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Local governance and the informal economy: Experiences in promoting decent work in the Philippines

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Employment
Policy
Department

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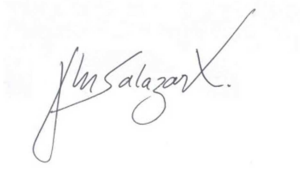
Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,[1] and which has now been widely adopted by the international community. The integrated approach to do this was further reaffirmed by the 2010 Resolution concerning the recurrent discussion on employment[2].

In order to support member States and the social partners to reach this goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations and elaborations of this integrated approach and related challenges are contained in a number of key documents: in those explaining the concept of decent work,[3] in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda and, as applied to crisis response, in the Global Jobs Pact adopted by the 2009 ILC in the aftermath of the 2008 global economic crisis.

The Employment Sector is fully engaged in supporting countries placing employment at the centre of their economic and social policies, using these complementary frameworks, and is doing so through a large range of technical support and capacity building activities, policy advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.[4]

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.



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1 See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

2 See http://www.ilo.org/public/libdoc/ilo/2010/110B09_108_engl.pdf

3 See the successive Reports of the Director-General to the International Labour Conference: Decent work (1999); Reducing the decent work deficit: A global challenge (2001); Working out of poverty (2003).

4 See http://www.ilo.org/employment.

Foreword

The need for localized approaches to decent work has gained importance as globalization created challenges and opportunities to all sectors of society. Mobility of labour, capital and products has had an enormous impact on local economic prospects and local resources.

Globalization has also led to new insecurities, which cities and municipalities are increasingly pressured to address. Capital and investments relocate with relative ease to places with locational advantages. Individual security is weakened by flexible work arrangements, reduced social spending, and erosion of family and social networks.

These trends have increased the importance of cities and municipalities, firstly, to strengthen their locational strengths and strategic policies for investments and employment and, secondly, to mediate the provision of social security and of public goods.

Thus, recent years have seen a prominence of global frameworks that look into drivers of economic performance at the subnational level, for instance. through competitiveness and doing business surveys. Many cities and local governments thus take the across-the-board approach of creating investment friendly cities. Others have provided more targeted incentives for industries and created social infrastructure that build the capacity of its citizens to be active participants of the economy, such as through health protection, training for specific categories of unemployed, market and road links that connect poor communities to dynamic urban centers.

In countries with a huge proportion of informal work, local governance units are critical in that they comprise the first level of contact for those who work in homes, streets, markets and farms. These workers are most affected by the choice of local industries that are promoted, by the quality and service of local health units, by the difficulty or ease of obtaining business licenses, and by the decisions on physical and social investments.

Notably, the Director General's Report to the International Labour Conference (ILC) 2002, entitled Decent Work and the Informal Economy, acknowledged that municipalities and local governments constitute one of the crucial intervention points to address decent work deficits, these being most immediate to the working population.

The Employment Policy Department, together with its field offices, supports the development of country employment strategies within a comprehensive perspective that includes analysis of macro-economic policy, sectoral strategies, focus on particular target groups, youth, women and local employment strategies.

Its main objective is to advocate for the inclusion of employment as a central goal of national and global economic and social policy agendas. It supports the design and implementation of appropriate strategies to achieve this goal. The Department's work is guided by the ILO's Decent Work agenda, the Global Employment Agenda (GEA) and the Employment Policy Convention, 1964 (No.122).

This report, "Local Governance and the Informal Economy: Experiences in Promoting Decent Work in the Philippines," illustrates how economic development can be promoted in local jurisdictions and presents a number of strategies carried out in the Philippines. It particularly shows how the powers and functions of local governments are used to advance decent work, especially in extending formal mechanisms of recognition and protection to workers in the informal economy.

This report takes a decent work perspective in that it describes how policymakers were able to rally local functions, not only to revitalize local economies and employment opportunities, but also to deliver health protection, workplace safety, and social dialogue mechanisms. It takes off from the important premise that employment promotion requires not only economic growth, but an integrated web of support that allows people to achieve the aspirations they have for their working lives. It also rests on the belief that while national governments have the critical role of framing development policies, it is at the subnational levels where they are delivered and where the signals concerning their effectiveness are better discerned.

The objective of this report is to show how subnational functions, especially in increasingly decentralized political systems, can be rallied to advance the decent work agenda. It aims to inspire ILO's key social partners and local stakeholders towards exercising the levers that have most relevance and immediacy to the vast numbers of workers currently found in the informal economy, and through local institutions that promote gradual extension of formal support and protection.

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List of Abbreviations

ATUM	Alliance of Trade Union in Marikina
BCPW	Barangay Consultation and Planning Workshop
BEDP	Barangay Enterprise Development Plan
BHW	Barangay health workers
BIR	Bureau of Internal Revenue
BJA	Barangay Justice Advocates
BOSS	Business One-Stop Shop
BPLO	Business Permits and Licensing Office
CBD	Central Business District
CBTED	Community-Based Training for Enterprise Development Program
CDP	Cooperative Development Program
CSWDO	City Social Welfare and Development Office
DepEd	Department of Education
DTI	Department of Trade and Industry
ECC	Employees Compensation Commission
GIS	Geographic Information System
GSIS	Government Service Insurance System
HDI	Health Development Institute
HPFPI	Homeless People's Federation Philippines, Inc.
ILHZ	Inter-Local Health Zone
ILO	International Labour Organization
ISBI	Institute for Small Business and Industry Foundation Inc.
KSK	Kapanidungan sa Kalusugan
LDC	Local development councils
LED	Local economic development
LEED	Local Economic and Employment Development
LGC	Local Government Code
LGU	Local government units
LPDO	Local planning and development office
LSB	Local special bodies
MBRC	Maydolong Business Resource Council
MDC	Municipal Development Council
MEDP	Municipal Enterprise Development Plan

MNDC	Metro Naga Development Council
MOA	Memorandum of Agreement
NCPC	Naga City People's Council
NGO	Non-government organizations
NIACDEV	Northern Iloilo Alliance for Coastal Development
NLRC	National Labour Relations Commission
OECD	Organisation for Economic Co-operation and Development
PACA	Participatory Appraisal of Competitive Advantage
PCCI	Philippine Chamber of Commerce and Industry
PEEC	Public Economic and Enterprise Council
PESO	Public Employment Service Office
PhilHealth	Philippine Health Insurance Programme
PLMAR	Pamantasan ng Lungsod ng Marikina
PO	People's organizations
RHU	Rural Health Unit
SEED	Small Economic Enterprises Development Inc.
SMEDSEP	Small and Medium Enterprise Development for Sustainable Employment Program
SOMECAP	Socialized Medical Care Program
SSS	Social Security System
SWOT	Strengths, weaknesses, opportunities, and threats
TESDA	Technical Education and Skills Development Authority
TREE	Training for Local Economic Empowerment
UTTMP	Urban Transport and Traffic Management Plan
WEED	Women Empowerment through Enterprise Development

1. Local Governance and Decent Work: An Introduction

1.1 Decentralization in the Philippines

The changing political landscape and the rise of civil society movements in the Philippines have altered the system of governance in the country. Although the Philippines continues to exhibit qualities of a centrist political culture, the country has instituted significant changes towards broader and deeper democratization of power.

One of the acts that has set off a revolution in governance was the passage of the 1991 Local Government Code in the Philippines. The Code devolved substantial power, responsibility and resources from the national to the local governments. It furthermore increased the level of citizen input into local government decision making.

A number of factors led to the passage and implementation of the 1991 Local Government Code: the determination during the Aquino administration to dismantle central control and avoid the reimposition of authoritarianism and the thrust of the succeeding Ramos administration to deregulate the economy and reduce the national government's hand in the economy and in local affairs.[5]

Decentralization was believed to foster efficiency and effectiveness in public administration especially in a country like the Philippines. Philippines is a large archipelago with 90 million people spread over 800 islands with diverse linguistic and cultural backgrounds. Though governed by a unitary state, national identity is overpowered by strong provincial or regional affiliations. In terms of political administration, the national government has under it 80 provinces, 138 cities, nearly 1500 municipalities and 42,000 barangays (village-level political units) -- all with their own administrative bodies.[6]

The Local Government Code of 1991 thus transferred responsibilities, personnel and financial resources from the national government to local governments. Its salient features are:

- Transfer of responsibilities: Among the devolved functions are primary and basic health care, delivery of social services, agricultural extension and, partially, environmental management.
- Transfer of personnel: Over 70,000 personnel from related national offices were moved and integrated into local organizational structures.[7]
- Transfer of financial resources: To finance the new responsibilities devolved from the national government, national funds were transferred to local governments through internal revenue allotment.
- Local governments are allowed to generate and utilize their financial resources, such as from property and business taxes. On top of this, local governments are also allowed to obtain loans and issue bonds to fund local programmes and projects.
- Broader sharing in governance: The Local Government Code further created local special bodies where citizens could input into policy and planning processes.

[5] Rood, 1998.

[6] WB and ADB, 2005.

[7] *ibid*.

- Local development councils (LDCs) were mandated at the barangay, city and provincial levels. They are responsible for formulating local development plans which would then be ratified by the local legislative body (called *sanggunian*). A quarter of the membership in these councils must consist of member-based and other non-government organizations.

- Other local special bodies, such the Local Health Board, Local School Board, Local Bids and Awards Committees, Local Peace and Order Council, similarly require representation from accredited non-government organizations.

With many responsibilities now devolved, local governments have become crucial agents in the socio-economic development of their citizens. Consequently, spending on social and economic services increased since the devolution as has citizens' satisfaction to government services. Responses to a citizen's survey a few years after the devolution indicate that health services have improved since 1992 and that citizens felt better able to influence lower levels of government.[8]

See Box 1 for a detailed discussion of decentralization.

Box 1: Understanding decentralization

Decentralization signifies the transfer of powers from the central or national government to lower levels or local government. This shift of powers from the national to local governments is based on the recognition that concentration of power hinders the development of provinces, cities, municipalities, and barangays and ultimately hinders the development of the entire country. Equitable distribution of power and wealth through decentralization is the key toward true development.

The shift from a centralized government to a decentralized government involves deconcentration, devolution, and debureaucratization.

Through **d*econcentration***, the powers, duties, and responsibilities of central department offices are extended to the regional offices of these departments. For example, under the centralized form of government, all programs of the Philippine Department of Education (DepEd) were decided upon and implemented by the central office in Manila. With deconcentration, regional DepEd offices are given the power to make their own plans and decide on their implementation.

Through ***devolution***, the powers and responsibilities of the central government are extended to local governments. For instance, the regulation of tricycle operation used to be the responsibility of the Department of Transportation and Communication. Through devolution, such function is now under the local government units, particularly under cities and municipalities.

Finally, through ***debureaucratization,*** the powers and responsibilities of the central or national government are extended to private entities. For example, private entities may take charge of market operations.

Source: SALIGAN, 2007. "Session 2: Basic principles of local governance: Labour protection in a devolved context". Module prepared for the UNDP-ILO programme on Local Employment in the Informal Economy. A training programme for local government officials. Organized by the Philippine Department of Labor and Employment.

[8] Rood, 1998.

1.2 Local governance and decent work

a. Decent work and the informal economy

The International Labour Organization has noted that too many people remain without legal protection and recourse to rights, and that decent jobs need to be created by fostering entrepreneurial innovation and creativity.[9]

At its 90th Session in 2002, the International Labour Conference[10] emphasized the need to advance decent work in all types of workplaces and acknowledged that the task is much more challenging in the informal economy where workers lack access to protection and to decent jobs.

Implicit in this statement are the aspirations of good local governance, that is, to preserve the life and liberty of citizens and to ensure a decent quality of life. It is all about developing the economy, creating space for democratic participation, and ensuring outcomes that enrich the quality of life of its constituents.[11]

The 2002 Conference pinned down informality as a governance issue. Elaborating further, it stated that masses of people are excluded from the protective arms of the law. This happens when laws and policies are inappropriate, ineffective or badly implemented, when institutions are governed by rules and procedures that are beyond the reach of those they are meant to serve.

The absence of decent work, it continued, is in fact traceable to weak governance. It acknowledged municipalities and local governments as a crucial intervention point, these being most immediate to the working population.

Decent work can be understood in terms of four dimensions that reinforce each other; namely: rights, decent employment, social protection and social dialogue. Decent work is a useful construct for appreciating the interrelated factors that affect employment. It brings attention to the fact that employment is not simply about providing jobs (quantity of employment) but also about maintaining the conditions that preserve one's capacity for gainful employment (quality of employment). ILO refers to the denial of such enabling conditions -- defined by the four key dimensions above -- as "decent work deficits".

The practical implications of decent work deficits are evident when one considers how harassment can damage a human being at its core, how discrimination limits one's capacity for better job, how sick workers without social security coverage can drastically impoverish an entire household, how workplace accidents can suddenly dismember or disable, and how workers' inability to express their views can block opportunities for improvement and redress. Decent work deficits, to be sure, reduce people's capacity to sustain themselves

[9] ILO, 2002.

[10] The International Labour Conference is the key policy making body of the International Labour Organization composed of member governments, employers and workers organizations as its constituents.

[11] Shah, 2006.

and their households; they prevent workers from finding their best opportunities and ultimately suppress the overall economic potential of a society.

Decent work is very much related to the work of local governments. Although ensuring decent work is not among the powers expressly granted to local governments by the Local Government Code, it is in fact imbedded in the statutory mandate and functions assigned to them, as will be shown below.

This paper is all about how local governments can effectively promote decent work in the informal economy. It identifies policies and mandates that support the decent work imperative. It provides examples of how local governments have creatively maximized their mandate to produce innovative interventions that advance decent work.

The subsection below first sets the stage and summarizes these mandates and functions now assigned to local governments under the Local Government Code of 1991.

b. Local government's statutory mandate related to decent work

Local government units are both a corporation and a political subdivision.

- As a corporation, it can enter into contracts, acquire and convey real or personal property, sue and be sued, and such other powers granted to corporations.
- As a political subdivision, it has the power to ensure general welfare (police power), generate and apply resources (taxation), and exercise eminent domain.
- Finally, it has residual powers or powers that are not expressly granted as long as they are not expressly prohibited by law.

While mandates related to decent work and the informal economy are not expressly stated in the Local Government Code, these can in fact be found in (a) the local government's power to ensure general welfare and (b) its so-called residual power.

General welfare. Under its power to ensure general welfare, local governments are mandated to promote conditions necessary for efficient and effective governance and those that promote general welfare. As per the text of the Local Government Code (Section 16):

> "local government units shall ensure and support, among other things, the preservation and enrichment of culture, promote health and safety, enhance the right of the people to a balanced ecology, encourage and support the development of appropriate and self-reliant scientific and technological capabilities, improve public morals, enhance economic prosperity and social justice, promote full employment among their residents, maintain peace and order, and preserve the comfort and convenience of their inhabitants."

Based on this authority, local government units may enact ordinances or policies which would promote the welfare of workers in the informal economy and ensure their health, safety, comfort and convenience. Their mandate of promoting economic prosperity and social justice extends to all.

Residual powers. Under their residual powers, local government units can create offices or functions that could, say, mediate conflicts between outworkers and their subcontractors. The possession of residual powers does not mean that any power that could be classified as "residual" could automatically be exercised. There must be a reasonable connection between the authority that is being exercised as "residual power" and the local government's mandate to promote general welfare. (For instance, local governments that have banned smoking in public places or have imposed penalties on the use of mobile phone while driving did so based on their residual power.)

c. Local government functions that can be directly linked to decent work

Functions related to decent work concerns can be identified. Before the passage of the Local Government Code, the functions of local government units were limited to:

- levying and collecting taxes;
- regulating business activities;
- administering garbage collection, public markets and slaughterhouses and public cemeteries.

Since the devolution, the following functions were added to those above:

- delivery of basic services and the operation of facilities in agricultural extension and research, social welfare services; social forestry; environmental management; repair and maintenance of infrastructure; water supply and communal irrigation; and land use planning;
- delivery of basic services such as primary health care, construction, repair and maintenance of public elementary schools;
- inter-municipal provision of services by provinces such as district and provincial hospitals which cover more than one municipality.[12]

The local governance structure was retained. Each unit is headed by an elected local chief executive (i.e. a governor or mayor), a vice-governor or mayor, a legislative council with eight elected members, indirectly elected representatives of the youth sector and barangay chairmen.

A closer look at the 1991 Local Government Code points to mandates and functions that are related to decent work dimensions.

Related to employment

- ***Planning and development office*** which looks after infrastructure and economic planning.
- ***Business permit and licensing office*** where micro and small enterprises register and obtain legal form.
- ***Public employment office*** which takes care of finding opportunities for employment, including self-employment.
- ***Local employment or economic councils*** which look after economic strategies and employment generation.

Related to social protection

- ***Health offices*** which provide basic health services and is linked to social health insurance programmes provided nationally or locally.

[12] WB and ADB, 2005.

Related to rights and access to justice

- ***Barangay justice system*** which is part of the administrative structure at the village level (alongside the executive and legislative arms), is based on a traditional mechanism of mediating local disputes, some involving enforcement of agreements between contractors.

Related to social dialogue

- ***Local special bodies*** such as the local development council which is responsible for formulating local development plans. Other local special bodies serve as advisory body to the local executive agencies. They also recommend budgets and oversee the implementation of local government operations, programs and projects. The issues they deal with have to do with decent work dimensions such as health, training, economic planning.

Box 2 summarizes these executive, legislative and judicial functions. Functions that can be linked to the task of supporting decent work are indicated with shaded boxes. Box 3 classifies selected executive, legislative and judicial functions into the four decent work dimensions.

In the succeeding chapters, detailed examples will be provided that showcase how some local government units (LGUs) were able to use the provisions of the Local Government Code (LGC) in designing innovative measures that advanced decent work in the informal economy.

The overall objective of this paper is to show how local governance can effectively promote decent work. This paper does not aim to be comprehensive and prescriptive; rather, it presents cases and examples that demonstrate possibilities of how the powers and functions of local government can be used to advance decent work through creative interventions and informed policies.

Each of the succeeding chapters presents cases that support decent work dimensions of employment, social protection and social dialogue.

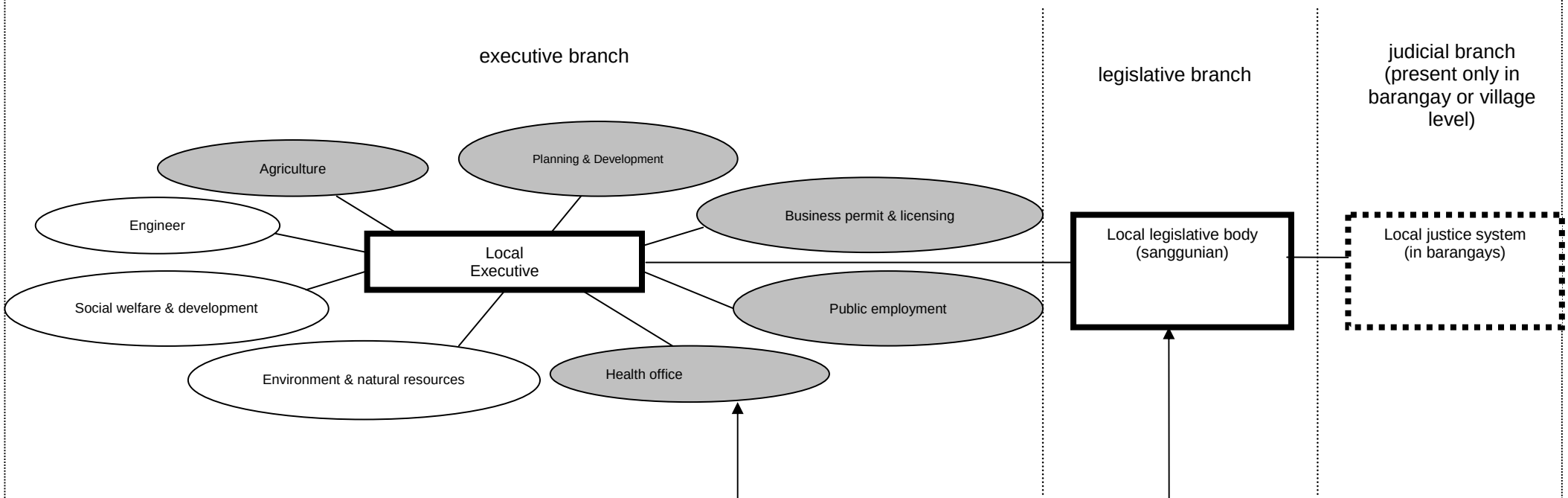
Section 2 discusses strategies available to local governments to create an enabling environment for encouraging investments and developing enterprises, thereby stimulating local employment and income opportunities.

