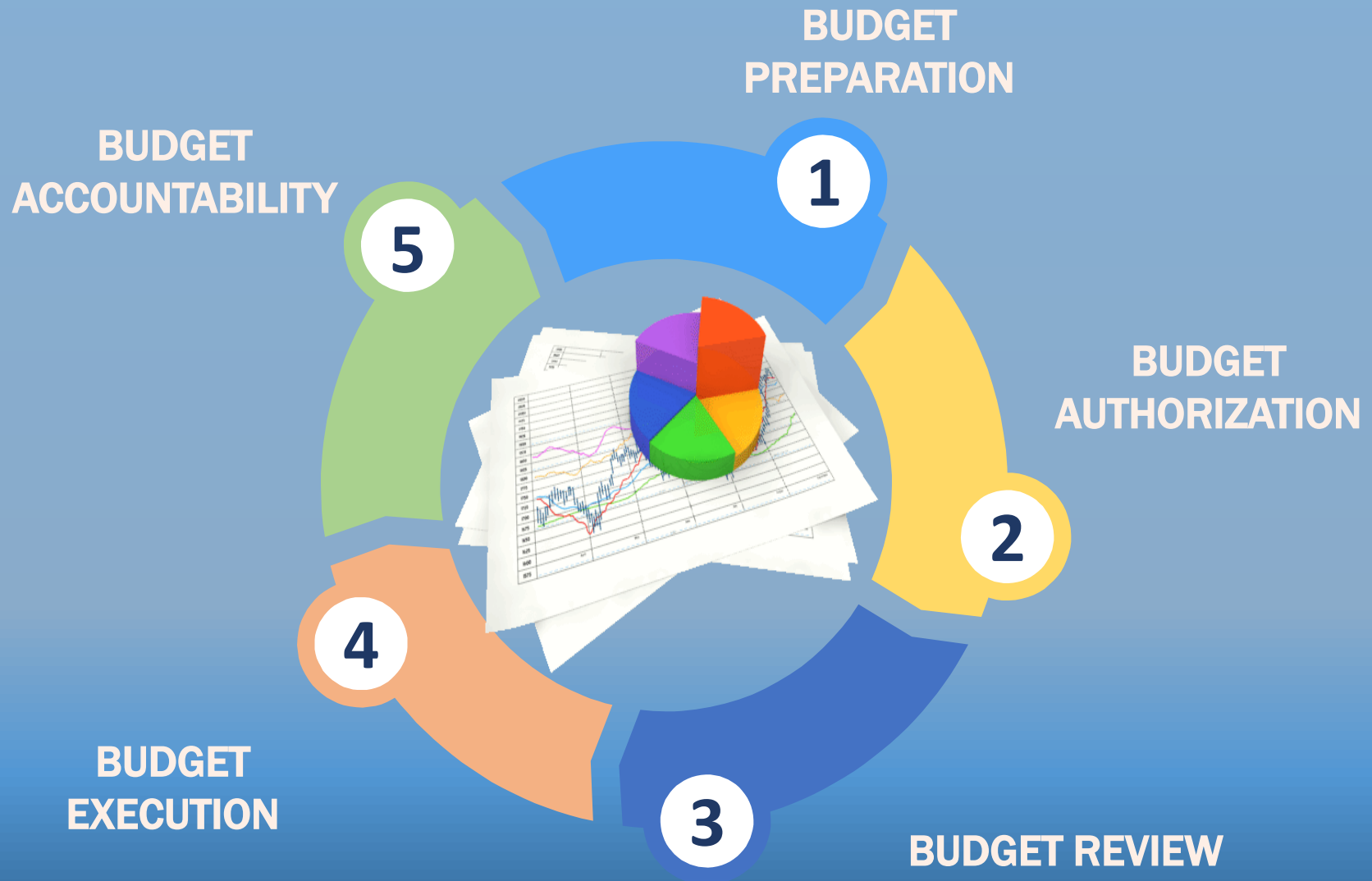
## BUSINESS PLAN

- The assigned LGU staff or external consultant shall develop a detailed 5-year Business Plan (BP).
- For existing LEEs, a BP is mandatory to:
  - implement the necessary changes to comply with the legal requirements of LEEs; and
  - make the operations of the LEE financially self-sufficient and eventually profitable.
- The initial BP shall cover 5 years of operation.
- The BP is a dynamic plan and should be reviewed or revised whenever needed.