Section 3 presents cases that showcase the role of local governments in (a) promoting human capital and skills, (b) preserving productive capacities by making social health insurance available to all, and (c) upholding basic human rights at work through alternative dispute mediation. These initiatives show how local governments can open protective channels to all types of workers as well as mainstreaming excluded groups into more responsive schemes.

Section 4 describes mechanisms designed by local governments to strengthen social dialogue. It highlights the importance of informal economy representation and voice in strengthening governance and addressing decent work. It describes efforts to institutionalize citizen participation in various aspects of governance.

Section 5 finally summarizes some lessons learned based on these experiences.

Box 2: Locating decent work related mandates in local government structures



Local Bids & Awards Committee	Local Peace & Order Council	Local Health Board	Local Development Council	Local School Board
responsible for the prequalification of contractors, bidding, evaluation of bids and recommendation of awards regarding local infrastructure projects, delivery of basic infrastructure having been devolved to the local government	monitors peace and order programs/projects, formulates plans, and recommends measures to improve the peace and order condition in the locality	(a) assists local health agencies on matters pertaining to personnel, bids and awards, grievances, budget and operations review, etc. (b) serves as advisory committee to the local council regarding the annual budgetary allocations for the operation and maintenance of health services and facilities	assists the local legislative council in setting economic & social development direction and coordinating development programmes. Areas of concern are wide ranging: investment prioritization, socio-economic welfare, environmental management	(a) determines budgetary needs of public schools and authorizes disbursement of funds from the Special Education Fund (b) also serves as an advisory committee to the local sanggunian on educational matters

These local special bodies are headed by the local chief executive and composed of representatives from national and local government offices as well as representatives of member-based organizations and civic organizations.

Box 3: Local government functions classified under the four dimensions of decent work

	Labour rights	Employment and livelihood	Social protection	Social dialogue
Relevant LGU Function				
	Dispute mediation	Business permit and licensing Investment and business promotion Local economic development Research and technology, job matching, support services	Promotion of social insurance Labour mediation "Shop floor" advice Health checks Health and safety advice	Participatory planning and policy making
Relevant local agencies and actors				
Executive agencies	Local chief executive	Local chief executive Business permits and licensing division Local planning & development coordinator Public Employment Service Office (PESO)	Local chief executive Health officer Social welfare and development officer Barangay health workers	Local chief executive All local special bodies Heads/Officers of sectoral departments and local government offices
Legislative body	Sanggunian and its relevant committees (e.g. Committee on labour rights and industrial peace)	Sanggunian	Sanggunian	Sanggunian
Judicial body	**Council of mediators (under the Barangay justice system)**			
Advisory councils	Peace and order council Local labour-management council or similar tripartite council	Local Investment Board Local development council	Local health board	Local development council
Social partners and civic groups	Local labour organizations, business associations and other organized workers' groups	Local labour organizations, business associations (e.g. local chamber of commerce and industry) and other organized workers' groups	Health-based NGOs	Local civic groups, community organizations, private sector and other interest groups (local chamber of commerce and industry, rotary clubs)

2. Creating employment and income opportunities

2.1 Economic and enterprise development at the local level

One of the major pillars of decent work is employment creation and the expansion of income opportunities. To achieve decent work means that opportunities for work must first be available. For this reason, providing an environment favourable to businesses and investment growth, sufficient to create gainful jobs, is of vital importance. Local governments are key actors in creating such an enabling environment for local investments to take root and to grow.

In the Philippines, the promotion of economic development was previously the domain of national government and, since the passage of the Local Government Code, it has become a concern -- and a growing one -- of local governments.[13] Major cities such as Davao and Cebu have developed investment promotion centers to attract enterprises from Metro Manila. Others including the provincial government of Bohol have set up a bottom-up planning process that begins with communities.[14] Local employment councils have been established comprising business, labour and government agencies and these councils oversee the planning and execution of employment programmes in the city, targeting both formal and informal economies.[15] All of these initiatives were geared towards institutionalizing the function of economic planning and business promotion.

Local economic development has been defined as a "process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation."[16] "It aims to create decent jobs and improve the quality of life of everyone, including the poor and marginalized."[17]

Local governments however need to address a number of challenges if they are to effectively carry out these functions.[18] Among them:

- ***Developing capacities and agencies for economic planning.***

Economic development has not been traditionally prioritized as a local planning issue in the Philippines and in many countries. The conventional approach of city and regional planning in many developing countries has focused on their most pressing issues of infrastructure and urban poor housing.

The standard approach has been to create broad plans for (or master plans) for five or ten years, develop physical and social infrastructure (e.g. roads, electricity, education, health, skills, public transportation) that create the space for social and economic processes to take place. Implementation of commercial projects thereafter is

[13] Rood, 1998.

[14] Rood, 1998.

[15] Ortiz, 2006.

[16] Swinburn, et al., 2004.

[17] Trousdale, 2003.

[18] Swinburn et.al., 2004 and Bessette, 2005.

then left mainly to the decision of private investors, circumscribed by government principles and public standards.

Capacities for economic planning are therefore often less developed and corresponding institutional bodies often absent.[19]

- ***Identifying territorial assets and advantages.*** Globalization has increased the competition for foreign investments, so much so that local governments receive investments even if they involve investments that are not aligned with the competitive advantages, resources, or even consumption needs of a locality.

Local governments tend to compete by creating cost-efficient environments making available such facilities that increase access to transport, communications, and sanitation, then leaving key investment decisions to private businesses.[20] However, investment promotion strategies must be based on local economic strengths.[21] This is where local practices and processes are still lacking.

- ***Broadening participation in economic development.*** Economic growth in many countries and municipalities take place not only in the formal economy but also in the informal economy (i.e. in micro-enterprises and small production units that are unregistered and unprotected); yet, economic planning and policies often focus on bigger enterprises, leaving small firms to fend for themselves.

In many cases, the size of the informal economy is larger than the formal economy and it often interacts with the formal economy by supplying it with goods and services. Linkages between the formal and informal economies must therefore be discerned and strengthened through appropriate policies and strategies in order to create a more dynamic and broadly-based local economy.[22]

The importance of developing capacities for local economic development is seen in the fact that businesses, especially small and medium enterprises, are highly dependent on the local and regional context for production inputs and for competitive advantages.

Several types of policies and strategies are used by local governments to attract investments and stimulate economic activities. Among them:

- Local development planning based on an understanding of territorial assets, such as raw materials, skilled professionals and workers, local support services, and research and development institutions;[23]
- Economic infrastructure networks and public goods that lower the cost of operating businesses, such as transport, energy and communication, roads;
- Simplified and transparent registration and regulatory procedures;
- Active and direct measures to promote business development and to develop a culture of entrepreneurship, business associations and other such social capital;

[19] Bessette, 2005 and Cunningham and Meyer-Stamer, 2005.

[20] Bessette, 2005.

[21] Swinburn et al, 2004.

[22] Swinburn, et al., 2004.

[23] Crotellese and Daughters, 2008.

- Social services to improve the quality of labour and to balance economic growth.

The next section looks at good practices in the above listed areas in a way that creates better opportunities for workers and employers in both the formal and informal economy.

2.2 Local government functions vis-à-vis economic and enterprise development

a. Local development planning

Statutory mandate and structures for development planning. With the passage of the Local Government Code, local government units are now mandated to prepare comprehensive multisectoral development plans that encompass economic, social, environmental, infrastructure, and institutional components. It may be recalled that many of these functions have also been devolved. National government, hitherto responsible for economic and sectoral planning, now provides the framework and guidance for sub-national level planning.

With economic planning assuming greater importance as a local concern, some Philippine provinces have taken initiatives in making the planning process more technically sound. For instance, municipal investment planning in Palawan is followed up by feasibility studies of individual projects and concerted efforts to influence provincial plan.[24] In Maydolong, Eastern Samar, the local government carried out bottom-up planning through sequential participatory data gathering and consultations at the barangay level, followed by the formulation of barangay enterprise plans which are then proposed to the provincial government. In general, however, the methodology for economic and enterprise planning is not yet very well developed in most local government units.

Notable features of the Philippine planning system, as mandated in the 1991 Local Government Code, include its bottom-up mechanism where development plans are derived from the villages, then consolidated in the local and regional levels. Apart from the local executive agency which is mandated to formulate economic, physical and other development plans[25], local development councils are also mandated in the village, municipal and regional levels to identify needs and formulate plans. These councils serve as the institutional venues for participation in local governance and open the space of sectoral concerns. (Box 4 details these local planning structures.)

While these planning structures and processes are laid out under the law, the practice across provinces and municipalities vary. Some local governments do not actually activate these bodies and others activate them but give them limited powers beyond rubber-stamping pre-formulated plans. Other provinces however do make these councils real and functioning. Much of the impetus comes from the chief executive officer who actually sets the tone and practice of participation, sometimes with prodding from organized groups.

[24] Rood, 1998.

[25] The Local Planning and Development Office or LPDO.

Box 4: Local planning structures and mandates

The structure for planning is well-laid out in the Local Government Code. The three most important agencies involved in local development planning are the following, which must be established at the provincial, city and village (barangay) levels.

- ***Local development council (LDC)*** is composed of national and local government representatives as well as the private sector and civil society; its primary function is to assist in formulating an integrated development plan for approval by the local sanggunian (or the local legislative body). The establishment of the LDC is one of the innovative features of the 1991 Local Government Code. It institutionalizes multi-sectoral participation in local governance, paving the way for inclusion of sectoral concerns in local development planning and programming.
- ***Local planning and development office (LPDO)*** is an **executive** agency that serves as the technical arm of the local development council; it formulates integrated economic, physical and other development plans or policies for the LDC's consideration; it also mandated to coordinate, monitor and evaluate the implementation of the development plan.
- ***Local sanggunian*** (called ***local council*** in the barangay level) is the local **legislative** body and has policy making powers and functions. It has the power to enact ordinances, approve resolutions and appropriate public funds. It therefore plays a critical political role in the whole planning process. It reviews and enacts the comprehensive multi-sectoral development plan that is formulated by the aforementioned bodies.
- ***Local chief executive (governor or mayor)*** is the implementing official at the local government. The local chief executive has the power and authority to exercise general supervision and control over all programs, projects, services and activities of the local government. He or she, therefore, has supreme control over the process of government service delivery.

The practice of local planning. The importance of stakeholder involvement in the planning process cannot be overemphasized. Successful local economic development requires the collaboration of government, business, labour and other non-government organizations. The entire society has a stake in the types of investments that are made in their locality. One can only think of how entire communities can be wiped out by a single infrastructure project that is planned without consideration of different constituencies affected. Thus, the interests and experience of different groups will contribute to overall enterprise planning process. Local development councils, local economic councils, and other stakeholder consultations therefore are means for institutionalizing their involvement.[26]

While a growing number of public office holders may be convinced of the need for participation, the practice and method is less unambiguous. For this reason, methodologies have been developed to facilitate local planning, especially local economic planning.

- ***Competitiveness appraisals linking the informal economy to strategic sectors.*** One such tool that is gaining usage of late is the Participatory Appraisal of Competitive Advantage (PACA). PACA is a participatory and pragmatic approach to local economic development. It facilitates a rapid assessment of the competitive advantages and disadvantages of local communities. The tool was developed by the German consulting agency, Mesopartners.

  One way of conducting such a rapid appraisal involves gathering local stakeholders (such as firms, associations, support institutions, local government) in a workshop to discuss the advantages and disadvantages of their locality and to identify lead firms or sectors. In order to identify the needed action, the stakeholders also assess demand conditions faced by these lead sectors and identify support industries and institutions that also need to be strengthened. These exercises are designed to lead to a consensus and they trigger practical interventions to stimulate the local economy.

[26] Swinburn, et. al., 2004.

The ensuing actions involve (a) strengthening local private and public stakeholders; (b) business development support in strategic sectors in the territory and (c) joint private-public action to strengthen territorial competitiveness.

In the Philippines, the Department of Labor and Employment pilot tested similar assessment tools but incorporating questions about how informal or small enterprises are linked to the identified strategic sectors.

When these questions were asked, it was found that in many provinces, most of the enterprises and suppliers that were linked to lead sectors belonged to the informal economy. These types of assessments allow local stakeholders, including informal economy workers, to identify business opportunities as well as advantages of collective action.

Box 5 illustrates the kinds of questions asked during a rapid appraisal of competitive advantage with a tighter focus on identifying both informal and formal economic actors within lead sectors.

- ***Enterprise development plans linked to local development plans.*** Another experience in the Philippines involving enterprise planning within a bottom-up approach was the formulation of the municipal enterprise development plan (MEDP) through the technical facilitation of the Small Economic Enterprises Development Inc. (SEED).

  This approach, led by municipalities, involved data gathering and consultations at the barangay (or village) level which is the smallest political and administrative unit. It also involved different stakeholders of the municipality or city. The resulting plans developed were streamlined into the local development planning outputs mandated under the law.

  One such exercise was carried out in Maydolong, Eastern Samar. Here, the local government formulated a municipal enterprise development plan as part of its effort to curb poverty and to find sustainable approaches to utilize its rich coastal resources.[27]

  The process, again, a bottom-up approach, was intended to create a medium-term comprehensive plan that would guide the local government in promoting enterprises. Its objectives were to:[28]

  - Identify available local-based resources and determine their potentials for micro and small enterprise development;
  - Examine and record local traditional and high value products from agriculture, fishing, crafts and other local resources as well as assessing their potentials;
  - Assess how local resources and products are used by the community;
  - Assess services, employment and income that can be generated from the use of these local resources and products;
  - Recommend possible institutionalized intervention to fully harness the potential of these resources and products in generating services, employment and income;
  - Provide local government personnel with hands-on training and experience on local enterprise development planning.

[27] SEED 2006a.

[28] SEED 2006b.

Box 5: Sample guide questions for stakeholders' workshop under the Participatory Appraisal of Competitive Advantage (PACA) model

One way in which cities and localities may identify their competitive advantage is through forums where key stakeholders, such as government, private sector, labour and other interest groups, identify local lead industries and their needed support. The Participatory Appraisal of Competitive Advantage (PACA) provides a model for facilitating such forums.

While the output of these forums may focus on larger industries or those which are already poised to take advantage of new market opportunities, these forums can also be facilitated in a way that helps identify sectors in which informal and micro-enterprises dominate, which have potential for growth requiring capacity interventions. Besides small and micro-enterprises predominate much of the local economy in the Philippines.

The questions normally asked to identify lead industries and needed support include the following:

- *What are the leading firms or economic sectors in this locality?*
- *Choose one most promising, major economic sector.*
- *What are the competitive advantages of this sector?*
- *What are the disadvantages of this sector?*
- *What are the strong and weak points of this sector?*

Additional questions are asked to draw out the value chain of the sector and to identify the needed support institutions that can facilitate the development of these links. These questions ask about the following support conditions, delving into their competitive advantages, strengths and weaknesses:

- *"Supporting industries" servicing the locality's leading sector such as suppliers, subcontractors, service providers.*
- *"Supporting institutions" servicing the locality's leading sector such as education/training, available technology, finance facilities, public utilities, infrastructure, location vis-à-vis urban centers, land.*
- *"Demand conditions" of the locality's leading sector, such as sophisticated demand, unusual demand, pioneering/innovative demand.*

Furthermore, this process can help indicate where informal economy currently is with respect to the lead industries and where it can potentially be linked:

- *How can these support institutions create or strengthen links between lead industries and the informal economy?*
- *How can the following issues be promoted through PACA?*
  - *Social security / protection;*
  - *Labour protection / fair contracts;*
  - *Occupational safety and health (OSH);*
  - *Employment opportunities;*
  - *Business registration and regulation;*
  - *Business management / entrepreneurship.*

Source: Resurreccion, 2006

With the help of external consultants[29] who facilitated the process of formulating the MEDP, the municipal government conducted various capacity building workshops for municipal and barangay officials. It also held participatory data gathering activities and barangay consultation and planning workshops.

[29] As mentioned, they were from the Small Economic Enterprise Development, which was supported by Freidrich Ebert Stiftung.

The barangay workshops were of particular importance as they systematically brought the discussion of economic and enterprise development down to the village level. It tapped and made use of indigenous knowledge and technologies of the communities, while determining and identifying livelihood preferences of barangay residents.

A major output of these workshops was the formulation of the Barangay Enterprise Development Plans (BEDPs) for each of the 20 barangays in Maydolong. The BEDPs were later consolidated and to form Maydolong's Municipal Enterprise Development and subsequently also to the overall Municipal Development Plans.

The result is greater stakeholder involvement from Maydolong officials and residents. After the BEDPs and MEDP were approved by the local sanggunian, no less than the Vice-Mayor of Maydolong was assigned to oversee the implementation of the MEDP. Likewise, a new office, the Maydolong Business Resource Council, was created to carry out identified programs which were carried out in partnership with Maydolong residents.

This example shows that when collective action is mobilized during the planning process, then it is very likely that the same degree of collective action will go into plan implementation.

The local enterprise plan was used by the local government as a marketing tool to attract and mobilize resources from national government agencies, development agencies and private sector investors. It fleshed out local government's medium-term development plans. The local government, furthermore, was able to solicit more support in the form of technical skills training and funding from the provincial offices of the Department of Trade and Industry (DTI) and Technical Education and Skills Development Authority (TESDA) and from the Leyte Chamber of Commerce and Industry. Maydolong's MEDP provided these support institutions with a clear and accurate picture of local conditions, prospects for economic growth and social equity, and strategies and approaches to promoting enterprise and employment growth. The full case is presented in Annex 1.

b. Investment in strategic physical infrastructure

Businesses, both large and small, tend to proliferate and grow in areas where they can have cost-efficient access to electricity, transport, telecommunication, sanitation and developable urban land -- where they can share markets, labour pools and exchange information with other businesses -- where conditions are conducive to labour productivity, such as level of health, education, skills, security, training opportunities and public transport. [30] In other words, the proximity of physical and social infrastructure lays the foundation for businesses and investments to grow.

Investing in the physical environment is therefore a key input provided by municipalities in the Philippines to promote business and investment. Local businesses in Philippine cities and municipalities consist mainly of small and micro-enterprises, and therefore infrastructure investments potentially benefit enterprises of all types and sizes. Yet, as will be shown below, deliberate efforts are needed to ensure that infrastructure developed support not only leading sectors championed by government but also specific ones where small producers and informal economy are found.