2nd Quarterly Seminar, July 26-29, 2017, L' Fisher Hotel, Bacolod City  
Philippine Association for Government Budget Administration (PAGBA) Inc.

# BUDGETING FOR LOCAL ECONOMIC ENTERPRISES



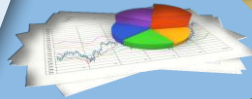
# BUDGET **PROCESS**

# PRE-BUDGET PREPARATION ACTIVITIES



## FOR PROPOSED / NEW LEEs

- The viability of the proposed LEE should be established through an FS and BP for the LEE.
- The findings and recommendations of the FS and BP should support the budget request of the LEE.



## FOR EXISTING LEEs

- The BP should support the budget request of the LEE.

**PREPARE AND SUBMIT  
ANNUAL OPERATING  
BUDGET (AOB) OF  
EACH LEE**

**INCLUDE AOB OF  
EACH LEE IN THE LEP  
TO BE SUBMITTED TO  
THE LCE**

**SUBMIT AOB OF LEE  
AS PART OF THE GF  
ANNUAL BUDGET TO  
THE SANGGUNIAN**

**INCLUDE IN THE  
BUDGET CALL  
SPECIFIC GUIDELINES  
FOR BUDGET  
PREPARATION OF LEEs**

**CONDUCT BUDGET  
HEARINGS AND  
EVALUATE BUDGET  
PROPOSALS**

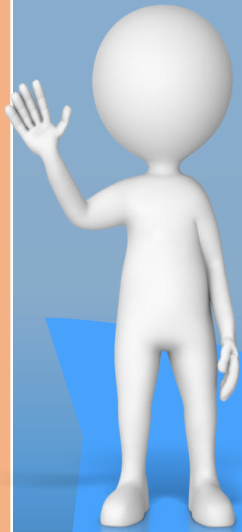
**CONSIDER THE AOBs  
OF THE LEEs IN THE  
BUDGET MESSAGE**

**1**

**BUDGET  
PREPARATION**

**The specific guidelines for LEEs in the Budget Call should include:**

- Objectives for the budget year, major thrusts, policy directions and strategies;
- Major assumptions used in estimating the revenue/income and expenditures for the budget year;
- Estimated revenue/income and expenditure ceiling per LEE;
- Expected output/results; and
- Budget calendar and budget preparation forms as prescribed in the BOM.

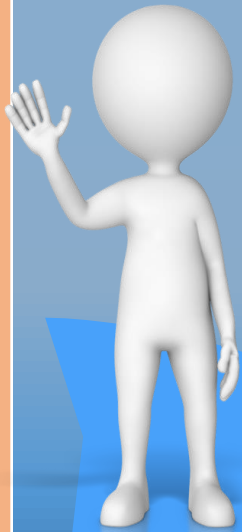


**BUDGET  
PREPARATION**

**1**

## PREPARATION OF THE AOB OF LEEs:

- Consistent with LGC Section 31, the LEE head/manager should prepare the budget proposal for the ensuing fiscal year and submit the same to the LCE through the Local Budget Officer.
- If there is an existing Economic Enterprise Unit, the AOB shall first be reviewed by the said unit before it shall be submitted to the Local Budget Officer.
- The budget proposal should present the RECEIPTS and EXPENDITURE PROGRAMS of the LEE. The Expenditure Program consists of 2 parts: current operating expenditures and capital outlays.



**BUDGET  
PREPARATION**

**1**

# SPECIAL PURPOSE APPROPRIATIONS UNDER THE LOCAL EXPENDITURE PROGRAM

## 2. APPROPRIATIONS FOR LOCAL ECONOMIC ENTERPRISES

### a. Proposed New Appropriations

Object of Expenditure	Account Code	Past Year Expenditures (Actual)	Current Year Expenditures (Actual and Estimate)	Budget Year Expenditures (Proposed)
<b>SUBSIDY TO LOCAL ECONOMIC ENTERPRISE</b>  <b>OPERATING EXPENSES FUNDED BY INCOME OF THE LOCAL ECONOMIC ENTERPRISE</b>	Details of which are presented in the attached Annual Operating Budget which forms an integral part hereof			
<b>TOTAL APPROPRIATIONS</b>				