Critical role of physical infrastructure. The critical role of physical infrastructure is all too apparent to less developed localities which are striving to harness their competitiveness. The examples of La Castellana, Negros Occidental, and Angono,

[30] AIM, 2006, and Swinburn. et.al., 2004.

Rizal, show that developing physical infrastructure to stimulate the economy necessarily involves infrastructure that support urban livability and quality of life.

- In La Castellana, Negros Occidental, the municipal government took a three-pronged strategy for implementing development projects and raising its constituents' quality of life. The municipal government focused on physical infrastructure development during the first term of the mayor; on social reforms on his second term, and finally on improving productivity, jobs and incomes on the third and final term.[31]

  Being agriculture-based, the local government funded extensive farm-to-market roads, market facilities and other installations to stimulate trade and commerce and to reduce spoilage of farm products. It also invested in irrigation thereby increasing the area of productive or farmable lands.

  A farmer's agricultural and trading center was also constructed to supplement and strengthen the agricultural and livestock trade in La Castellana. The center, which is located in a five-hectare compound, features a slaughterhouse, a livestock auction market, an ice plant, a trading center, a barangay trading booths, a tree park and the Kasilingan Village.

  It also powered all of the town's 13 barangays with the construction of a micro-hydroelectric power plant capable of generating seven (7) kilowatts of electricity and lighting 100 households at very low-cost (approximately P2.00 per day). It also ensured availability of potable water throughout the town through the improvement of the water system.

  Budget appropriations were also made for the improvement and construction of public school facilities as well as various day care centers. Barangay halls were also given funding for their refurbishment and regular maintenance.

- Similarly, in Angono, Rizal, the incumbent town mayor embarked on a full-blown physical rehabilitation of the municipality when he began his office.[32]

  He focused on flood controls, basic street infrastructure and general physical face lifting of the town. This included the dredging of the Angono River, the construction of easements and sidewalks in the city, the implementation of a comprehensive waste management program, the building of an alternative road to and from Metro Manila and the organization of transportation terminals, a dog pound, a traffic enforcement group and a tricycle regulation office.

  The municipal government then installed the economic infrastructure intended to develop Angono as a destination for tourists and industrial investments. It established the Angono Light Industrial Park to attract manufacturers of microchips and garments. It also constructed Angono Baywalk which connects Angono to Metro Manila through Muntinlupa by ferry.

  However, while Angono already has its tourist spots, and tourist shopping items are being further developed, related infrastructure such as lodging houses and public toilets have yet to be built.[33]

31 Mayors in the Philippines are elected to three-year terms and may not serve more than three consecutive terms.

32 Ortiz and Ferreria, 2006.

Infrastructure for sectors with proliferation of micro and informal enterprises. As earlier stressed, a large proportion of the untapped labour resources in many cities and municipalities is found in small enterprises and in the informal economy. While most infrastructure may tend to benefit all types of enterprises and households, there is also need to look after the interest and needs of the small (or most) economic players so that they participate directly in the development and so that they are not marginalized in the process. The following are some of the measures that some local governments have instituted.

- ***Protecting local businesses.*** To ensure that local economic opportunities are not stifled by big investments, some local governments are selective with the types of infrastructure investments they allow. For instance, Angono, Rizal, instituted a "no-mall" policy as it strove to transform the municipality into a destination for tourists and investors. It also re-established the Angono Public Market as the town's center for commercial trade and services.

- ***Creating dynamic market opportunities for micro-enterprises and the informal economy.*** When infrastructure investments are deliberately geared towards creating opportunities for the vast pool of untapped labour resources, local governments increase the opportunity for the population to participate in the resulting development.

  – As earlier described, in La Castellana, Negros Occidental, the municipal government invested in an integrated set of facilities to support its agricultural industry. It funded extensive farm-to-market roads, market facilities irrigation, and farmer's agricultural and trading center which houses agriculture and livestock processing and training support activities.

    The choice of agriculture as a lead sector potentially taps into the vast pool of labour and land resources of a locality. It is a known fact by now that the industrialization path taken by the East Asian economies of Taiwan, China and Viet Nam anchored on the agricultural sector as a lead sector thereby reining in their masses of people into the development process.

  – Vending and transport are two other sectors where scores of unemployed are found. In many developing cities, repressive policies have been instituted against vending; however some Asian cities, such as Bangkok, Chiang Mai and Singapore, have in contrast tapped into this pool of resources through infrastructure and space allocations to produce vibrant local entrepreneurs in order to provide much needed goods and services to the city -- and to bring about income and generational mobility.[34]

    Naga City provides an interesting example where growth zones were established all throughout the metropolis and, along with it, new transport terminals, district markets and commercial buildings, with a strong intent to disperse economic opportunities to urban poor settlements.

    It also relocated the city's transport terminals outside of the commercial business district, which brought development to the underdeveloped peripheries while decongesting traffic in the old business district.

33 Ortiz and Vergara, 2006.

[34] Nirathron, 2006.

These district markets and transport systems located in key growth zones provided two critical opportunities for Naga City's micro-entrepreneurs: access to workspace and access to new markets. The growth zones were able to spread opportunities throughout the city and enabled micro-entrepreneurs to be both physically and commercially integrated with existing and emerging markets. Box 6 provides more details.

Box 6: Naga's growth zones disperses development to urban settlements

In Naga City, where growth zones were established all throughout the metropolis, the local government facilitated the construction of hard strategic infrastructure such as new transport terminals, district markets, and commercial buildings. The choice of location and type infrastructure reveal a strong intent, not only disperse economic opportunities, but also to reach urban poor locations and workers in the informal economy. Among the facilities that were constructed were:

Satellite/ district markets. The city government established satellite or district markets to disperse development to identified urban poor settlements and growth areas. Private investors were tapped to undertake the construction and operations of these markets to help defray the cost for the local government. So far, a total of five district markets have been established in the city that opened up more than 270 new stalls.

These district markets located in key growth zones provided two critical opportunities for Naga City's micro-entrepreneurs: access to workspace and access to new markets. The growth zones therefore provided opportunities for the City's business investors, including micro-entrepreneurs, to be both *physically* and *commercially* integrated with existing and emerging markets.

Transport terminals. Under its Urban Transport and Traffic Management Plan (UTTMP), Naga City relocated the city's transport terminals outside of the central business district (CBD). By doing so, it was able to bring development to the underdeveloped peripheries while decongesting traffic in the old CBD.

The integrated bus terminal in the new CBD, for instance, became the growth zone's "anchor" for development. Capable of handling over 800 buses a day, the terminal caters to thousands of people who regularly commute to and from Bicol, Manila and the Visayas. The huge human traffic has spawned the growth of commercial establishments and businesses throughout the metropolis.

c. Improving business registration and licensing systems

One of the most important measures that can catalyze local economic development is that of streamlining registration and regulatory processes which businesses have to undergo. When these procedures are highly bureaucratic, when they involve steep financial and documentary requirements, and when officials are allowed to exercise personal discretion arbitrarily, then this increases the transaction cost businesses incur in registering their firms. It intimidates enterprises and discourages them from acquiring a legal form; it also turn businesses away from investing in specific localities.

Hence, improving the business environment begins with transparent and simplified business registration procedures. Streamlined systems provide a number of benefits. They encourage local business enterprises to register and this translates into increased revenues for the local government as well as improved capacity to carry out development programmes. Having a legal form can protect enterprises from harassment. It also enables enterprises to operate with some measure of stability. It allows them to enter contracts, and thus gives them access to larger clients. If managed well, the permit issuance process can be a tool for local governments to steer investments into priority industries.

A number of municipalities have improved their registration process through a participatory assessment. One such approach is being promoted by GTZ in the Philippines, involving a procedure akin to "time and motion." By studying the time it takes to complete

each stage of the registration process, this methodology is able to identify which step or which permit delays the process. These findings are then deliberated by local agencies in a workshop where they subsequently agree on which specific steps or permits must be addressed first. This process is significant in that it potentially draws stakeholders into a consensus on what normally is a difficult and highly political process of agreeing on which agencies need reform and commit to change. Annex 2 provides an account of one such experience in Ormoc City, Leyte.

In a study of 16 LGUs[35] which attempted to streamline local business registration systems, six types of good practices were identified.[36] Among them:

Improving registration process. This can be achieved by reducing the number of steps and signatures needed for business registration and renewal as discussed earlier.

Setting up a business one-stop shop. Offices and departments essential to business registration and business renewal, including those that look after labour protection and social security, are housed in one venue.

Computerizing and networking information. This involves linking data and information for sharing among different offices involved in business registration so that each clearance is immediately posted as reference for the subsequent step. In some cases, computerization and interconnection have shortened registration time to only half a day. Information systems also translate registries into useful statistics that can guide policy making.

Partnering with the private sector. Multi-sectoral alliances (involving the local chamber of commerce, other business associations, consumer groups, trade unions and public agencies) can inform government in planning, implementing, monitoring and evaluating business registration systems. Consultative mechanisms such as those set up in Naga City include general assemblies, public hearings, workshops and focused groups discussions that allow for greater dialogue on issues related to business registration.

Creative information, education and communication strategies. The use of various promotional media such as billboards, posters, flyers, brochures, manuals and guidebooks affords the local government the opportunity not only to inform its potential and existing customers on business registration and licensing systems, but also campaign for higher service utilization of registration systems.

Soliciting customer feedback. This involves providing feedback mechanisms (e.g. complaints and suggestions boxes or desks) and using the feedback received to improve the system.

d. Formation of growth zones and economic clusters

Creating growth clusters is a more sophisticated strategy that focuses on encouraging and supporting lead industries and developing inter-firm and inter-LGU collaboration, as well as related institutions, around it. It involves identification and targeting of strategic industries and business clusters which is promoted through coordinated support. Such

[35] Cabuyao, Laguna; La Trinidad, Benguet; Marikina City; Muntinlupa City; Naga City; Quezon City; Bacolod City; Iloilo City; Kalibo, Aklan; Ormoc City; General Santos City; Iligan City; Ozamiz City; Surigao City; Malaybalay City; Zamboanga City.

[36] BSMBD, 2006.

support includes research and marketing assistance, demand-led skills and education training programs, brokering and network services, and procurement and local purchasing agreements.

The strategy of forming economic clusters aims at decongesting highly urbanized and commercialized cities and municipalities and spreads economic development to outlying townships and communities. This strategy must enable micro and informal enterprises to participate more fully in the expected growth. This requires deliberate efforts to provide spatial and market opportunities for the occupations where the informal workers predominate.

The experience of Naga provides one such example.

Identifying LGU niches and inter-LGU formation. Metro Naga is a grouping of 15 local government units in the Province of Camarines Sur. Formed in 1993, Metro Naga was created to decongest highly urbanized cities like Naga City, diffuse socio-economic development and improve basic service delivery across the 15 local governments that comprise the metropolis.

In support of this thrust, the Metro Naga Development Council (MNDC) was established to promote integrated and balanced economic and investments growth in the region.

Under the Metro Naga framework, each member-LGU identified a particular development niche based on its resources, capacities and potentials. For example:

- The highly agricultural-based municipalities of Bombon, Bula, Calabanga, Camaligan, Gainza, Magarao, Minalabac and Ocampo served as Metro Naga's primary food bowls and auxiliary food supplier.
- Naga City and the municipalities of Canaman, Milaor, Pamplona, Pasacao, Pili and San Fernando provided the necessary physical and social infrastructure in supporting business, commercial and industrial growth for the whole region.

By defining the specific development roles of each LGU and capitalizing on the competitive advantage of each LGU, member-LGUs were to share markets, resources and information which is essential to increasing economic competitiveness. Economic development gradually moved to outlying towns. Milaor, for example, soon became the region's warehousing hub while Pili became the first Special Economic Zone in the Bicol Region.

Establishing growth zones within Naga City. Within Naga City, a similar strategy was instituted consisting of an integrated package of investment and employment generation programmes. While creating growth zones for industrial development, it simultaneously provides spatial opportunities for small and informal enterprises so that they are able to take part in the planned growth.

Naga City enacted an Investment Incentives Code which pushed for the creation of priority growth zones in the city. To attract business and investment into these identified zones, Naga City carried out the following:

- It facilitated the construction of new transport terminals, markets, and commercial buildings where the choice of locations reflected the intent to disperse economic opportunities and reach urban poor locations and workers in the informal economy.
- It also established district markets to accommodate small vendors. Private investors were tapped to construct and operate these markets
- It offered fiscal and non-fiscal incentives for firms who were willing to relocate their business in these target areas.

Opening opportunities for micro-enterprises in growth zones. The idea was that the growth zones would provide opportunities for the City's business investors, including micro-entrepreneurs, to be both *physically* and *commercially* integrated with existing and emerging markets. Thus the growth zones and the related physical infrastructure provided two critical opportunities for Naga City's micro-entrepreneurs: namely: access to workspace and access to new markets.

Naga officials state that from the very beginning that it was clear that it was not sufficient to just establish new growth zones and construct new hard strategic infrastructures. Equally important was to ensure that these were accessible to the city's small and micro-business operators and that the local labour force is absorbed in the economic processes. The city thus also registered job seekers within a developed database and ID systems and job matching were provided in a highly systematic way. (More on the integrated strategy taken by Naga City in Annex 3.)

Naga's development strategy rests on a philosophy of linking economic growth with social equity – and in so doing takes deliberate policy action to open the funnels of participation by dispersing enterprise and employment opportunities all throughout the city and across different sectors and economic segments.

e. Creating local synergies between lead sectors and informal economy

Micro-enterprises and small producers, often operating informally, represent a significant part of the local economy. When economic planning processes take place right at the local and village levels, the results tend to be more inclusive and attuned to local conditions. Furthermore, these processes provide the opportunity for informal economy activities to be strongly linked to formal enterprises through production and supply relationships. They strengthen the economic base for a majority of the working poor as well as for key industries. Part of an inclusive economic planning process therefore would require that the role of the informal economy be recognized in these supply chains.

How this situation is created relies on a combination of growth promoting interventions. Among them are effective local development planning, investment in infrastructure, streamlining business registration processes, formation of economic clusters or economies of agglomeration, and support to business services. Simultaneously, these interventions must be planned and carried out with a view to linking the growth nodes with informal activities and micro-enterprises. In terms of physical planning, this means allocation of spaces in growth areas for activities where the informal economy thrives and planning roads and transport circuits that improve access between low-income settlements and growth zones. This can play an important role in boosting economic mobility. In terms of sectoral planning, consultative and planning tools which simultaneously identify lead sectors and informal suppliers can reveal how micro-enterprises and small producers can or already play a role in these competitive sectors and how they may be supported to participate more productively.

To be sure, one important set of factors that is sometimes lost in the competitiveness literature is investments in human capital – both its promotion and preservation. These however are the ultimate underpinnings of a competitive society. Yet, they are also just as easily sidelined in the competitive rush for investments – when short-term rather than long-term factors prevail in private investment decisions. The next chapter describes innovative practices and investments in this area and demonstrates how some local governments acutely realize the link between social and economic capital building and take forward looking steps towards strengthening both their economic and human capital base.

3. Promotion and protection of human capital

3.1 Introduction

As earlier pointed out, businesses tend to grow in locations that have cost efficient access to utilities and infrastructure and where they can share market information and labour pools (thereby also reducing transaction and search costs). Unfortunately, this cost-oriented view is often extended to labour input as well. For instance, the current, dominant rubric for understanding and analyzing the cost of business regulation is the use of surveys such as the Doing Business Survey developed and used by the World Bank. Under this framework, the labour regulation module translates measures associated with labour security – social security and severance pay for instance – into cost factors; namely, social security is part of the cost of hiring and providing severance pay is part of the cost of firing. The other aspects of labour, such as its quality, productivity and motivation, are understated in these measures although they are clear determinants of investments.

Many developing countries and their cities therefore try to attract investments by competing on cost, including labour cost. This has the unfortunate consequence of reducing further the quality of labour and its productivity – causing cities to eventually lose out to competitors who try to push labour costs further. This undermines the true base of competitive advantage especially critical in a growing knowledge economy: skills, education, health, and training opportunities.

It also brings cities to a low "skills equilibrium" where low intensity of skills demand is met with low intensity of skills supply, waste of human resources, and labour "shortages." It is therefore an unsustainable and in fact a self-corrosive strategy. The key measures for building an effective skills base involve promotion and preservation of human capital -- rather than its reverse.

This chapter presents cases where local governments and local stakeholders seek to promote and protect human capital through innovative means. This chapter describes how local governments have taken proactive measures in the areas of (a) skills promotion, (b) social security and health insurance and (c) rights promotion through venues for grievance handling and dispute mediation.

3.2 Promoting skills and jobs at the local level

While national policy has a role to play in skills upgrading and job promotion, much of the responsibility for these concerns falls on local and regional actors. Issues related to brain drain or loss of human capital, to those linked to the entry of in-migrants, and to possessing skills to match local industry needs – these involve responses that are attuned to local conditions with impacts felt also on the local socio-economic environment.

However, in order to exercise this responsibility, local policy makers need to have a good understanding of what types of skills are available and what is in demand by local industries. They also need to be able to anticipate the likely industries and job opportunities that will emerge in the years to come, as well as promoting industries that suit local resources and market needs. This is not an easy task. It requires availability of industrial and labour market information which are often unavailable. It also requires the competency to analyze the information and to translate them into appropriate training, education, research and industrial support policies.

According to a study carried out by the Organisation for Economic Co-operation and Development (OECD) under its Local Economic and Employment Development (LEED) programme, five key conditions are necessary for effective promotion of skills and

employment at the local level. These are very important findings and are quite relevant to the Philippine context.[37]

- ***Gathering local market information to understand local needs.*** Local actors and policy makers need to know what are the types of skills available as well as those demanded by local employers. What skills need to be developed and is there an excess of skills that are not being absorbed by the labour market? Local governments therefore need to have labour market data – something that is sadly absent among most, if not nearly all, local governments in the Philippines. Most do not even know their employment and unemployment rate.

  A few have started collecting local statistics in view of building a local database of socio-economic information for purposes of planning and monitoring. The provincial government of Guimaras for example partnered with the national statistical body in generating local statistics based on the existing national database. It also carried out new surveys to establish baseline data at the barangay level. It also acquired a GIS (geographic information system) facility for spatial development, tax mapping and fiscal management.

- ***Getting the right balance among different skills needs.*** In most localities there will be a combination of priorities for different segments of the labour force. For instance, a locality may have need for certain skills set to meet emerging industries and therefore need new talents; on the other hand, it has a local pool of residents whose skills are disadvantaged but need to be brought into the workforce. A combination of approaches therefore is required along generally three lines: attracting and retaining talent; upgrading skills of current workforce; and, finally, integrating disadvantaged groups into the market.

  In the Autonomous Region of Muslim Mindanao, the ILO has collaborated with local authorities in introducing a holistic training package designed to integrate such disadvantaged groups as unemployed men and woman, youth, and persons with disabilities. Muslim Filipinos suffer from social and economic marginalization due to their religious identity. The training package called TREE (Training for Local Economic Empowerment) combines skills training with innovative strategies to reach marginalized groups and improve their access to markets. Thus, in addition to honing skills in trades such as automotive mechanic, tailoring, airconditioning, welding and steel fabrication, computer literacy and bamboo handicrafts, TREE matches training with local economic demand and uses strategies that address sources of marginalization. The added focus on building social skills, literacy and numeracy as well as mobile delivery methods help address cultural and physical barriers in the bid to mainstream marginalized groups to the local economy.