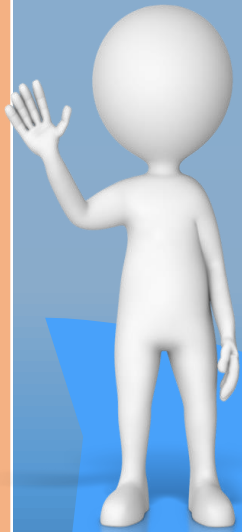
### b. Special Provisions

#### 1. Use and Release of Fund.



## PREPARATION OF THE AOB OF LEEs:

- The end-user units (depts.) of the LEE shall prepare the Procurement Project Management Plan (PPMP) for its programs, projects and activities, to be submitted to the Budget Officer to support the LEE budget proposal.
- After the budget proposal has been approved by the LCE, the PPMP, as adjusted to conform to the LCE-approved budget proposal, shall be consolidated into a proposed Annual Procurement Plan (APP) of the LGU.
- The following supporting documents should be appended to the budget proposals of the LEEs:
  - For proposed/new LEEs - FS, BP
  - For existing LEEs - BP

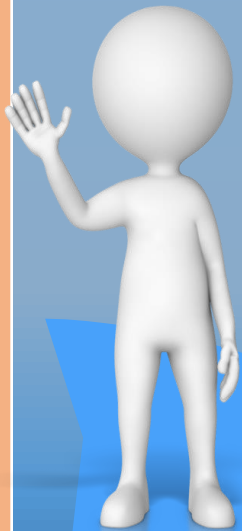


**BUDGET  
PREPARATION**

**1**

## BUDGET HEARINGS AND EVALUATION OF BUDGET PROPOSALS:

- A separate budget hearing may be conducted for the LEE AOB.
- The LFC should initially evaluate the LEE AOB proposal for consistency with policies and priorities set forth in the budget call and its alignment with the BP.
- The LFC shall spearhead the conduct of budget hearing to:
  - Rationalize the continued existence of the LEE.
  - Determine the LEE's contribution to the development goals of the LGU as embodied in the CDP, LDIP, and AIP.
  - Validate the committed outputs and performance targets.
  - Recompute the estimates of COE and CO.

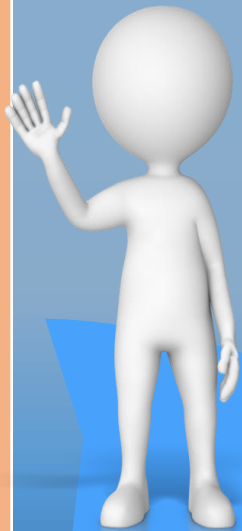


**BUDGET  
PREPARATION**

**1**

# INCLUSION AND PRESENTATION OF THE AOB OF LEEs IN THE GENERAL FUND ANNUAL BUDGET:

- The Estimated Receipts of the LEE shall be presented in the Receipts Program of the LGU, net of the Subsidy from the General Fund
- The expenditures of the LEE shall be presented in the Expenditure Program of the LGU, as follows:
  - a) Subsidy from the General Fund; and
  - b) Expenses chargeable against LEE income



**BUDGET  
PREPARATION**

## GENERAL FUND ANNUAL BUDGET

PARTICULARS	AMOUNT
<b>RECEIPTS PROGRAM</b>	
Local Revenues	10,000,000
Income of LEEs (net of Subsidy from the GF)	50,000
<b>TOTAL</b>	<b>10,050,000</b>
<b>EXPENDITURE PROGRAM</b>	
Personal Services	5,000,000
MOOE	2,000,000
Capital Outlays	2,000,000
Financial Expenses	1,000
Special Purpose Appropriations	900,000
Appropriations for LEE	100,000
Subsidy to LEE	50,000
Operating Expenses (covered by LEE Income)	50,000
Other SPAs	1,399,000
<b>TOTAL</b>	<b>10,050,000</b>

## LEE ANNUAL OPERATING BUDGET

PARTICULARS	AMOUNT
<b>RECEIPTS PROGRAM</b>	
Operating Income	50,000
Subsidy from GF	50,000
<b>TOTAL</b>	<b>100,000</b>
<b>EXPENDITURE PROGRAM</b>	
Chargeable Against Subsidy from GF	
MOOE	10,000
Capital Outlays	40,000
<b>Total</b>	<b>50,000</b>
Chargeable Against LEE Income	
Personal Services	40,000
MOOE	5,000
Capital Outlays	5,000
<b>Total</b>	<b>50,000</b>
<b>TOTAL</b>	<b>100,000</b>

# BUDGET AUTHORIZATION

2



**Sanggunian  
Enacts the  
Appropriation  
Ordinance**



**LCE Approves the  
Appropriation  
Ordinance**



**Secretary to the  
Sanggunian Submits  
Appropriation  
Ordinance for Review**



# BUDGET REVIEW

3



The appropriations for personnel services of the LEE are charged against its own Annual Operating Budget

Salaries, wages, and allowances of the LEE personnel are excluded in the computation of the maximum amount of Personal Services of the LGU

No LEE official or employee is allowed a salary rate higher than the maximum fixed for his position or other positions of equivalent rank.