- ***Combining fragmented services.*** Various national and local agencies provide research and training within their own priorities and mandates. Examples are universities, vocational training centers, private training organization, and local employment offices. There is need to bring these otherwise fragmented efforts within a network where key actors dealing with training, educational, cultural and industrial policies join up to create a more systematic programme where they will have a common understanding of needs and priorities. The network has to involve not only training agencies but also those that look after cultural integration, industrial strategies, accessibility, and quality of life. Joint action at the local level means that

[37] This section is drawn from OECD, 2008. "Designing Local Skills Strategies: Emerging Findings from the OECD Study." Extract from the interim report. OECD and LEED Programme. 15 January 2008.

agencies that look after education, employment, and industrial policies need to have the flexibility to make decisions at the local level. This means such authorities and functions need to be devolved from national authorities.

Since the devolution of power in the Philippines, functions dealing with education and economic planning have been devolved. Although the functions that deal with employment and labour relations remain centralized, the Labour Department created local offices that provide employment services. Called Public Employment Service Office (or PESO), these bodies have been institutionalized at the local level and they have the flexibility to introduce innovative programs dealing not only with job matching but also with training, database collection, and self-employment promotion. See Annex 3 for an illustration based on the experience of Naga City of the breadth of employment services PESOs can effectively deliver given sufficient mandate, a good working relationship with the city mayor and dynamic management.

Local boards also, such as the local school board and local economic councils, have been created to guide policies and programmes and to mobilize participation in planning. Several local economic councils have been established in the Philippines. The Marikina City Government, for example, set up the Local Economic Development Board which is composed of the local legislative council, local government departments, private sector, trade unions, academe, community associations, media and non-government organizations. Consultations within the Board had been instrumental in getting the City College of Marikina, together with the local school board, to establish academic programmes that are aligned with the demands of the labour market. The business permits and registration office also reassessed its process based on discussions that took place within the Board, leading to improvements and an increase in the number of registered business establishments as well as increases in tax collection.

- ***Involving the private sector through a combined public-private approach.*** The private sector has a critical role to play in identifying current and future needs as well as in implementing interventions, say in mechanisms that improve database and allow meeting of skills supply and jobs. However, the private sector may be more concerned with their skills needs in the short-term rather than with integrating excluded sectors in the long-term and creating jobs to match their skills. Given this, government has a role to play in mobilizing local stakeholders towards such longer-term integration issues.

- ***Anticipating and effecting change.*** Finally, the role of local stakeholders in anticipating change and in directing industrial growth to identified local competitive advantages is a very important concern. Local actors must be mobilized not only towards short-term needs but also towards the broader regional, national and global needs; they must pay attention to current industrial needs but also to disadvantaged sectors who must be reintegrated into the workforce; and they must go beyond the "reactive" mode of filling in the short-term and dominant needs but also of long term and less visible trends and marginalized needs.

3.3 Protecting human capital

That health and social protection are preconditions to economic development was a realization that the Mayor of San Isidro, Nueva Ecija, learned early in her term. Mayor Sonia Lorenzo started her term with a serious economic development agenda only to find that her efforts could not prosper without addressing an important bottleneck to development – the absence of a healthy citizenry. This became painfully clear to Mayor Lorenzo who earlier in her term launched a massive consultation process to find out what her constituency aspired for and what kinds of socio-economic programmes they wanted to have. Invariably, health emerged as the primary issue with nearly 90 per cent of

respondents in one survey citing it as the most pressing issue. The poor state of health facilities provided a visual corroboration of this need. This paved the way for the passage of the town's flagship programme, The San Isidro Community Health Agenda, wherein budget allocations were raised to 17 per cent of the total annual budget (substantially higher than the national average of 1.4 per cent) and local ordinances were passed to institutionalize social health insurance for the population and the local government's financial contribution to the scheme. Health facilities and water supply were greatly improved as well. Today, health insurance coverage in San Isidro has reached 86 per cent of the local population.

Perhaps the strongest evidence of the local government's belief in the link between economic development and the health of the workforce lies in how their development plans and programmes are designed. For instance:

- The Medium-Term Development Plan articulates its goal as that of eradicating poverty by making health improvement the foundation of economic growth. The Community Health Agenda is its flagship programme and the implementation framework is the San Isidro Anti-Poverty Coalition where health, education and employment are found under just one coordinating unit.
- Preventive health care sessions and health insurance membership are made integral parts of the local government's various socio-economic programmes. In fact, in some livelihood projects, enrolment in the insurance program is required.
- In negotiations with companies from nearby urban centers that are interested in hiring San Isidro's workers, the local government uses a checklist to ensure that better wages and working conditions are provided.
- Close coordination with the local DOLE (Department of Labor and Employment) allows monitoring of compliance by private firms with the agreed terms.

Today the San Isidro municipality is posting growth rates on a number of key indicators, including public officer performance, revenue collection efficiency and agricultural production. While its direct relationship with health improvements has not been empirically tested, public office holders have no doubt that a healthy workforce was the foundation on which the municipality grew. (See Annex 5 for full case of San Isidro Municipality.)

LGC mandates for health and social protection

The above example shows how local governments have been given sufficient powers to address health promotion and protection concerns of its populace, including power to craft development plans according to its priorities. As earlier explained, the Local Government Code has mandated the transfer of powers, personnel and budgets for the health and social welfare sectors to the local governments. Among the powers and authorities devolved are described below:

- Local governments are responsible for the provision of preventive health care services as well as the management of provincial, district and municipal hospitals.[38]
  While local health boards deal with policy directions, local health offices implement or deliver the programmes. The health office maintains a presence in villages through the barangay health workers (BHWs).
- Local governments are allowed to raise funds and develop cost-recovery schemes in order to sustain and improve health service delivery.

[38] The national government meanwhile retained administrative control over regional and specialized hospitals.

- Local governments also can develop health insurance programmes in order to better manage the cost of public health care. The financial burden of delivering local health services can be enormous, especially if constituents are poor and exposed to multiple risks. Insurance programmes help smooth out the cost of public health care.
- The Local Government Code has clear provisions for citizen participation in local special boards at the municipal/city and provincial government levels. The Local Health Board advises the local legislative body on health matters, proposes annual budgets for public health facilities and services, and presides over personnel selection, bids and awards, grievances and operations review. Local health agencies and health boards are therefore involved in determining health insurance policies and programmes.

Apart from the legal framework that gives mandate to local governments, the existence of a national social security and health insurance scheme enables local governments to extend protection to its constituents more effectively and with greater ease. If properly designed with clear avenues for local government to exercise critical roles, these national social security programmes can provide a ready framework for local delivery and, most important, enable local governments a wider system for pooling risks thereby reducing costs and expanding benefits.

Social security programmes in the Philippines are centralized at the national level, but there have been notable efforts for decades now to improve their accessibility to low-income and non-wage workers. The health insurance system also has created mechanisms for local governments to provide counterpart contributions particularly for indigent local populations and for organized groups. These national schemes provide a hospitable environment for local governments to consider a mix of options that include self-designed programmes or participation in a national programme. Or a combination of both. Box 7 outlines the different options local government units have taken in extending health insurance to their constituencies. The national social security schemes are described in Annex 6.

Box 7: Delivering social health insurance at the local level: Some examples

Local governments have implemented different types of arrangements for extending health insurance in their localities. The models presented below involve: (a) local governments enrolling its indigent populations with the country's national health insurance programme called PhilHealth; (b) local governments creating their own health insurance scheme and (c) local governments implementing PhilHealth's programme but topping up the existing benefits with additional insurance packages. These are briefly described below.

- ***Using the Indigent or Sponsored Programme.*** Pasay City has been one of the first cities to take advantage of the Sponsored Programme of the national health insurance programme called Philippine Health Insurance Corporation (Philhealth). Under the Sponsored Programme, local governments support the coverage of the poorest 25 per cent in health insurance by providing counterpart contribution, together with the national government. In 2000, the city government signed a memorandum of agreement with PhilHealth to begin implementing the program recruiting initially only 2,000 households. By 2007, over 19,000 households were enrolled in the Sponsored Program in Pasay City.

  There have also been instances where community-based organizations shared the cost with local governments so their members could participate in the Sponsored Program. The Mangoloy Multipurpose Cooperative in Mindanao and the Bigao Small Farmer's Cooperative in Bohol volunteered to pay a portion of the LGU's counterpart premiums for the Sponsored Program so that PhilHealth services could be extended to their members. Further, by their participation the local governments are entitled to capitation payment which LGUs could use to fund improvements on its local health infrastructure and facilities.

- ***Creating own health insurance scheme.*** In yet another example, the local government took upon itself the task of creating and managing its own health insurance scheme. The Naga City government passed an ordinance creating its own socialized health insurance program. After subsidizing its constituency through Philhealth's Sponsorship Programme, city officials came to the conclusion that being part of the national programme cost more than if they operated a scheme on their own. The disadvantage of this, however, is that a localized scheme lacks portability (members who fall sick while in another province cannot benefit from free services) and access to national and provincial hospitals is limited.

  In Batanes, six municipalities agreed to establish a common health insurance scheme in order to achieve economies of scale. Under a memorandum of agreement, these six municipalities agreed to share resources in order to operate a single social health insurance programme. By doing so, they were able to expand their membership base, enlarge risk pooling and reduce the cost of health delivery services.

- ***Topping up Philhealth with supplementary coverage.*** The Batanes provincial government interfaced a previously established local scheme with PhilHealth through a *twinned model*. PhilHealth, through its Sponsored Program, extended free health insurance coverage to residents of the province, including the members of the local scheme. The programmes were rationalized through a dual health insurance coverage system, with PhilHealth providing basic health insurance coverage and the local scheme providing supplementary health insurance coverage.

  The Naga City and Batanes City examples are described in greater detail in Annex 7 and 8 respectively.

3.4 Defending basic rights

Finally, in the area of worker right promotion and protection, the Local Government Code does not provide specific LGU systems and structures for its proper handling. Although local governments in general are mandated to enforce all national laws (including labour laws), there is a gap in terms of which agency within the local government will specifically handle issues such as labour mediation and industrial peace. This, however, does not mean local governments are not enjoined by the LGC to be creative and innovative in addressing labour issues and concerns.

In 1999, the Public Employment Service Office (PESO) Act was passed into law. The purpose of the law was to expand government's employment facilitation services by

establishing a PESO in each city and province. Although technical guidance is provided by the Department of Labor and Employment, the PESO is largely maintained and operated by the local government. Local governments have the option of expanding the power and authority of their PESO units to include promoting and protecting worker rights. In Quezon City, for example, the local government expanded the role of the PESO to include programmes that promote industrial peace in the city.

Local governments also have the power to create new offices or agencies that would handle labour concerns. This can be a new local government office or a special bi-tri-partite committee or council. In Marikina City and in Naga City, special tripartite councils were formed to specifically handle cases related to local labour disputes and to promote industrial peace.

Issues and challenges to promoting worker rights at the local level

In the Philippines, there is an array of national policies and laws that advance labour standards. Many of these are already enshrined in the Philippines Labor Code. Enforcement of these labour policies and laws has been inadequate however. Contributing to this problem is the absence of operating mechanisms at the local government levels.

The absence of any local operating mechanism in turn is largely due to the following conditions:

- absence of functional tripartite or social-partnering mechanisms;
- absence of highly-informed, actively-involved worker organizations; and
- absence of local legislation that mandate the creation of tripartite mechanisms and promotion of workers organizations.

Therefore, strategies that focus on these three areas of intervention help in establishing local operating mechanism that can help enforce labour standards at the local community levels. Among these is the availability of dispute resolution mechanisms. Key to the protection of rights is the availability of a venue where informal workers and their employers can find recourse when disputes or violations arise and where conflicts may be resolved.

It may be noted that while much of the emerging local practices with respect to labour protection pertains to the formal sector, the availability of worker-related structures at the local level is a first step towards extending its reach to informal economy workers. For example, workers in the informal economy can also benefit from these local structures if they are affiliated as members in accredited trade unions and their issues are presented by the trade unions in these tripartite bodies. One particular city that has made headways in establishing tripartite councils and ordinances to protect labour rights is that of Marikina City.

What can be most directly relevant to the informal economy in the Philippines at this stage would be the alternative dispute mediation mechanism made available again through the 1991 Local Government Code; namely, the judicial arm of the barangay or village government. This is described in the following section.

Mediating disputes at the local level

The barangay justice system in the Philippines is a formal system based on traditional mechanisms of mediating local disputes. It operates at the village level, the barangay,

which is the smallest administrative unit under the city or municipality.[39] There are approximately 42,000 barangays in the entire country.[40]

The barangay justice system was created in 1978 to decongest the courts of cases brought before it. It is presided over by the barangay chairman who is assisted by a council of mediators, selected from among residents of the village. The 1991 Local Government Code modified the system by requiring villages to create councils that would mediate petty crimes and small civil claims prior to filing suit in court.[41] Thus the Lupong Tagapamayapa (council of peacekeepers/mediators) was created in each barangay.

The importance of the local justice system could be appreciated against the background of the judicial system. In the Philippines, most citizens are not able to defend their rights through the courts which are overburdened, expensive and hard to access from remote villages. Judicial decision making is also often perceived to be tipped towards the favour of the moneyed and the politically influential. Hence those with no money or connections are believed less able to access justice.[42]

Labour courts also fail to mediate or settle disputes expeditiously, with some cases extending up to two or three years. And while some key labour institutions, such as the tripartite National Labour Relations Commission (NLRC), handle cases involving non-organized establishments and domestic workers, formal labour justice is still not readily accessible to workers who have no contracts or readily identifiable employers.

Given the above, the barangay justice system is most accessible to the population. Firstly, it is based on traditional practice, which relies on kinship and community mores; secondly, it is far less costly that the judiciary, with an average filing fee of 20 pesos; and, finally, it is faster and settles problems in a matter of days or weeks rather than years.[43]

In an innovative effort to improve the capacity of the system for mediation, the Gerry Roxas Foundation, with the support of USAID, developed "Barangay Justice Advocates," that is, citizen volunteers who are trained in mediation and various aspects of the law. BJAs receive cases directly from members of the communities in which they serve and are referred cases from the council of mediators. They are required to undergo training for eight days on the Barangay Justice System law, basic counseling and mediation skills, alternative modes of dispute resolution and traditional shari'a law (if they operate in the Autonomous Region in Muslim Mindanao). To settle family and inter-neighbour conflicts, they undergo paralegal course on the Bill of Rights, family laws, Revised Penal Code and laws on obligations and contract.[44]

[39] Barangays normally have a population approximating 5,000 individuals in urban areas and 2,000 individuals in rural areas.

[40] Golub, 2003.

[41] USAID, 2002.

[42] *Ibid*.

[43] Golub, 2003.

[44] Aurelio, 2007

By its first year of operation alone, the Barangay Justice System handled 279,115 disputes, settling 84 per cent of them.[45] In a 1999 national survey of people who had used the barangay justice system, it was found that 67 per cent of complainants were satisfied with the system, versus 28 per cent dissatisfied. Among respondents, the results were 44 per cent versus 46 per cent[46].

Although these findings can mask neutrality issues – such as decisions biased by personal relations, gender biases, and political clientelism as earlier mentioned – the Barangay Justice system has definite advantages that could be used for workers in the informal economy. Trade unions have used the barangay justice system to help settle cases involving home-based producers and their subcontractors. The Trade Union Congress of the Philippines has assisted homeworkers in demanding payment from reneging parties through barangay justice.

Certainly, there is much room for improvement within the system. For instance, many barangay chairmen and mediators lack capacity to mediate. Poor reporting procedures also prevent enforcement of agreements. Public knowledge of the system is inadequate and personal discretion or favouritism could prevail in the final decisions. The barangay justice system furthermore has structural limitations in that it can mediate only in cases concerning individuals residing in one barangay or adjacent barangays.

There is a continuing challenge therefore to strengthen existing mechanisms that provide access to rights, protection and dispute settlement. This would consist of capacity building of those responsible for running existing mechanisms as well as identifying venues on the city or municipal level where alternative dispute settlements could be carried out.

4. Strengthening social and civil dialogue

4.1 Introduction

As the ILO emphasized in the Report of the Director-General to the 90th Session of the International Labour Conference, many of the negative elements of informality are rooted in poor governance, which can be largely traced, in turn, to the absence of strong, independent informal economy organizations and lack of effective representation in policy decision-making processes.[47] Mechanisms to involve citizens and communities in planning and implementing local public activities, when carried out properly, can lead to accountable governments and more informed investment and policy decisions.

Participatory mechanisms however must be institutionalized and must be credible to local communities. To enhance equity and prevent dominance by any one single interest, they must include marginalized groups in a meaningful way. There is no one formula for engaging the citizens but a serious commitment allows local governments to experiment with methods, adjust based on feedback and setbacks and, through constant improvement, arrive at modes that allow local government to be more fully connected to its citizens.[48]

[45] Rojo, 2002.

[46] Golub, 2003.

[47] ILO, 2002.

[48] Work, no year.

Social or civil dialogue is a means by which workers, employers and other local stakeholders are able to defend their rights, deliberate conflicting interests, debate on measures that promote social equity, and arrive at policies and programs through consensus.

The ILO identifies four key elements necessary for social dialogue to be effective:[49]

- Strong, independent worker and employer organizations with good technical capacity and access to information
- Commitment to engage in social dialogue by all parties
- Respect for the fundamental rights of freedom of association and collective bargaining
- Appropriate institutional support.

4.2 Participation and partnership in local governance

Local governments need to see to it that these four key elements are present as they provide an enabling environment to foster participation and representational rights. One important step towards this direction is institutionalizing channels of participation and partnership in their localities. The Local Government Code makes available many of the legal tools and institutional mechanisms to create these channels. It is for local governments and social partners to utilize and maximize these tools and mechanisms.

Local Government Code Mandates

People participation and public-private partnerships in local governance are among the key features of the LGC. The Code displays an enormous amount of respect to civil society and private sector institutions and the vital role they play in local governance. It specifically requires the involvement of these institutions in planning, implementing, monitoring and evaluating local programs, projects and activities. Sections 34 to 36 of the LGC specifically state the following:

> "Local government units shall promote the establishment and operation of people's and non-governmental organizations to become active partners in the pursuit of local autonomy."
>
> "Local government units may enter into joint ventures and such other cooperative arrangements with people's and non-governmental organizations to engage in the delivery of certain basic services, capability-building and livelihood projects, and to develop local enterprises designed to improve productivity and income, diversify agriculture, spur rural industrialization, promote ecological balance, and enhance the economic and social well-being of the people."
>
> "A local government unit may, through its local chief executive and with the concurrence of the sanggunian concerned, provide assistance, financial or otherwise, to such people's and non-governmental organizations for economic, socially-oriented, environmental, or cultural projects to be implemented within its territorial jurisdiction."

Evidently, the LGC demonstrates a strong resolve to promote participation and partnerships. This is most clearly demonstrated by the mandatory membership of non-government organizations (NGOs) and people's organizations (POs) in the local special bodies. As earlier pointed out, the LGC mandates the establishment and activation of local special bodies, the principle behind which is to institutionalize participation and partnership in local governance.

[49] Harvey, 2005.

Identifying venues of participation and appropriate partnership arrangements

Looking at the local government structure in the Philippines (see Box 2), one sees that the locus of participation and partnerships resides within the local special bodies where civil society and private sector groups exercise the power to influence policy and planning formulation. This includes designing critical development programs and projects related to a variety of concerns, including enterprise and employment creation, social and labour protection measures and creation of social dialogue mechanisms. The local development council is especially relevant as it is responsible for coming up with the local government's comprehensive multi-sectoral development plan.