Each LEE has its own separate AOB

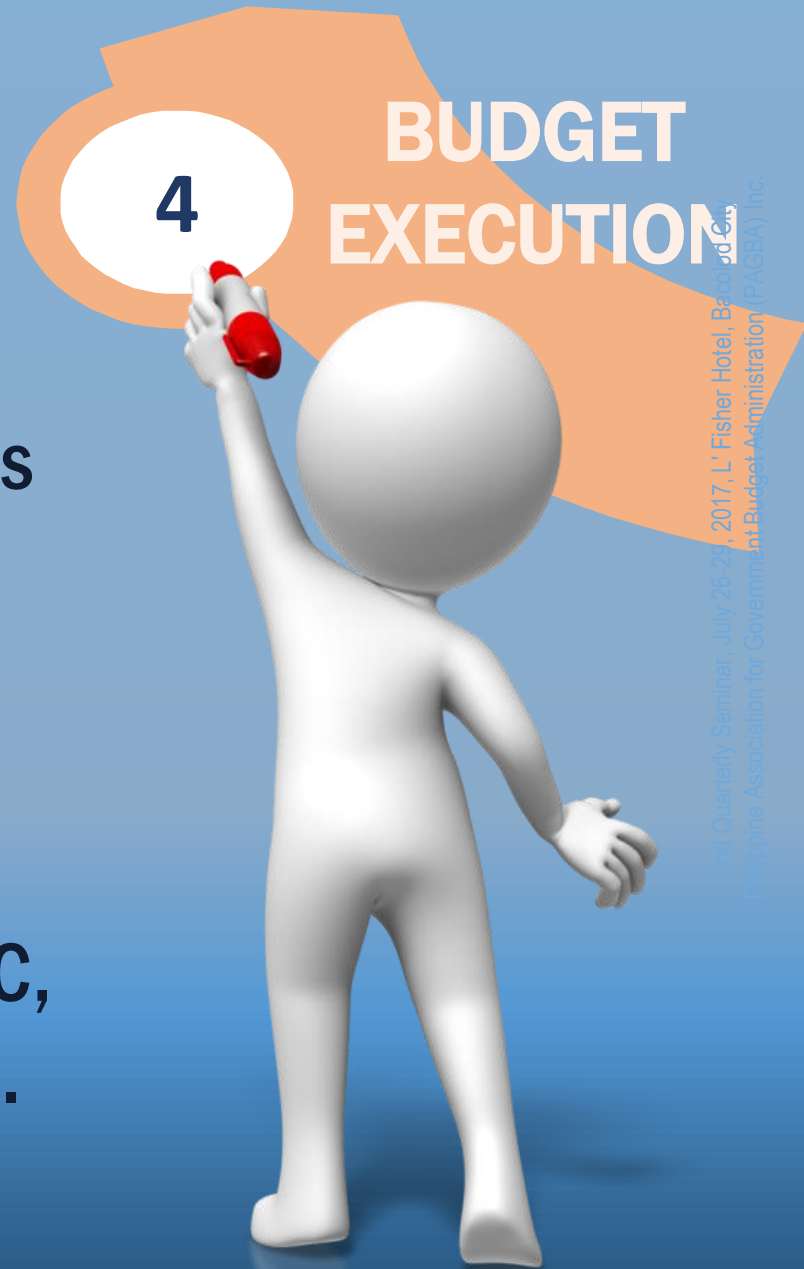
# BUDGET REVIEW

3



**The LEE is included in the LDIP and AIP.**

**The financial affairs,  
transaction and operations  
of LGUs, including LEEs,  
shall be governed by the  
fundamental principles  
provided under Section  
305(a) to 305(g) of the LGC,  
as spelled out in the BOM.**





**Prepare and Submit Physical and Financial Reports to the LCE and Local Sanggunian through the LFC**



**Conduct Semi-Annual Financial Self-Sufficiency Review (SAFSSR) of each LEE**



### **Monitor Revenue/Income and Expenditure**

- Record the estimated revenue/income and expenditures in amounts approved and reviewed in the Books of Accounts.
- Compare these with the actual collections and disbursements for the same period.
- Track and monitor expenditures vis-à-vis the outputs and accomplishments.
- The Book of Accounts will serve as a major source of information during the SAFSSR to be conducted by the LFC for each LEE