Other forms of participation and partnerships can also be found:

- Within the law making body (or sanggunian) committees and within the local government offices, civil society and private sector groups can participate in the discussion and deliberation of proposed local ordinances and resolutions.
- Within administrative bodies, private groups can enter into cooperative or joint ventures with the local government in implementing programs, projects and activities, including the delivery of certain basic services.

The extent to which local governments can pursue people participation and public-private partnerships rests on the degree of their innovativeness and creativity. The Local Government Code is very liberal in how local governments can pursue collective action and social dialogue.

Certainly different types of local governments lend themselves to different degrees of participation. The need for collective action and participation may only be minimal in some functions, while maximum participation may be the idea in others.

For example, streamlining local business registration and licensing procedures are carried out mainly by local officials. However, private sector involvement is key to identifying problem areas. Participation in this case may be confined to consultations and focused groups involving problems and ideas for solutions.

Large-scale investments are assumed to require little input from communities, yet people's participation help public officials realize where the infrastructure needs really are and what kinds of dislocating effects infrastructural works can have on specific groups. Some local special bodies in the Philippines that look after bids and awards assign seats to representatives of community-based organizations who then have a say in signing off investment proposals of the local government.[50] Through their participation, for instance, in these award committees and other such consultative committees, local constituents can actually reassess or even reject development projects that physically and economically dislocate communities. Through their influence, they can also set some of the terms in which investments are allowed entry into the locality, for instance, in terms of hiring local workers and preparing them for the required skills.

Annex 4 illustrates another example of inclusive participatory planning. That is, how one municipality (Concepcion) has fielded community facilitators to activate and convene barangay assemblies, where infrastructural priorities are submitted to the municipality for funding.

[50] Yu and Karaos, 2004.

There are activities, on the other hand, which demand a high level of collective action and participation. Local housing and resettlement activities, which impact deeply and directly on the lives of citizens, require stronger participation and partnership arrangements. Annex 11 relates one such example.

Current issues and challenges

The opportunities presented by the Local Government Code in institutionalizing and operationalizing good governance is contingent on a number of factors, foremost of which is the capacity of the LGU and the local civil society groups to not only work together but also work within the system set by the Local Government Code.

Although there have been many cases of very good public-private partnerships, more can still be accomplished in expanding the space for participation in governance. Civic participation in local special bodies, for example, thus far, have been assessed to have done little to influence policy and decisions making; moreover, participation has been uneven and unsystematic. This outcome can be traced to haphazard compliance or non-compliance with the provisions of the Local Government Code as regards convening the local special bodies.[51]

There are a number of reasons why participation in local special bodies has not been very successful. One of the major factors has been that many LGUs and civil society organizations have inadequate orientation, capabilities and skills to work within the system prescribed by the LGC.

On the other hand where participation within local special bodies has been successful, the following factors were observed to be present:[52]

- Partnership was mutually beneficial for each other's program;
- Partnership has concrete and immediate effects;
- Parameters for partnership are clear; and
- LGUs and organized groups have the skills for partnership, including technical skills.[53]

Thus, equally important to enhancing local governance efficiency and effectiveness is capacitating LGUs and organized groups to work the system set by the LGC. Mendoza (2006) explains that there are intricate LGU mechanisms and processes that comprise the system. If they are to be effective members of political society, LGUs and organized interest groups must be able to understand, appreciate and improve on these mechanisms and processes. Among them are:

- Executive-Legislative partnerships
- Sectoral priorities
- Relationship between the local and national governments
- Relationship between LGU and private sector
- LGU realities (e.g. political patronage, political plans, electoral cycles)
- Planning-budgeting processes and provisions

[51] Local Governance Policy Forum, a network of national NGOs involved in social development and participatory governance.

[52] Villarin et. al., 2002.

[53] Annex 11 demonstrates how a federation of urban poor communities was able to collaborate proactively because of their strong orientation towards technical skills and learning.

- Legislation process, including ordinance drafting
- Administrative process, including identifying spaces for collaboration
- Revenue generation sourcing
- Expenditure management process.

The task of finding appropriate spaces for collaboration does not rest solely on the local government. As a matter of fact, there have been cases where it was civil society groups which were able to propose avenues of partnership to local governments. Where the relationship has grown to be conciliatory and trust has been built, local governments have been found to be receptive to such proposals. In Iloilo City and General Santos City, for example, the local governments involved have, in earnest, requested their civil society partner, a federation of urban poor communities, to take the lead in drafting the terms of reference of their technical partnership on city-wide slum upgrading. (See Annex 11.)

Thus, despite the issues and challenges that confront the effective enforcement of the LGC, the Code arguably opens enormous political space for both LGUs and organized groups to influence policy and decision-making.

How this expanded political space can be translated into clear policies, programs and activities leading to decent work outcomes, rests on the imagination, creativity and commitment of local governments and their communities. The strategies and approaches described in the following sections may provide some ideas on how local governments can begin the work towards strengthening social dialogue in their localities.

4.3 Some experiences

Mechanisms to "cascade" participation to key levels of governance

Activating and expanding the powers of LSBs. As explained, local special bodies function not only as technical and advisory support to the local chief executive but also as the venue through which NGOs, POs and other private sector groups can influence local policy formulation and planning. In Batanes Province, reactivated local health boards were used as the venue for spearheading in a participatory manner the creation of a province-wide social health insurance program. Community health workers were furthermore organized into an association and were made part of the local health boards in helping to formulate and implement Batanes' first Provincial Integrated Health Plan.

Participation in local sanggunian through committees. Another area where participatory governance can make a substantial difference is in the process of drafting local legislation. Section 41 of the LGC mandates sectoral representation in the local legislative body or sanggunian. This provision however has not been implemented pending the passage of an enabling law by Congress. In Naga City, however, the local government enacted an ordinance that allowed a multisectoral group, the Naga City People's Council (or the NCPC),[54] to sit and vote in all committees of the sanggunian. By directly participating in the committee hearings and deliberations, the NCPC is further able to influence how local laws are formulated and put together. They can also reject the passage of proposed ordinances and resolutions that run counter to

[54] The NCPC is composed of 108 member organizations and federations representing the 13 basic sectors of Naga City namely, barangay people's councils, business, children, cooperatives, labour, NGO, peasant, persons with disabilities, senior citizens, transport, urban poor, women, and youth.

development objectives and which serves only vested interests. See Annex 9 for more on Naga's Empowerment Ordinance and the NCPC.

Functional and working relationships with the various local government units. One way of getting executive offices used to collaborating with civil or private organized groups is to involve the heads and staff of local government offices in the activities of the sangguinan committees, working groups and task forces where representatives of civic groups participate. For instance, the Iloilo city government, in its effort to revitalize the city's tourism industry, secured the support of NGOs/POs and business groups by getting them involved in the work of local tourism task forces and working groups. These included the Iloilo City Convention Bureau, Iloilo City Tourism Commission, Task Force Calle Real, Iloilo City Heritage Conservation Council, Iloilo City Investment Board, and Task Force Clean and Green. Through these task forces and working groups, local officials were able to work closely with civil society and other private sector groups, paving the way for future collaborative or joint ventures.

Institutionalizing social dialogue structures and mechanisms. Participation and partnership must be institutionalized if these are to be sustained. In Marikina City, the local government entered into a Memorandum of Agreement (MOA) with the city's Alliance of Trade Union in Marikina (ATUM) and the major business groups in the city to establish the Tripartite Industrial Peace Council. The MOA provided the proper set of systems, structures and mechanisms that would lead to effective and responsive social dialogue among the city's employers and workers. The city has also established, for now only through an executive order, a local economic development board composed of multi-stakeholders coming from the local legislative council, local government departments, private sector, trade unions, academe, community associations, media and non-government organizations. Its function is to provide a venue for discussion and exchange on issues affecting local markets and job opportunities (See Annex 10 for details).

When set into contracts or local ordinances, social dialogue processes that have been created by one local administration are better sustained even as mayors or governors are changed through electoral cycles.

Creating an institutional space for participation will not be easy. Opposition is likely, especially from local politicians who may view it as a diminution of their authority. Thus, it is important for private sector and civic groups to first gain the trust and confidence of local politicians and officials, to develop rapport and functional working relationships, and to gradually develop a governance model that play on the core competencies of local stakeholders and that promotes dialogue, synergy and resource pooling.

4.4 Association- and alliance-building

Participation in governance is as good as the ability of the citizens to take part in the created venues meaningfully to represent their interests. The availability of such venues, indeed, has a catalytic effect on a city's citizens, organizing among their ranks and utilizing the space created for them. Since Naga City started engaging grassroots organizations through a social amelioration programme for the urban poor, for example, it saw the

number of associations rise from nine, when it started in 1989, to 70 six years later. Presently, it has around 200 organizations.[55]

In order for them to participate meaningfully, citizen's organizations would need to be able to engage on technical and operational issues. These have to do both the technical content of the issues on which policies and programmes are deliberated. For instance, communities learn about the technical aspects of policies or programmes and not simply to make demands. Knowing the technical issues have allowed communities to deliberate together with government on how to improve programmes and services. Health insurance, land titling and housing regulations, contract laws, savings and financial management, laws affecting land tenure, are but some of the technical issues communities have learned through experience and training.

Communities also learn about the mechanics of public administration, including budget appropriations, public agency mandates, preparation and passage of ordinances. Knowing these has allowed communities to propose creative approaches to government, such as where budgets for social and economic programmes can come from or which programmes can actually be used to address evolving needs. They also learn to draft ordinances so that they are more easily considered and passed by the Sanggunian. Where local government and organizations have developed trust and good working relationship, cross-fertilization of ideas takes place more smoothly and productively. Annex 11 shows an example of how this has taken place in the case of the Homeless People's Federation Philippines, which collaborates with local governments in over 15 cities and municipalities across the country.

5. Summary and conclusion

Locally-driven strategies are becoming more and more relevant in an economic environment facing increasing pressures from globalization, new trade patterns, regional integration, market liberalization and new investment opportunities. Stronger local economic and social systems are needed to balance the growing disparities among regions and localities caused in no small measure by global competition.

Decentralization is of vital important to improving governance. It is believed to foster efficiency and effectiveness in public administration especially in a large archipelago like the Philippines with 85 million people spread over 800 islands with diverse linguistic and cultural backgrounds. It is viewed as a way of potentially correcting institutional failures where concentration of power hinders the development of regions and of the entire country. Local governments and local stakeholders therefore play a key role as enablers of the development process.

The aspirations of local governance – namely, the preservation of life and liberty of its citizens as well as a decent quality of life – correspond to the goal of decent work. Decent work refers to a condition where people's rights are upheld, where they have access to employment opportunities, where they are protected from hazardous work and from life's contingencies and where they are able to participate meaningfully in public life. Decent work brings attention to the fact that employment is not just about providing jobs but about maintaining conditions that preserve one's capacity for keeping jobs and for gainful employment.

[55] Interview with Johann Dela Rosa, Acting Executive Officer of the Naga City People's Council. 7 June 2007.

Effectively promoting decent work is much more challenging in the informal economy where workers lack access to protection, where work takes place outside of what is monitored, and where the need for survival can push people to work in highly unsafe conditions. Informality is primarily a governance issue. It reflects policies, structures and mechanisms that fail to serve whom they are meant to serve. Such an inadequacy in governance results in populations of workers and enterprises which are not recognized, regulated or protected by the law.

This paper discussed how local governments could effectively promote decent work in the informal economy. It identified policies and mandates that support the decent work imperative. It provided examples of how local governments have creatively maximized their mandate to produce innovative interventions that advance decent work.

The experiences are rich and policy lessons can indeed be drawn from these examples. Among these lessons are as follows.

Importance of an enabling environment for local development

In the Philippines, the passage of a landmark law created an enabling environment for decent work to take place in the context of local development. The Local Government Code of 1991 paved the way for a revolution in governance as it facilitated the devolution of substantial power, responsibility and resources from the national to local governments. It furthermore increased the level of citizen input into local government decision-making. The Philippines, in fact, is now one of the highly decentralized countries in Asia.

A number of local governments have maximized this new authority and duly complied with their mandate to create and implement these local bodies. While the Code provided the tools and handles for local governments to introduce innovative policies and programmes, some LGUs have even gone beyond their mandates and those explicitly noted in the code.

For instance, even as the areas associated with decent work and the informal economy are not expressly mentioned in the code, many LGUs have in fact developed policies and implemented programmes that pushed for rights at work, employment promotion, social protection and tripartism and social dialogue. Examples cited in the paper include Marikina City's innovation on promoting rights at work and social dialogue, Ormoc City's initiative in small business registration and licensing, Naga City's integrated economic and enterprise development strategy, Batanes' health system, and Naga's empowerment ordinance.

The Local Government Code also created special bodies where citizens could input into policy and planning processes. Local development councils are mandated to formulate of local development plans, which would then be ratified by local legislative bodies called the sanggunian. Local special bodies look after specific concerns such as health, education, bids and awards, housing and economic policies.

The code has set the tone for LGUs to facilitate local development. Further, it is also broad enough to encourage local governments to be innovative and creative in their initiatives at the local level. Yet, it provided a clear institutional framework for establishing venues for participatory governance in various areas of concern to local constituents.

Quality of local government units and local chief executives

Local governments play a key role as enablers of the local development process. Increased authority is equivalent however to greater responsibilities and accountabilities.

Examples cited in the preceding chapters have shown that indeed LGUs role in promoting decent work is essential. Yet policy and programme responses must be couched on a good set of information about local development priorities and needs. It relies on local chief executives and local institutions that have good capacities and who have

developmental mindsets. Hence, investments on capacity development of LGUs are of vital importance for responsive policies to take root.

As one may discern, there is no one formula for local development; rather, a serious commitment allows local governments to experiment with methods, adjust based on feedback and setbacks and, through constant improvement, arrive at solutions and modes for local government to be more fully connected to its citizens.

Thus, LGU leadership is critical. The local chief executives play prominent and leading roles in many of the innovative experiences documented throughout the paper such as in Marikina City and Naga City. Political will, development vision, serious commitment and humility to listen – these are critical for progress to take place.

While the individual capacities of local governments and chief executives are critical, one can imagine the complex set of policy, regulatory and service inputs that local governments and chief executives have to address, encompassing both economic and social welfare provisioning functions. Chief executives who are elected into office are not always honed in the affairs of that state. And even while incumbents are able to learn the ropes and become quite steep in their functions, change in leadership is expected given electoral cycles. The need for a framework and venue therefore for local governments to learn good practices collegially cannot be overemphasized. In the Philippines, the Mayor's Development Center (MDC) was established to provide training and seminars for city and municipality mayors. This is an important step towards ensuring that capacities are developed and that somehow, amid changes in administration, there can be some continuity in the level and quality of governance.

Role of building and preserving human capital in fueling local economic development

Businesses tend to grow in locations that have cost efficient access to utilities and infrastructure and where they can share market information and labour pools. This is called economies of agglomeration where the concentration of amenities allows firms to reduce transaction costs and search costs.

Unfortunately, this cost-oriented view tends to be extended to labour input as well. It is believed, for instance, that minimum wages and presence of labour unions are among the chief private considerations when selecting investments locations. For a time and until it revised its methodology, the World Bank's Doing Business Survey, reflected this view as well as it includeed within its cost factors labour protection measures such as social security premiums and separation pay (which are translated into cost of hiring and cost firing).[56]

Yet, economic development cannot prosper in a vacuum. It cannot thrive in an environment where human resources lack skills and are unhealthy. Local governments play a very important role in promoting the quality of labour and to build the true base of competitive advantage in local economies: skills, education, health, and training opportunities. These investment decisions cannot be left solely to the private sector as it would be more concerned with short-term skills needs rather than longer term development and social integration issues.[57]

[56] Changes to the methodology of Doing Business 2011, taking account of ILO Conventions, are detailed in this link: http://www.doingbusiness.org/methodology/employing-workers.

[57] On the matter of competitive indices: the Global Competitiveness Index, issued by the World Economic Forum, is yet another framework for ranking countries according to comparative strengths

Nowhere is this strong development thinking seen in this paper than in the example of San Isidro, Nueva Ecija, where health concerns were addressed at the beginning of an economic growth campaign of the local government and where health interventions are integrated in most economic interventions.

Clearly, we need more examples of initiatives that emphasize social development as much as economic development. Quantitative studies establishing this link can also be a powerful tool to convince businesses that factors that appear directly to them as cost – such as occupational safety and health and social insurance contributions – actually translate into savings and better productivity.

Relevance of national policies and laws on local development

Local development takes place within both a national and a local context. It is influenced by many aspects such as the national economy, national policies, national institutions and the legal framework. The passage of the 1991 Local Government Code is one clear and positive example of how a national legal framework can set the stage and can provide the handles for local governments to exercise more authority, power and resources. Likewise, the national health insurance system has opened channels for local governments to participate so as to facilitate the extension of health insurance to their indigent constituents. Macroeconomic and trade policies also have a direct effect on local development. Tariff reductions, for instance, can promote industries found in certain localities or they can stifle local economies with the entry of cheap competition. There has been little evidence however of local governments lobbying visibly with national government for macroeconomic and trade policies that impact on them.

In the case of the Philippines, national policies are developed mainly in relation to the position of the country in the global context, without much dialogue taking place between the macro, meso and micro levels in the process of policy formulation. In other words, most of the national policies are not designed in a way that takes into consideration the needs of a local economy. One can also imagine the complexity of the task when one realizes how different localities have different – and possibly competing – interests. Yet, inputs from local institutions are critical for national policies and programmes – and such consultations are practiced, they must be documented and shared in order to achieve greater policy coherence.

Challenge of continuity amid changes in administration

As local governments change leadership every three years (or in the case of the Philippines a maximum of nine years if elected for three terms), the issue of ensuring continuity amid electoral changes must be considered. It was noted above that progress in local development in the Philippines relies heavily on the political will of local leaders. Hence, the limited term of elected officials poses a challenge to the sustainability of successes.

Leaders of local governments recognize this challenge. In the cases that have been described in this paper, the local chief executives have institutionalized programmes through legislation or have set up infrastructure that can continue the programmes that have been started. Such is the case in Marikina City when it set up the tripartite council and in

and weaknesses, taking into account 90 variables (of which 7 are derived from Doing Business Indices). These variables include those related to health, basic and higher education, and quality of economic and social institutions. The 90 variables fall under the following 12 categories: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

Naga City which has passed the Empowerment Ordinance and integrated its industrial thrusts in the local Investment Code.

It is also hoped that the creation of the Mayor's Development Center can improve the learning curve among new mayors so that they can build on the successes and lessons learned from local executives not only in one's locality but nationwide.

The shift towards creating more platforms for participation at the local level has created new opportunities for the involvement of local players in decision-making. People participation in local development is a key factor that ensures sustainability. Encouraging and ensuring that involvement of civil society, people's organization and private sector institutions in governance contributes to increased ownership of local programmes – as well as accountability and transparency. The best example is that of Naga City where power has been shared, in law and in practice, with local stakeholders who can even overrule the mayor's recommendation. Yet it still has to be seen that such a thrust will continue throughout subsequent changes in administration. It is hoped however that policies and programmes can be sustained when people know how to exercise and expect accountability and recognize their power beyond simply that of the local chief executives.

Decentralization – an incomplete revolution[58]

Finally, the durability and continued success of any policy initiative have to be seen in terms of the broader political circumstances in the Philippines. To be sure, decentralization is the path towards better governance in a country with a highly dispersed geography and diverse culture and ethnic groupings. And this paper started with the remark that a revolution in governance took place with the passage of the landmark act, the Local Government Code. However, a number of issues remain which need to be addressed.

Firstly, the political system in the Philippines remains highly patriarchal. Political competition generally does not reward development oriented mayors and governors, but rather traditional candidates or those who run on personalistic appeal. Politicians known for their success in improving health and social indicators – or vow to –have had less electoral appeal and have been observed to lose even as incumbents. Such a political culture does not encourage replication of successful local initiatives.

Secondly, the lack of coherence between local initiatives and national policy making, including discord between national and local politicians, also make it difficult to scale up pockets of success. Finally, a study of the World Bank furthermore cites a number of weaknesses in the delivery of social services, rooted in the uneven patterns of revenue allotments and taxation powers, as defined in the Local Government Code, and thus marks weaknesses in the Code itself.

Much of the success in local economic development reported in this paper has anchored on the dynamism of the chief executive officers who were able to use available policy handles and institutional mandates in innovative ways. The reported experiences show where the opportunities can be found to promote the quality and quantity of employment, decent work in other words. However, the preconditions for economic and employment growth at the local level would need to go beyond the personal attributes of the leader and must delve deeper into a system of incentives, policy coherence and institutional coordination. Even legal reform, if need be, although further amendment of the LGC is less likely to happen in the Philippines. This is where further survey of analytical and legal frameworks as well as global experiences can be instructive in the future.

[58] This section benefits from the views expressed by Aurelio Parisotto, Policy Integration, ILO Geneva, November 2011.

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Annexes

1. Encouraging new enterprise growth through MEDP in Maydolong, Eastern Samar

Maydolong is a fourth class municipality located in the Province of Eastern Samar. The municipality is rich in natural resources, with close to 60 per cent of its land area classified as forest lands.

In 1995, in an effort to spur enterprise development and linking businesses with Maydolong's rich natural resources, the Municipal Mayor of Maydolong through the help of the Institute for Small Business and Industry Foundation Inc. (ISBI) and the Small Economic Enterprises Development Inc. (SEED) began formulating a municipal enterprise development plan (MEDP).

The MEDP is basically a medium-term comprehensive area resource-based plan designed to help local government units identify and develop potential community-based enterprises in their localities. It uses a bottom-up planning approach, ensuring that key stakeholders are effectively and actively involved in the planning process. In Maydolong, the formulation of the MEDP was carried out in three phases: project set-up phase, assessment phase, and formulation phase.

MEDP: 3 Phases

Phase 1: The project set-up phase involved the formation of a special LGU Study Team that worked closely with the SEED-IBSI consultant. During this phase, SEED-ISBI facilitated a number of capability-building sessions to improve the technical skills of the LGU Study Team in conducting the MEDP. These sessions included: orientation on MEDP concepts, technical inputs on the conducting the Barangay Consultation and Planning Workshop, and training on data gathering techniques.

Phase 2: The assessment phase involved gathering data from the communities. The LGU Study Team carried out activities such as rapid rural appraisal; surveys, key informant interviews with representatives of national and local government officials (including barangay officials and staff), non-government organizations and cooperatives; and the Barangay Consultation and Planning Workshop (BCPW).

During the BCPW, sectoral representatives coming from farmers, fisherfolk, youth, women and small handicraft producers were present. The workshop helped identify the key resources in the area, preferred enterprises and priority infrastructure projects. It ended with an action plan to implement the development of the identified priority enterprises. All these outputs helped in developing the Barangay Enterprise Development Plan (BEDP).

Phase 3: The formulation of the MEDP was mostly undertaken by SEED-IBSI, using data culled from the rapid appraisal activities and key informant interviews and using inputs from the BEDP. The proposed MEDP was later presented to the Maydolong LGU and other stakeholders for validation and comments. The MEDP and BEDPs were later validated and approved by the local legislative councils.

Institutionalizing a delivery mechanism

In order to provide a delivery mechanism for the proper implementation of the MEDP, the Maydolong Business Resource Council (MBRC) was formed. This local special body was composed of 11 members coming from the LGU, line agencies, academe, private sector, NGOs, people's organizations, and cooperatives. Its primary functions were to provide direction and coordination of the MEDP and to support policy and legal advocacy

needs, marketing, technology and education, research and development as well as financial requirements.

The MBRC later conducted several community visits to draw out specific concerns of the communities and identify activities to promote the identified industries. The following enterprises were identified: rattan furniture making, basketry, food processing, mushroom culture and processing, contracted plumbing services, honeybee culture, and seaweed farming and lobster and crab fattening. In partnership with various agencies, such as TESDA, DTI and the Leyte Chamber of Commerce and Industry, the LGU thereafter provided training and re-training, marketing assistance, and small grant support.

Lessons learned

The MEDP approach utilizes a highly participative process. It systematically brings the discussion of economic and enterprise development down to the level of the barangays and municipalities, tapping into indigenous knowledge and technologies. The result is greater stakeholder ownership. Local officials are more inclined towards implementing and financing programs and projects proposed out of this process, while local constituencies are more inclined towards participating in projects in which they had a hand in selecting. In the case of Maydolong, the municipal government even went so far as to create and fund a new local special body that will oversee the marketing and implementation of the Maydolong MEDP.

A well-designed MEDP can also be used by the LGU as a marketing tool to attract and mobilize resources from government agencies, development agencies and private sector investors. It provides these agencies and other potential investors with a more accurate picture of local conditions, of its prospects for growth and equity, and of the strategies and approaches that can best promote enterprise growth.

Source:

Small Economic Enterprise Development (SEED), 2006. “Harnessing People Participation in Local Governance: the MEDP Experience,” SEED, Philippines.

2. Business registration and licensing process streamlining in Ormoc City

Business profile of Ormoc City

Ormoc City is predominantly agricultural with more than 70 per cent of the city's employment found in the agricultural and fisheries sector. In recent years, the city has been experiencing a rapid increase in the number of micro-scale businesses engaged in wholesale and retail trade as well as in contractor and manpower services.

The streamlining process: 4 stages

Ormoc City government began a process of streamlining its business registration procedures. The assessment was carried out in a highly participative manner, involving key stakeholders including:

- local government unit (e.g. the City Mayor and the Business Permits and Licensing Office);
- National Government Agencies (e.g. regional offices of the Department of Trade and Industry [DTI], Bureau of Internal Revenue [BIR], Social Security System [SSS], Pag-ibig Fund, and Philhealth);
- the private sector (e.g. Ormoc Chamber of Commerce); and,
- NGOs (e.g. GTZ's Private Promotion Program [SMEDSEP[59]]).

The process was carried out in four stages, namely, diagnosis, planning, implementation, and evaluation. These stages are described here.

Stage 1: Diagnosis. Key to the diagnosis of the registration procedure was the application of a time and motion study in Ormoc City. The time and motion study showed that it took 14-17 steps to complete a business registration and licensing cycle in Ormoc City. The bottlenecks and problems were found in inadequate guidelines on procedures and requirements, having too many unnecessary steps and backtracking, geographical dispersal of business registration and related offices, and rude city personnel.

Stage 2: Planning. Informed by the earlier diagnosis, the DTI-Leyte and the Ormoc City Business Permits and Licensing Office (BPLO) conducted actions planning workshops a few months later. Representatives of the following agencies involved in the registration process attended these workshops: Philippine Health Insurance Corporation (PhilHeath), the Bureau of Internal Revenues, Social Security System, and the Philippine Home Mortgage Corporation (Pag-ibig Fund). An action plan was drawn up after these series of workshops in March 2005 and later revised in October.

The actions plan focused on physical, procedural, material, and personnel variables. The plan recommended setting up Business One-Stop Shop (BOSS) facilities, streamlining procedures and requirements, simplifying workflows, broadening and enhancing information dissemination, improving the physical lay-out of the business registration offices and integrating these with other relevant offices, improving system of updating records through the use of computers and information technology, and re-orienting and re-training city personnel to be more "customer-friendly".

Interestingly, most of the action points identified did not require the passage of new local laws or ordinances for these to be implemented, proving that many reforms are doable

[59] Also known as Small and Medium Enterprise Development for Sustainable Employment Program.

within the current local mandates and legal frameworks. Simple office orders and issuances from the City Mayor were sufficient for the action plans to take effect.

In November 2005, the Ormoc LGU and the local office of the Department of Trade and Industry presented the action plan to the Ormoc Chamber of Commerce in a business forum. As a result of the dialogue, a memorandum of agreement was forged among the Ormoc Chamber of Commerce, DTI Leyte, Ormoc LGU and other national government agencies (PhilHeath, BIR, SSS, Pag-ibig). They agreed to have an improved business registration and licensing procedure by January 2006. The MOA also established a technical committee for this purpose, to be composed of each stakeholder's representative.

Stage 3: Implementation. By January 2006, Ormoc City began implementing its new business registration and licensing system. The recommendations identified in the action plan, especially those which concerned streamlining and simplifying processes and procedures, were largely put into effect.

Some problems were encountered naturally. Because of financial and time constraints, relocating the BOSS to a bigger venue could not be implemented and was set for the following year. Some backlog was also experienced as soon as the applications reached the City Treasurer's Office. This was largely due to insufficient computer facilities available to city personnel to handle the large volume of transactions.

Stage 4: Evaluation. To test whether the new business licensing procedures had resulted in greater efficiency, another time and motion study was conducted during the next business registration renewal period. A random sampling survey was also carried out to get feedback from the "clients". The results of the time and motion study and the survey were later validated in a workshop participated by the major stakeholders.

Based on the evaluation results, the changes in the business licensing system in Ormoc City resulted in a drastic reduction in the amount of steps and the time it took to obtain a business permit. From 14-17 steps, it now only took 5-10 steps to complete a registration cycle and it now took only two days to receive a business license after its approval. As a result, the customer satisfaction was greatly improved and the number of approved business permits in January increased by 25 per cent, signifying increased formalization among enterprises.

Lessons learned

- First, the Ormoc City experience shows that local governments do not necessarily have to take on all the work by itself. By building strategic partnerships and working closely with national government agencies, the Ormoc Chamber of Commerce and the GTZ-SMEDSEP, the local government of Ormoc was able to design, plan and implement a more efficient, convenient and business-friendly system.

- Second, critical to the process was the participation of the private sector, especially during the planning stage. By involving the Ormoc Chamber of Commerce in the planning process, the city government was able to better identify and resolve gaps in its registration system. Moreover, it proved to be an opportunity for the city government to get the support of the business community and make the whole process a multi-sectoral endeavor.

- And finally, political will and active commitment of local government officials and personnel, especially by the local chief executive, are key factors in improving local business registration, permits and licensing systems. Intra-LGU cooperation and improved attitudinal values are also important pre-requisites in ensuring that planned reforms are properly implemented.

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3. Integrated economic and enterprise development strategy in Naga City

By Reginald M. Indon

Naga City's experience in enterprise development and investment promotion provides an excellent example of how local governments can stimulate growth while ensuring that small and micro-enterprises are linked to the growth prospects of a city. It also demonstrates how different employment strategies can be packaged into one comprehensive employment generation program. Moreover, the path it has taken towards planning and economic growth is grounded on decentralized and participative governance.

Development philosophy

Since the late 1980s, Naga City has been experiencing rapid business growth. Apart from the entry of large-scale firms, there has been a tremendous growth and influx of micro-enterprises into the city, most of which are engaged in wholesale and retail trade services. A proper investment climate, complemented by responsive local government programs and services that supported enterprise development, employment creation, and social equity, led to Naga's growth-oriented path.

Naga City's development philosophy is based on the principle of participative governance. And this is reflected in the programs carried out by the city. LGU-private sector partnership is a key element in all of the city's programmes.

In order to stimulate economic growth and ensure broad economic participation, Naga City made sure that its programs and services not only promote economic development and expand investment opportunities within the city, but that it also ensured that economic growth is able to reach the poorest sectors of the city. These programs and services are always carried out through public-private partnership. Naga's experience is described below.

Strategies employed

Promotion of growth zones

Realizing that the city's old Central Business District (CBD) had not kept pace with the growth of businesses in the area, the city government in partnership with Naga City's business community undertook large-scale programs in establishing new growth zones within the city. The rationale for this was to decongest the old CBD and to expand investment opportunities in the city's peripheries.

There are now six growth zones in Naga City: the old Central Business District (CBD I), the new Central Business District (CBD II) which is also know as Naga's Transport Exchange, the South Riverfront Growth Area, the Concepcion Growth Corridor, the East Highland Tourism Zone, and the Naga City Agro-Industrial Zone.

To attract businesses and investments into these identified growth zones, Naga City facilitated the construction of hard strategic infrastructure such as satellite or district markets, new transport terminals, and commercial buildings.

Satellite/ district markets. To disperse development to identified growth areas and urban poor sites, the city government established satellite or district markets. Private investors were tapped to undertake the construction and operations of these markets to help defray the cost. So far, a total of five district markets have been established in the city that opened up more than 270 new stalls.

Transport terminals. Under its Urban Transport and Traffic Management Plan, Naga City relocated the city's transport terminals outside of the CBD. By doing so, it was able to bring development to the peripheries while decongesting traffic in the old CBD.

The integrated bus terminal in the new CBD, for instance, became the growth zone's "anchor" for development. Capable of handling over 800 buses a day, the terminal caters to thousands of people who regularly commute to and from Bicol, Manila and the Visayas (which is another major island group in the Philippines). The huge human traffic has spawned the growth of commercial establishments and businesses in the area.

Commercial buildings. Through build-operate-lease arrangements, the city government was able to encourage private investors to construct new commercial buildings in the identified growth zones and other sites.

New opportunities for micro-entrepreneurs

The emergence of these growth zones and hard strategic infrastructure provided two critical opportunities for Naga City's micro-entrepreneurs: access to work space and access to new markets. In effect, the growth zones provide opportunities for the city's business investors, including micro-entrepreneurs, to be both physically and commercially integrated with existing and emerging markets.

The idea of physically and commercially integrating the city's expanding micro-entreprise sector to new emerging markets in the city was not incidental; rather, it was the product of a conscious effort by the city government in partnership with the local business sector to systematically provide growth opportunities for the city's micro-enterprise sector. It was clear from the very beginning that it was not enough to just establish new growth zones and construct new hard strategic infrastructure. Equally important was to ensure that these were accessible to the city's small and micro-business operators. This was borne out of a development philosophy that balances economic growth with social equity.

Creating opportunities for job seekers

Naga City created the Metro Public Employment Service Office (Metro PESO) to ensure that its constituents benefit directly from the ensuing economic development. Metro PESO functions as the delivery mechanism for employment facilitation, livelihood enhancement, cooperative development and manpower upgrading.

Demand-led employment-facilitation and skills training. The Metro PESO adopts a highly systematic procedure for registering and matching workers with job opportunities.

- It conducts rigid pre-screening of applicants to ensure that employer requirements are met.
- It conducts background check on PESO applicants, identifies skills and experience already acquired by the applicants, and if needed provides additional training for the applicants to meet employer and labour skills standards.
- Even when applicants are already employed, the Metro PESO continues to monitor their performance and employment.
- It regularly checks whether or not employers are able to observe labour and employment standards.
- In cases when there are some labour problems, the Metro PESO mediates between the parties involved.

The Metro PESO, therefore, not only helps people look for and land jobs, but it also helps people keep their jobs and work within decent employment conditions. The Metro PESO makes extensive use of information technology to maintain records of each registered applicants.

Systematic provision of livelihood and enterprise development program. Apart from employment-matching, the Metro PESO is also engaged in livelihood and entrepreneurial development activities. The Kabuhayan para sa Kauswagan is a livelihood and entrepreneurship program designed and carried out by the Metro PESO to systematically provide economic advancement through business development for the city's underprivileged. There are four projects under the program: the Community-Based Training for Enterprise Development Program (CBTED), the Micro-Enterprise Development Program, the Cooperative Development Program (CDP), and the Women Empowerment through Enterprise Development (WEED).

The Metro PESO through its livelihood and enterprise development program and projects is able to extend its original mandate from merely undertaking employment-matching activities to carrying out employment-creation activities. And it does this through a systematic upgrading of the skills, resources and network of the city's start-up entrepreneurs.

Close partnership with national government agencies. The Metro PESO cannot take on all these programs and activities without the support of national government agencies such as the Department of Trade and Industry, Department of Labor and Employment, Technical and Education Skills Development Authority, Technology and Livelihood Resource Center, Cooperative Development Authority, etc. Metro PESO works closely with these line agencies in identifying and developing programs and services that are suitable for the city's needs and circumstances. In turn, it is able to do away with duplication and is able to facilitate complementation of public resources.

All these line agencies are also housed in the same building as the Metro PESO. This way, program clients can transact their business in the same building. To further streamline the time and process of transacting with these line agencies, Metro PESO also facilitates most of the transaction on behalf of program clients. This way, program clients need not go through various offices to complete their transactions.

Extensive use of information technology. Metro PESO extensively uses information technology to facilitate most of its activities and transactions. It maintains, for example, a database of its clients, and updates these regularly to help Metro PESO staff quickly and efficiently monitor the status and performance of their clients.

It likewise uses web-based information to promote many of the department's programs and activities. Found in the Metro PESO interactive site are postings for job opportunities, listing of procedures and requirements to avail of PESO services, and other resources (e.g. training videos).

All these featured good practices of the Metro PESO has helped make Naga City very successful in promoting employment and business opportunities among the city's indigent and low-income sectors.

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4. An integrated approach to local development towards zero poverty

By Ma. Lourdes Kathleen Santos

The municipality of Concepcion is one of the 42 municipalities and one component city of the province of Iloilo, the largest of three provinces in Panay island. It is situated in the easternmost portion of the island and in the northeast of the province, and is bounded by the Visayan Sea on the east, by the municipality of San Dionisio on the north, and by the municipalities of Ajuy and Sara on the west.

As of the year 2000 census, a population count of 34,240 persons was recorded in the municipality, with 6,405 households and an average household size of 5.5. The municipality has a very young population, with the population pyramid peaking at the age group 5-9, with a count of 5,600 persons. Poverty incidence is at 36.7 per cent representing a total of 130,000 families.

The total local population in the labour force is 16,901 based on the 2000 census. Of this number, 5,831 or 34.5 per cent are employed while the majority of 11,070 are unemployed, representing a high unemployment rate of 65.5 per cent . Most of these unemployed are the seasonal agricultural workers or marginalized/subsistence fishers. Females have higher unemployment rates compared to males, with the 15-24 year old females posting unemployment rates above 20 per cent.

Convergent and Integrated Approach to Local Development

Zero Poverty – this is the vision of the Municipality of Concepcion, a small coastal town in the easternmost portion of the island of Panay and northeast of the Province of Iloilo. It is quite a vision to make, but it only shows how strong-willed the people of Concepcion are to set this as the target for their town.

Concepcion, through the able leadership of its chief executives (Dr. Raul Banias and Mrs. Elizabeth Salcedo), have promoted, in their succeeding terms in office, a convergent and integrated approach to local development. This approach is a combination of ensuring a participatory planning process, institutionalizing a public economic enterprise system, reforms in health and education and conservation of natural resources.

Participatory Development Planning

The planning process in Concepcion is highly participatory and starts from the bottom-up. Planning begins at the barangay level and the barangay proposals are integrated at the municipal level. The Municipal Development Council (MDC) deliberates and prioritizes development programmes. The MDC is chaired by the Mayor and one-fourth of its membership comes from non-government organizations and people's organizations.

However, the planning process is not inclusive of the members of the local development councils. The LGU has formed a committee called 'Do What It Takes Committee', in charge of special projects. This committee is composed of key officers and staff from various line departments of the LGUs. It benefits from participatory consultations with stakeholders.