**5**

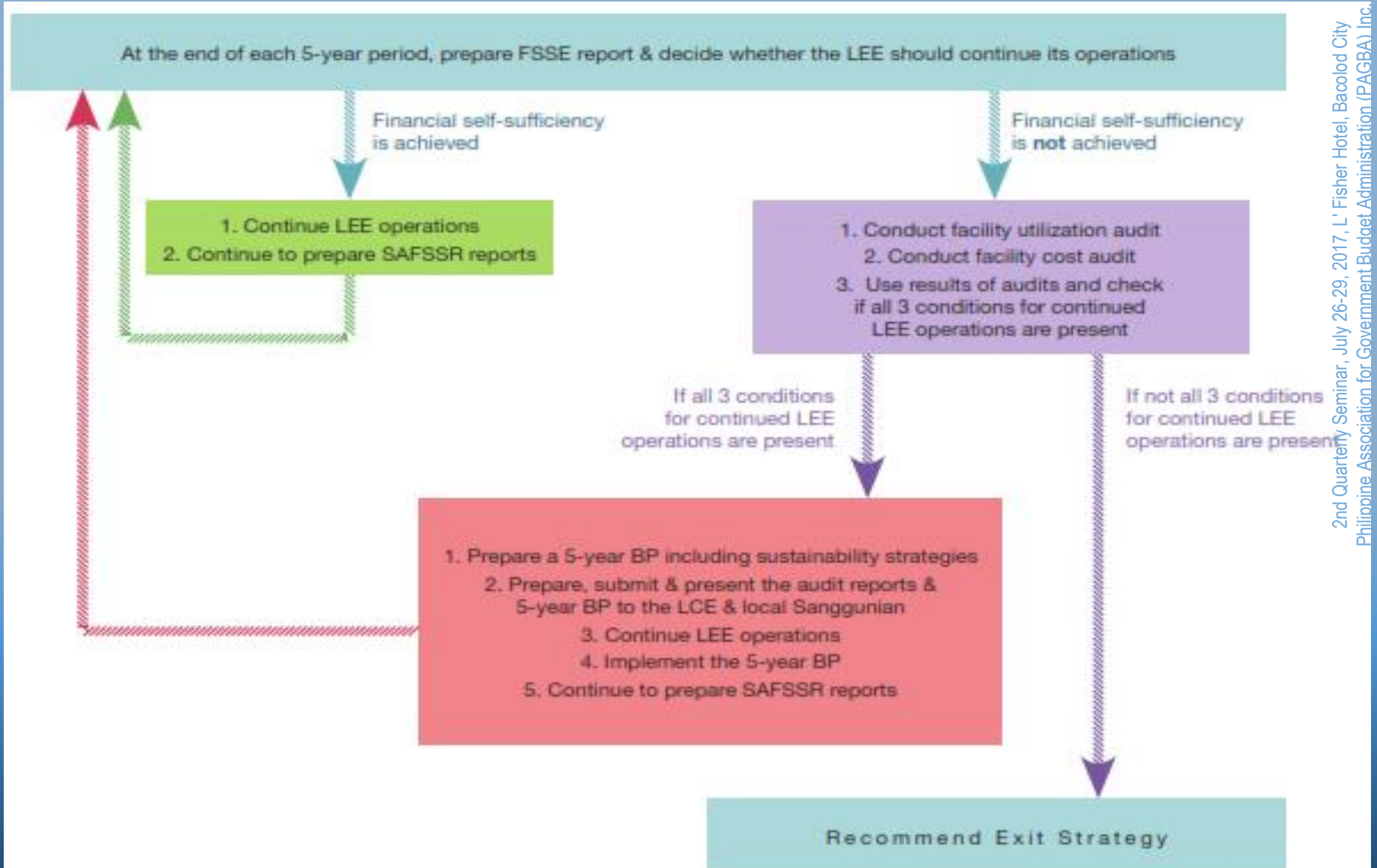
**BUDGET  
ACCOUNTABILITY**

# REVIEW AND ASSESSMENT OF LEEs

- a review and assessment of LEEs shall be done every five years
- In case of existing LEEs, the review will start five years after instituting changes to comply with legal provisions governing LEEs
- In case of new LEEs, the review and assessment will commence five years after the start of its operations
- Review and assessment activities shall help the LGUs determine whether to continue, modify, expand, scale down or close LEE operations