Currently, the town is experimenting with another approach in order to have a more inclusive participation in local development planning. The LGU fields community facilitators in each barangay and they convene barangay assemblies. These community facilitators guide the people in the barangay in thinking about their priorities. Technical inputs are provided by the LGU, but decision-making on the priority project is left to the people in the barangay. This priority project is then submitted to the Municipal Inter-Barangay Forum which is composed of local officials and representatives of organized groups. If selected, the project is submitted to the LGU and to external donor agencies, such as the World Bank, for funding.

Through this new and innovative process being introduced, the people have become insiders in development decision-making. Confidence of the people on the LGU has increased because of the transparency that is being practised. People are more involved and made more aware of what is happening in their locality. They have learned to solve their own issues and challenges.

The LGU of Concepcion has played the role of facilitator in the local development process. It has been consistent in its promotion of an integrated and convergent approach amid changes in local chief executives.

Structuring a Public Economic Enterprise Consistent with the LGC Provisions

The LGU also implemented a number of livelihood and economic activities to increase the incomes and local employment opportunities. It established the Public Economic and Enterprise Council (PEEC) to look after the overall local economic development programme of the municipality and to ensure that these economic programmes are complementary.

The PEEC is active in promoting local economic policies for investments, tourism and markets. It has strong partnerships with different national and regional government agencies and has tapped their technical assistance in livelihood projects, access to finance and to markets.

The PEEC was also tasked to draft guidelines and rationalize the management of LGU-owned properties such as the Fish Landing Areas, Wet and Dry Public Markets and other buildings that were put-up through a build-lease-transfer arrangement. Currently, the LGU generates revenues from these infrastructures from users' fees and rentals, through the operation and maintenance of these facilities are still being subsidized by the LGU.

Education and Health Reforms

The municipality pursued reforms in the areas of education, health and livelihood. Reforms in these areas served as means to promote human capital formation for local development.

One of the main challenges for Concepcion in uplifting its socio-economic condition is improving the quality of education and approaching it holistically and systematically. Hence, the LGU has allotted its own funds in support of education reform programmes, constructed schools in far-flung island barangays and partnered with different agencies to provide education opportunities to the poorest children as well as to prevent the worst forms of child labour in particular in the deep sea fishing sector.

To comprehensively cover the health needs of the people of Concepcion, the LGU has invested in high quality health facilities, mobilized health workers, extended social health insurance to families and started cooperation with external agencies to support its health reform agenda. Due to its work in health reform, infant mortality rate has been reduced to as low as 2 per cent, maternal death rate to 0 per cent and a total number of 1,200 families have access to social health insurance.

Conservation of Natural Resources

Concepcion being a coastal town relies heavily on fisheries for livelihood. Eco-tourism is also one which the local government hopes to develop as a major income earner for the municipality.

Hence, coastal resource management is a priority of the local government. A Coastal Resource Management Plan was drafted and approved. Testimonials from the fisherfolk and the Barangay and Municipal Fisheries and Aquatic Reform Councils have shown that

their fish catch has increased from 1.8 kilos per outings to 4.8 kilos and has become bigger, nearer and more diverse. Time for fishing has been reduced and allowed more time for economic and other activities. Child labour was also greatly minimized with the registration of fish workers, fisherfolk, and boat operators.

Concepcion also is an active member of the Northern Iloilo Alliance for Coastal Development (NIACDEV). An alliance comprised of local governments in the coastal areas that works together to ensure protection of the marine areas, regulate commercial fishing and better manage their coastal resources.

Concepcion recognizes that it still has many challenges to face, many constraints in terms of infrastructure, accessibility to markets and technology to fully realize its local development objectives.

The town is willing to take risks, experiment with different approaches to ensure that no one is left out in the development process. Concepcion is a small coastal town that is far away from the provincial capital and yet is has already produced concrete results, reaped recognitions and gained respect from the other local governments and international development agencies.

Strong leadership, people's ownership of the development process and a clear vision – these are the keys of Concepcion's local development. Despite the constraints and the odds, Concepcion has struggled and has never given up. It continues to work and dream that its vision of Zero Poverty will soon be achieved.

Sources:

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5. Investing in social protection to attain economic development: The case of San Isidro

By Jess Macasil

Too often, social and economic goals are viewed as inevitable trade-offs. Nowhere is this presumed tension better manifested than in policy-making. It is not uncommon in developmental policy-making today for economic and social issues to be regarded as separate matters and weighed as two ends of an equation that need balancing.

One small town in the northern part of the Philippines, however, is showing that social and economic policies are not trade-offs but rather complement each other. San Isidro is a 4th class municipality[60] located in the province of Nueva Ecija. Desipite its economic handicap, its leaders were not deterred from pushing for programmes that help realize their vision of improved quality of life for the town's citizens.

Getting started was certainly not easy. There were more misses than hits as the town's leaders try to find solutions to an array of problems besetting the populace. Among these problems were unemployment, poverty, poor health and an unstable supply of potable water. These issues were compounded by low revenue collection, small budgetary allocation from the national government and an unresponsive citizenry perhaps resigned to the politics of the past which was loaded with empty promises. The tricky part was deciding where to begin – improve the economy or address the social issues? And the biggest challenge was how to do it. This case tells the story of San Isidro municipality as it strove to build its economic success on a healthy citizenry.

Building dialogue and securing local ownership

To set the stage for attaining the development goals of San Isidro, the government decided that change had to come from within – that is, within the government's own institutional infrastructure. A reorganization of the local government unit was initiated, supported by a series of training and planning workshops. A human resource manager was put in charge of the LGU's employees welfare and training programme based on the premise that a skilled local government workforce is key to effective service delivery. Parallel to this was an effort to modernize local government operations through computerization and by enrolling personnel in computer literacy training.

Thereafter, consultations were organized in the communities to get everyone involved in defining and agreeing to what they wanted to be as a people and how to get there. Thus the vision was articulated (improved quality of life for the people of San Isidro) and its mission defining a clear path (to implement and sustain socio-economic development thru collaborative programs and a citizenry participative in San Isidro's governance). San Isidro's mission statement reveals its intentions of pursuing economic growth goals hand in hand with social goals - and that the means for achieving these will require innovation and a more inclusive way of working together.

The participation of community people, especially the most vulnerable ones i.e. farmers, women, informal workers, takes place at regular intervals. There are different channels available:

[60] There are six income classes for municipalities with 1st class having the highest income. A 4th class town has an average annual income of between PH20 million and PHP30 million. San Isidro's population is 44,000, about 85 per cent of whom are farmers. It belongs to the province of Nueva Ecija, which is often regarded as the "rice granary of the Philippines".

- At the most basic level, monthly village consultations are held either sectorally (i.e. among farmers, overseas filipino workers, youth), institutionally (barangay health workers, people's organizations) or collectively (village general assembly).

- At the town level, marginalized groups are also represented in the regular meetings of the Anti-Poverty Coalition.

The various approaches are intended to facilitate the development of community self-esteem and help community people believe in themselves. The San Isidro government believes that it is the people who drive the process and take ownership of the programmes. In the past four years, San Isidro has seen this sense of ownership becoming more evident during consultations, surveys and project implementation where more and more community members are participating and lending their support.

Nexus between Health Improvement and Economic Development

After the reorganization, the community consultations moved with renewed strength and enthusiasm. This time though, more data was showing up as profiling of the families, particularly the farmers, complemented the consultations. The most significant result of this combined data mining approach was the identification of what the people recognized as the most pressing problem. Local health statistics had already been giving hints of a looming health crisis. Health incidents were increasing while the town's health facilities were lacking the necessary personnel, supplies and equipment. Morale was low. These were not seen though as connected to economic concerns so a number of livelihood projects went on without much interest in the social issue. Finally, it could not be overlooked anymore. In one consultation and follow-up survey, more than 90 per cent of the participants said that health was their biggest concern and it must be given top priority.

Thus, the town began to see the locus of interventions shifting to health. Its development agenda eventually came to be known as San Isidro's Community Health Agenda. To give effect to this Agenda, annual appropriations for health programs were not only increased but institutionalized. The town's health budget in 2007 was raised to 17 per cent of the total annual budget – a high proportion compared to the 1.4 per cent national budget allocation for health. Meanwhile, two ordinances were passed to institutionalize the social health insurance programme for the people as well as the local government's financial contribution to this programme. As a result, the health insurance programme reached a coverage of 86 per cent of the total number of families.[61] Additional policies were passed such as the Magna Carta for Medical Workers and those meant to upgrade the health facilities. These interventions made the town's main Rural Health Unit a recipient of the Department of Health's *Sentrong Sigla* (Health Center) Award.

The RHU currently has at least 120 personnel, including doctors, a dentist and a medical technologist and equipped with emergency facilities. Further, a municipal water supply and distribution system was put up, making potable water accessible to majority of the households.

All these may give the impression of the town's narrow and exclusive attention on health and social issues. The truth is the economic goals were intertwined with the health agenda.

[61] The number of families in San Isidro is estimated at 11,000, of which 9,514 are members of the town's health insurance program. More than 50 per cent of the members make an annual contribution of PHP200.

The Community Health Agenda is a flagship program under San Isidro's Medium Term Development Plan. The Plan's overarching goal is to eradicate poverty and this will be achieved by making health improvement the foundation for economic growth. This is manifested in a number of interesting policies and institutional arrangements:

- The implementation body for advancing the San Isidro Anti-Poverty Coalition where health, education and employment are found under just one coordinating unit.
- Preventive health care sessions and health insurance membership have become integral parts of the various livelihood projects being implemented by the local government and its partners.
- In some livelihood projects enrolment in the insurance program is required.
- Even in negotiations with companies from nearby urban centers that are interested in hiring San Isidro's workers, the local government refers to a checklist to ensure that better wages and working conditions are provided. Close coordination with the local Department of Labor is made for monitoring the companies' compliance with the agreed terms.

Since 2004 when it all began, the economic impact has been undeniable. While the correlation between the health programs and economic development begs deeper analysis, records show that San Isidro beat 27 other towns in the province in terms of revenues (excluding allocation from the national government), boasting an increase in average annual collection efficiency rate[62] of 215 per cent compared to the previous year's. Better economic performance also means improved cash flow for the local government. Meanwhile, the annual net income of the town's farmers from rice production has been increasing from PHP141,000 in 2003 to PHP 174,000 in 2007. Initial figures suggest 2008 is going to be even bigger with net income for the first three months only (January to April) already reaching 92 per cent of last year's net income.

During the first half of 2008, San Isidro's revenue has already exceeded what it earned for the same period in 2007. Its appropriations for health and other social programs also continue to rise. Indeed, it's not hard to see in this town a virtuous circle of social investment and economic development and a vision gradually being materialized.

[62] Source: Statement of collections of business taxes, fees & charges, as presented by Mayor Sonia Lorenzo of San Isidro, Nueva Ecija during the Learning Event on Local Economic Development, 19-22 August 2007, Mandaluyong City. Philippines. Powerpoint presentation.

6. Social security providers in the Philippines: Linking local governments and the informal economy

Local initiatives in extending social protection to informal economy can be understood against the backdrop of the current social security system and the measures they have taken to reach non-wage workers with no contributing employers as well as indigent populations with unreliable sources of income.

Formal social security schemes in the Philippines are provided by five main institutions. These are the:

Social Security System (SSS)
Government Service Insurance System (GSIS)
Employees Compensation Commission (ECC)
Philippine Health Insurance Corporation (PhilHealth)
Home Development Mutual Fund or PAG-IBIG Fund.

These formal social security schemes are traditionally designed for workers in the formal economy. Among these five institutions, it is the SSS and PhilHealth which have made concrete efforts to expand their coverage to workers in the informal economy.[63]

The section below describes these two formal schemes that are relevant to the informal economy and informal schemes.

Social Security System (SSS)

The SSS offers a comprehensive range of cash benefits as insurance for the following: retirement, death, disability, maternity, sickness, old age, death and work-related injuries.[64] Since 1995, SSS extended its membership to the informal economy under its self-employed and voluntary membership scheme. It lowered its eligibility requirements to suit low income self-employed workers and improved the procedure to make it more accessible to all as described below.

- ***Eligibility.*** Under this scheme, the minimum monthly salary to qualify as SSS member was lowered to P1,000 and the definition of self-employed was expanded to "all self-employed persons regardless of trade, business or occupation, with a monthly net income of at least P1,000." This definition would include household help, individual farmers, fisherfolk and other small entrepreneurs who may join the scheme as voluntary members.[65]

[63] The GSIS covers only government employees and is therefore unable to provide services to informal economy workers. ECC and PAG-IBIG are not able to implement any schemes for the informal sector as these two mechanisms are hinged on employer-employee relationships.

[64] Work-related injuries however are covered by the ECC, which is available only to workers with contributing employers.

[65] Previously, the definition of the regular self-employed was limited only to "all self-employed professionals, partners and single proprietors of businesses, actors and actresses, directors, scriptwriters and news correspondents, who do not fall within the definition of the term "employee," professional athletes, coaches, trainers and jockeys" (Section 9-A, Social Security Act of 1997). Under the new resolution, the definition of self-employed has now been expanded to include those mentioned above.

- ***Procedure.*** Procedural improvements were also made in order to improve accessibility. For instance:
  - alternative identity documents were accepted in lieu of birth certificates[66]
  - monthly premiums were lowered for self-employed members[67], and
  - banks and organized groups could be accredited as collection agents.

Members of the voluntary scheme enjoy all of the above benefits except for coverage of work-related injuries which is under the Employee Compensation Commission which requires employer contribution. They also cannot avail of housing loans.

Philippine Health Insurance Corporation

Established in 1995, the Philippine Health Insurance Corporation is mandated to develop a health insurance system that would ensure affordable, adequate and accessible health care services for all Filipinos. Under this system, members contribute a minimal amount of P100 per month or P1,200 per year for their entire family to be covered by health insurance.

PhilHealth has created mechanisms to enroll self-employed workers. These mechanisms provide an opportunity for workers to have health insurance by voluntarily paying their own contributions. Presently, PhilHealth has instituted three programmes that are relevant to the informal economy. These are the: Individually Paying Program, the Sponsorship (or Indigent) Programme and Kasapi Programme.

- ***The Individually Paying Program*** is available to self-employed persons, including overseas and retired workers, who do not have employers who could shoulder and administer payment to the system. Persons who earn incomes below P3,500 pay a monthly contribution of P100. This amount will entitle members and their dependents to the same coverage as formal workers with contributing employers. Their benefits include inpatient and outpatient care. They cover limited coverage for room and board for inpatient care as well as use of surgical and medical equipment. For both inpatient and outpatient care, benefits include laboratory tests, doctor's fees, prescription drugs and emergency transfer service.

- ***The Sponsored (or Indigent) Programme*** supports the poorest 25 per cent of the province or municipality. This programme is done in partnership with local government units which provide counterpart contribution together with the national government. The local government and the national government through Philhealth share the annual premium payment of P1,200 per indigent household to get enrolled. The premium sharing is based on the income classification of the local government. First to third class municipalities pay fifty per cent of the premium, while fourth to sixth class municipalities pay only ten per cent of the premium.

- ***The KASAPI programme***, launched in 2005 with the technical assistance from GTZ, provides mechanisms for accredited member-based organizations such as cooperatives

[66] Alternative identity documents, apart from birth certificates, are acceptable for membership application such as baptismal certificate or any two of the following: marriage contract, school records, record of birth from the Bureau of Census, birth or baptismal certificate of children, alien certificate of registration, passport and affidavits from disinterested persons.

[67] For example, for self-employed members with monthly incomes ranging from P1,000 to 1,249.99, the monthly contribution to SSS is P84.00. By paying this amount regularly (at least for one year), a member will be entitled to sickness benefit, maternity benefit, disability benefit, retirement benefit, death benefit, service loans (salary, calamity, stock investments, special educational loan).

to work as Philhealth's partner. This is part of Philhealth's effort to boost enrollment in the informal economy. Workers often do not have employers to administer collection and are prevented by time and financial constraints from traveling to collection offices; they may however belong to organizations or cooperatives which can perform similar administrative functions. Accredited organizations act as Philhealth's partner in marketing PhilHealth's services and in facilitating registration, collection, monitoring and evaluation. Under the KASAPI program, members pay for their individual premiums through their organizations. To date, 13 organizations of informal economy workers have collaborated as partners of Philhealth.

Out of all its efforts, Philhealth has achieved by December 2005 a coverage of 64 per cent of the Philippine population, a big jump from its 1999 coverage of only 20 per cent. Out of the total membership, 38 per cent consists of those enrolled under the Sponsored or Indigent Programme (23 per cent) and those enrolled under the Individually Paying Programme (15.5 per cent).

Based on the above it is clear that local governments have been assigned an important role to play in extending the coverage of health insurance to the informal economy and clear mechanisms have been provided to realize this role.

Sources:

Yap, Marife, 2003. "Extending Social Protection to the Informal Sector." In *Challenge of Informal Work in the Philippines*. Edited by Sandra O. Yu. Manila: International Labour Office, and Philhealth data, 2006.

7. Naga City's Integrated Socialized Medical Care Programme

By Reginald M. Indon

In 2003, Naga City availed of the Sponsored Program offered by PhilHealth to cover some 3,000 indigent families in the city. In its first year with the program, the city government paid PhP2.5 million to PhilHealth as its counterpart premium. In its second year, the city government increased the number of indigent families covered by the program, and therefore increased is counterpart premium to PhilHealth to PhP 4 million. However, because of problems in implementation, only around 25 per cent of covered indigent families were able to benefit from the program. Underutilization of the program was causing the city government millions of pesos.

In 2005, after carefully reviewing the cost-effectiveness of PhilHealth Sponsored Program as implemented in Naga City, the City Government opted to defer its membership into the Sponsored Program and decided instead to put up its own social health insurance scheme for its indigent population. Thus emerged Naga City's Integrated Socialized Medical Care Program (SOMECAP).

Under the SOMECAP, money that was supposedly to be allotted for paying counterpart contribution to PhilHealth is instead deposited with the city's accredited hospitals namely, the Bicol Medical Center and the Naga City Hospital. The money is used to cover beneficiaries' hospitalization costs.

All indigent residents of the city who are not currently enrolled with or effectively covered by PhilHealth are qualified to become SOMECAP beneficiaries. It covers the parents as SOMECAP members, children of members who are below 18 years old, parents of members who are 60 years old and above, and family members with disabilities. Health services provided include free hospitalization; quality doctor services, surgery and other needs during the time the patient is admitted; nursing services; hospital room and meals; use of operating and recovery room; medicines, anesthesia, oxygen and other medical supplies; laboratory, x-ray and examination services, and use of Intensive Care Unit.

In identifying SOMECAP members, the City Social Welfare and Development Office (CSWDO), City Health Office and City Mayor's Office conducted surveys in the city's 27 barangays. An assigned social welfare officer, meanwhile, takes care of the medical insurance and SOMECAP needs of patient-beneficiaries while they are confined in accredited hospitals.

As soon as SOMECAP utilization has reached a point where it is more cost-effective for the city to absorb paying PhilHealth premiums than to pay for benefits, SOMECAP members will be migrated to PhilHealth. But at present, the City Government is busy identifying more indigent families for SOMECAP coverage and improving its local health delivery facilities and infrastructures.

Source:

Official website of the Naga City Government (www.naga.gov.ph).

8. Increasing effectiveness in delivering social health insurance through inter-LGU collaboration

Small-scale insurance schemes, such as those implemented for a municipality or a community, suffer from sustainability problems due to limited membership base. With a small financial base, the system will have limited capacity to fund benefits and is thus vulnerable to simultaneous claims.