# REVIEW AND ASSESSMENT OF LEEs



# SEMI-ANNUAL FINANCIAL SELF-SUFFICIENCY REVIEW

## SEMI-ANNUAL FINANCIAL SELF-SUFFICIENCY REVIEW (SAFSSR) REPORT

Name of LEE: \_\_\_\_\_

For the Semi-Annual Period Covering: \_\_\_\_\_

Item	Amount (Php)
A. Total Income	
B. Expenses	
B.1. Personnel Services	
B.2. MOOE	
B.3. Finance Charges - Interest Expense	
Total Expenses	
C. Net Income (Loss)	
D. % Financial Self-Sufficiency (Tot Income / Tot Expenses x 100)	

Analysis:

Prepared by:

Noted by:

sffe

# FINANCIAL SELF-SUFFICIENCY EVALUATION

FINANCIAL SELF SUFFICIENCY EVALUATION (FSSE) REPORT											
Name of LEE: _____											
For the 5-Year Period Covering: _____											
Item	Year 1: 2016		Year 2: 2017		Year 3: 2018		Year 4: 2019		Year 5: 2020		5-Year Cumulative Total
	Jan-June	Jul-Dec	Jan-June	Jul-Dec	Jan-June	Jul-Dec	Jan-June	Jul-Dec	Jan-June	Jul-Dec	
A. Total Income											
B. Expenses											
B.1. Personnel Services											
B.2. MOOE											
B.3. Finance Charges - Interest Expense											
Total Expenses											
C. Net Income (Loss)											
D. % Financial Self Sufficiency (Tot Income / Tot Expenses x 100)											
Analysis :											
Recommendations:											
Prepared by:						Noted by:					

- Conducted every five years based on ten SASSFR Reports

# EXIT STRATEGIES

- **Service Shedding** – LGU stops production/provision of selected LEE goods/services to concentrate on a few goods/services
- **Closure** – LGU completely shuts down LEE operations
- **Divestment** – the LGU relinquishes either operational control or ownership to another entity
  - Privatization is a form of divestment



# BEST PRACTICES

## BENGUET GENERAL HOSPITAL (BEGH)

- April 2000 - New 200-bed capacity turned over to the LGU
- 2004 – BeGH declared by the Sanggunian Panlalawigan as an economic enterprise
- Board of Directors created to oversee the operation of the BeGH
- P40M subsidy to start the operations of the new BeGH
- 2007 – Business Development Plan prepared



# BEST PRACTICES

Year	Operating Budget	Annual LGU Subsidy	Subsidy as % of Operating Budget
2007	91'148	40,000,000	43.9
2008	96,147	40,000,000	41.6
2009	103,058	40,000,000	38.8
2010	117,552	40,000,000	34
2011	123,348	40,000,000	32.4
2012	129,848	40,000,000	30.8
2013	139,815	37,000,000	26.5
2014	148,457	35,000,000	23.6
2015	158,501	35,000,000	22.1
2016	172,832	25,000,000	14.5
Annual Growth Rate	7.4	-5.1	



# BEST PRACTICES

## BENGUET GENERAL HOSPITAL (BEGH)

### Success Factors:

- ✓ Good governance
  - ❖ Political will
  - ❖ Prompt amendment of the provincial revenue code increasing hospital fees
- ✓ Quality Health Services
  - ❖ Upgrading medical, dental laboratory equipment; hiring of additional personnel
  - ❖ Outsourcing services (e.g., dialysis, 2-D Echo)
- ✓ Health Systems development
  - ❖ Hospital computerization system
  - ❖ Referral system for indigent patients



# BEST PRACTICES

## BENGUET GENERAL HOSPITAL (BEGH)



2016 – new plan adopted to further improve service quality and revenue generating capacity

- Upgrading of hospital level
- Expansion of private rooms and intensive care units
- Procurement of appropriate equipment
- Implementation of the residency training program
- Establishment of rehabilitation clinics
- Full implementation of electronic information system

You can't **FACE**  
the problem  
if the problem  
is your **FACE**.

# **MANUAL ON THE SETTING UP AND OPERATION OF LOCAL ECONOMIC ENTERPRISES**

## **THANK YOU**

**ATTY. JULIAN LI. PACIFICADOR, JR.**