This limitation can be resolved by integrating the small-scale scheme into a larger pool, reinsuring with a larger capital base or risk pooling among contiguous local governments. Batanes provides an example of how both measures (viz. integrating with Philhealth and collaborating with other LGUs) were carried out to strengthen the financial base of their localized system.

In Batanes, all six municipalities of the province agreed to establish an alliance and called it Inter-Local Health Zone (ILHZ). Under a memorandum of agreement, these six municipalities agreed to share resources and to operate a single social health insurance scheme that is able to attend to the local health requirements of the different local communities. By doing so, they were able to enlarge risk pooling and reduce the cost of health delivery services by expanding the membership base of their local social health insurance scheme. The provincial health board served as over-all coordinator and policy-making body for the ILHZ, while the provincial health office helped facilitate the implementation of ILHZ programs and services, including the *Kapanidugan sa Kalusugan*.

Beginnings of the Kapanidungan sa Kalusugan in Batanes Province. Following the devolution of health services to local government units in 1992, health services in many local communities dropped in terms of coverage and quality particularly in the rural and remote areas. This was the case in the Province of Batanes, which is located some 860 kilometers north of Metro Manila.

The health system in Batanes was highly inadequate, unorganized and inefficient. This opened a huge gap between its health care delivery system and the health needs of the community. To provide some form of health service to the community, the provincial and municipal governments relied heavily of the largesse of local politicians and subsidies from the national government.

The problem was rooted in the less than satisfactory performance of Batanes' local government units, the provincial and municipal health boards, and rural health units. Public health governance was virtually non-existent, curtailing in effect the conduct and delivery of essential public health services.

It was at this point that Health Development Institute (HDI), a non-government organization involved in health care issues and advocacies, began a working partnership with the Provincial Government of Batanes to establish "an effectively functioning health care delivery system that is responsive to the health needs of the Ivatans through the involvement of all stakeholders". Ivatans are indigenous people in Batanes.

Thus was launched the Kapanidungan sa Kalusugan (KSK) project with the aim of creating an enabling environment within the LGU structure that is capable of sustaining a social health insurance programme. It sought to install a social health insurance programme that is owned and managed by the Ivatans and to integrate the programme with that of the PhilHealth. A functioning social health insurance scheme (including that of PhilHealth) requires that the target groups are not only registered as members but that they are actually able to enjoy the health care benefits; and this is made possible only when quality health care providers are available and are accredited with the insurance system.

The project strategy was two-fold therefore. First, it created an enabling environment by enhancing the competencies of local stakeholders (i.e. local chief executives, local health boards, rural health units, and barangay health workers) in developing a functional

health delivery system for the province and its municipalities. And second, it set up systems and structures that will guide the implementation of a social health insurance scheme and facilitate the interfacing of the local social health insurance scheme with PhilHealth.

Reactivating the local health boards. Beginning mid-2002, HDI facilitated pre-planning and planning workshops and trainings for the local health boards. The idea was to enable the local health boards to formulate and prepare their respective municipal health plans. Other capacity-building activities were also conducted which targeted other stakeholders such as barangay health workers (which HDI helped organize into a federation) and the rural health units of the municipalities. These activities were undertaken to re-activate and re-tool the local health boards, RHUs and BHWs and provide mechanisms for partnership-building and consensus-making.

The local health boards were later re-constituted to reflect the new character and orientation of Batanes' public health governance. The illustrations below show the organizational set-up of the provincial and municipal health boards.

Establishing an ILHZ. In 2003, the Provincial Health Board, with the help of HDI, drafted Batanes' first Provincial Integrated Health Plan. It also pushed for the creation and establishment of an Inter-Local Health Zone (ILHZ) which would coordinate efforts and agreements for KSK implementation in all seven municipalities of Batanes Province. Through a memorandum of agreement, the mayors of Batanes Province agreed to share in financing and in fielding human resources to set up the health facilities to provide health care services to the KSK members.

In addition, all six member LGUs of the Batanes ILHZ agreed to cooperate on the following areas of convergence areas:

- ***Action planning*** for the provision of adequate human, technical, material and financial resources to respond to community's health demands as they share stake in health spending;
- ***Network of coordination*** established with other government units and agencies to facilitate social health insurance processes such as membership application, collection of premiums and claims; this is done by working closely with each member-municipality's local health boards.
- A ***formalized referral system*** that specifies package of services for every level of health facility so as to facilitate delivery of health services and to avoid overlap and redundancy.
- ***Human resource development*** of the health personnel for skills competency and proper delivery of quality health care.
- ***Economic classification of the beneficiary population*** to identify disadvantaged groups for the equitable delivery of health services.
- Adoption of a ***uniform system in charging fees*** for health services in the context of both cost recovery and socialized benefits.

The Provincial Health Board, which had been reconstituted into a multi-sectoral committee, and which also serves as concurrent KSK board, provides policy formulation and overall supervision of the KSK. A Kapanidungan Management Team was also formed to assist the Provincial Health Board in formulating and carrying out policy and policy-decisions.

Enrollment into the KSK is voluntary. Households can choose from any four health insurance packages depending on their capacity to pay and the type of health insurance service they require.

	Package A	Package B	Package C	Package D
Features	Basic insurance Package of PhilHealth with outpatient benefit	Basic insurance Package of PhilHealth with outpatient and additional hospitalization benefits	Outpatient benefit Plus with reserve component	Classic with reserve component
Contribution	P47 per month	P92 per month	P47 + minimum of P45 reserve (or P92) per month	P92 + minimum of P45 reserve (or P137) per month
BENEFITS				
PhilHealth hospitalization	Yes	Yes	Yes	Yes
Outpatient package	Yes	Yes	Yes	Yes
Up to P5,000 inpatient augmentation		Yes		Yes
Contingency in case of defaulted payment or exhausted benefit			Yes	Yes

Enrollees then pay a monthly fee (based on the package they chose) that is collected by their respective BHW collecting agent, and in return the enrollees and their household are able to access through the Rural Health Unit in the municipalities a variety of in-patient and out-patient services.

Interfacing with PhilHealth. Having installed a functional social health insurance scheme in the province, the next agenda was to interface the KSK with PhilHealth. As early as 2004, HDI and the Provincial Government of Batanes have held talks with PhilHealth for possible interface of the KSK program with the health insurance programs of PhilHealth.

At present, KSK is interfaced with PhilHealth through a *twined model*. PhilHealth, through its Sponsored Program, extended free health insurance coverage to residents of the province who were not enrolled in PhilHealth. These included residents who were already covered by the KSK. In effect, Batanes residents were afforded dual health insurance coverage, with PhilHealth providing basic health insurance coverage and KSK providing supplementary health insurance coverage (i.e. Package C and D).

Institutionalizing the KSK through local legislation. In the 2007, Batanes' Sangunian Panlalawigan passed a local ordinance that further institutionalized the KSK program. Under the Integrated Health System Ordinance, the provincial government shall pursue the following:

- Establish a system to integrate health care delivery at the provincial level for efficient use or resources and effective coordination among different levels of health service facilities.
- Restructure the Provincial Health Office so that it could effectively function as lead agency and coordinating center.
- Institutionalize the social health insurance program.
- Recognize the barangay health workers' role in health service delivery.

Through this ordinance, KSK became a staple and integral component of Batanes' health system. And through the Province's continued efforts to improve on the KSK and its health system, Batanes' LGUs can now hope to be able to effectively delivery affordable, timely and quality health care service to its constituents.

Sources:

Health Development Institute (HDI), undated. “Kapanidugan sa Kalusugan: A Social Health Insurance Project.” A monograph prepared by the Health Alternatives for Total Human Development Institute (HDI) in partnership with the Local Government Units of Batanes and supported by the Arbeiterwohlfahrt Bundesverband E.V. (www.healthdev-institute.org/Publication.html)

Interview with Gary Asperas of the Health Development Institute. 25 June 2007.

9. Naga City's Empowerment Ordinance

By Reginald M. Indon

When Mayor Jesse Robredo took over the helm of Naga City in 1988, the young mayor faced an enormous challenge. The once premier city of the Bicol region was in very bad shape. The city was in debt, investments and employment were seriously low, urban blight, criminality and overcrowding marred the city's landscape, quality and delivery of basic services had drastically deteriorated, and people had lost faith and confidence in local officials and the government. Badly needed reforms were urgently needed to re-vitalize Naga City.

Mayor Robredo knew that reforms needed to start with Naga City's local governance. He started a campaign that not only focused on reforming the local bureaucracy, but also opening local governance to people participation. He initiated a series of reconciliatory and exploratory talks with local civil society and business groups, undertook small and short-term joint projects with these groups, and advocated for the enactment of local ordinances that further institutionalized people participation and public-private partnership in Naga City's governance structure.

Legislating partnership and people participation

Getting 193 non-government and people's organizations to work together is no joke. But through the programme, Mayor Robredo was able to institutionalize the Naga City People's Council which counts NGOs, POs, cooperatives, barangays (village administrative unit), and everyone whose voices needed to be heard, as members.

To show that it was not just paying lip service to people empowerment, the city government an ordinance, formalizing NCPC's creation and giving it teeth in policy-making. Members were chosen through an independent selection process, making sure that common folks usually marginalized by powerful political interests were able to participate.

And thus, in December 1995, the city legislature promulgated Ordinance No 95-092 otherwise known as the Empowerment Ordinance of Naga City. The ordinance declared the following principles of governance:

- The will of the people shall always reign supreme. It shall be the prime responsibility of any government to ensure that such will is at all times manifested and enforced;
- The will of the people can best be determined if they organize themselves to address their sectoral or common concerns;
- Governance is best effected if its responsibilities are shared by the people; and
- A system of partnership between the governor and the governed shall guarantee that sovereignty effectively resides in the people.

This system of shared responsibility and partnership relied heavily on the existence of a strong, independent and organized civil society. And for this reason, the ordinance established the creation of the Naga City People's Council.

Creation of the NCPC. Even prior to the passage of the Empowerment Ordinance, NGOs and POs in Naga City were already working in partnership with local politicians and officials. But what made the Empowerment Ordinance very important was that it institutionalized the systems of partnerships that were earlier developed between and among the various stakeholders in the city. Moreover, it expanded the powers and responsibilities of NGOs and POs and business groups with regard to their involvement in the city's governance.

The key functions and responsibilities of the NCPC are to:

- Observe, vote and participate in the deliberation, conceptualization, implementation and evaluation of projects, activities and programs of the City Government;
- Propose legislation and participate and vote at the committee level of the Sangguniang Panlungsod; and
- Act as the people's representative in the exercise of their constitutional rights to information on matters of public concern and of access to official records and documents.

In carrying out its mandate, the NCPC sits in *all* city government bodies, boards, councils, committees, task forces and other special bodies. This includes all 29 Sanggunian Panlungsod committees and all 13 local special bodies.

The NCPC (which is composed of 108 member organizations and federations) represented the 13 basic sectors of Naga City namely, barangay people's councils, business, children, cooperatives, labour, NGO, peasant, persons with disabilities, senior citizens, transport, urban poor, women, and youth.

Others

Naguenos can, not only voice their concerns and suggestions to City Hall but also act on various issues including procurement and budgeting. In one particular instance, they decided against the local government's plan to set up a golf course, which the local government openly accepted.

In order to inform constituents as basis for their decision, the city government set up an effective and convenient system of disseminating information. It has set up a web site that contains its budget, procurement, awards and bidding processes, among others.

The city government also went to great lengths to publish an inch-thick Citizen's Charter that contains everything a Nagueno needs to know about public services provided by the city government. It includes whom to contact for what purpose and how long the processes should take. An ordinance requires the city government to distribute 25,000 copies of the Citzen's Charter to all households.

Reshaping the city's political and governance culture

Johann dela Rosa, acting Executive Officer of the NCPC, observed that the political and governance culture in Naga City underwent a transformation as a result of enhanced people's participation in local governance. He explained that local politicians and public officials developed not only a consciousness of the valuable role that non-public actors play in local governance, but they also developed new attitudes that opened themselves to sharing governmental powers and responsibilities with civil society and private sector counterparts.

Similarly, Dela Rosa also observed that many civil society groups became more aware of the value of association- and alliance-building, consensus building, and enhancing technical as well as organizational capabilities.

Because of the positive changes in its political and governance systems and structures, Naga City was able to pursue its twin development objectives of growth and equity, and thus regained its stature as a premier urban city. In 2002, 2003 and 2006, Naga City was awarded the Most Business Friendly City by the Philippine Chamber of Commerce and Industry (PCCI), one of the largest and most recognized business federation in the country.

Recognition

For his brainchild, Mayor Robredo earned the prestigious Ramon Magsaysay Award, Asia's version of the Nobel Prize, for government service in 2000.

The city also gained recognition as one of the ten best places in the world from the United National Centre for Human Settlements (Habitat) and from the Municipality of Dubai. In 1999, Naga City was cited by Asiaweek magazine as one of the most improved cities in the world, singling out the people Empowerment Program as “perhaps the greatest of all of Naga’s accomplishments”.

Sources:

Interview with Johann dela Rosa, Acting Executive Officer, Naga City People’s Council. 7 June 2007.

Naga City Website: www.naga.gov.ph

Peter Spink and Jacqueline Brigagão, 2003. “Innovations in Government from around the World,” *Cadernos Gestão Pública E Cidadania*, Volume 32, August.

10. Ensuring policy coherence in Marikina City through multisectoral planning bodies

By Ma. Lourdes Kathleen Santos

Marikina City has put employment promotion at the centre of its local development through a combination of skills development, investments promotion, infrastructure development and good governance. With many economic projects being implemented, supported by the LGU as well as from external partners, the city recognizes the need to ensure coherence among its programmes – making sure that these are all directed towards the path their local stakeholders have chosen towards local economic development. The city guarantees local coherence through a participatory planning process and by establishing a Local Economic Development Board.

Participatory Planning Process

Marikina implements a participatory process in planning. The approach has been bottom-up, gathering inputs from the barangays and consolidating them at the city level.

The city utilizes participatory tools to begin the process (i.e. through a SWOT analysis[68]) and then, the barangay proposals are submitted to the City Planning office for consolidation. Prioritization is done within the Local Development Council. An additional step taken by the city to ensure a wider consultation process is the solicitation of comments on the barangay proposals from community associations who are not usual members of the LDC.

Another key feature of the planning process is ensuring that both social and economic objectives are considered in the development plan. Further, there is a strong focus on the sector that is less privileged - the urban working poor. Entry points are varied - can be housing, livelihood, basic education. But, the target is clear, addressing the primary concerns of the poorest of the city.

The efficient and participatory planning process in Marikina has produced good results. It has been able to establish itself as a good location for investors. Employment options increased in both private and public sectors as well as in wage and self-employment. Massive infrastructure development has taken place that created jobs and made Marikina more accessible to investors.

Thanks to effective strategic development planning that values stakeholders' participation and local ownership of initiatives, Marikina is regarded as one of the most competitive and liveable cities in the Philippines.

Local Economic Development Board

The Local Economic Development (LED) Board was established in November 2007 through an Executive Order issued by the City Mayor, Hon. Ma. Lourdes C. Fernando. Marikina has gained ground as evidenced by a considerable number of new businesses that have emerged in the city. The LED Board aims to further promote economic dynamism as well as economic stability to address the problem of unemployment. Through the board, local economic planning is established and integrated within the city's development processes to sustain economic momentum and to enhance the city's competitiveness.

[68] That is, through an analysis of strengths, weaknesses, opportunities, and threats.

The LED Board is composed of multi-stakeholders, coming from the local legislative council, local government departments, private sector, trade unions, academe, community associations, media and non-government organizations.

The LED Board assesses the coherence of policies and programmes, in a highly participatory manner. The board encourages feedback from sector representatives and promotes a healthy intellectual exchange on issues affecting local markets and job opportunities.

In less than a year, the LED Board is able to make significant changes. Among the major policy changes influenced by the Board is the curriculum of the Pamantasan ng Lungsod ng Marikina (PLMAR) or City College of Marikina. Discussions within the board have made the local school board of the city to review policy directions of PLMAR and align its academic programmes to the demands of the labour market. New courses are now being offered, Bachelor of Science in Accountancy and Bachelor of Science in Travel Management.

The business permits and registration process has been influenced as well by the discussions within the board. The Business Permits office benefited from the dialogue with small entrepreneurs who participated in the LED discussions. As a result, the business permits office reviewed its registration process to shorten the time for small enterprises to register. This has led to an increase in the number of registered business establishments from 7,000 in 2004 to 15,000 in 2008. Together with other innovative measures meant to raise tax revenues, the increased number of businesses registered (and renewed) has led to a 28 per cent increase in collection.

The LED Board has established a process of dialogue in the city on efforts for local economic development. It has stimulated broader partnerships that included all sectors concerned for LED. It is innovative in a way that it has encouraged non-traditional economic actors such as the academe to fully engage in economic decision-making. It has also provided an opportunity to ILO constituents to expand their engagement to other partners beyond those represented in the local tripartite council. It is an attempt of the city to move from a supplier of jobs to a creator of jobs. The LED Board has brought to the consciousness of the city actors the need to ensure local policy coherence towards a common goal. It has become a venue to produce immediate results that can bring about policy change.

Marikina has demonstrated that with strong political will, exemplary leadership and participation from local constituents, local economic transformation is possible. The strong positive image of Marikina - a clean, safe and orderly place with disciplined citizens and effective local government are its strengths. Its being touted as one of the best places to live and work in as evidenced by the citations it has reaped throughout the last 14 years are monuments of its achievements, professional style of management and credibility. Suffice it to say, Marikina has truly made a name for itself.

Sources:

Interview with Hon. Ma. Lourdes C. Fernando, Marikina City Mayor. 11 September 2008.

Interview with Ms. Julie Borje Head of the Center for Excellence, Mr. Tomas C. Aguilar Chief for Development Planning and Mr. Alfredo T. Aguilar, Jr. Officer-in-Charge Business Permits and Licensing Office. 11 September 2008.

11. Homeless Peoples Federation Philippines: Low-income communities proactively engaging local governments

Homeless People's Federation Philippines, Inc. (HPFPI) counts among its members over 50,000 low-income settlers nationwide as of December 2007 who save their money to buy their land, fund their enterprise, finance their children's education, and meet other personal needs.

HPFP uses savings as its main strategy to keep communities together. It also serves as a tool for building financial capacity and confidence among the poor to enter market relationships, negotiate for land, develop community improvements, and engage public and private sector as partners.

Nationwide, the HPFP has mobilized savings to the tune of 40 million pesos, all of which are managed by community leaders trained in handling and recording finances. HPFP is managed by women and men who have hitherto been considered, at best, victims of poverty and beneficiaries of charity or, at worst, a nuisance to society. Yet, based on their work, HPFP is changing the face of the urban poor to that of an equal partner in development.

Partnership with local governments

In 15 cities and municipalities across the country, the HPFP partners with local governments in addressing problems of informal settlements. Their experience demonstrates the importance of technical learning within urban poor communities. This has involved mainly learning (mostly by doing) land titling, subdivision regulations, micro and housing finance, community management and contract preparation. Such a technical knowledge has allowed leaders and members to collaborate with local governments in many aspects of the latter's work. Below are examples of how HPFP has engaged government.

a. Inputs towards simplifying procedures, standards and lowering costs for the poor

The HPFP's work has focused on building local capacities to understand and utilize the state system in their favour. Leaders have characterized their approach as cooperative yet critical. By critically complying with formal processes, members are able to understand the processes and rigidities of formal shelter processes as well as identify obstacles and stringent standards. Their assessments then form the basis of their proposals for technical or legal provisions which governments have sought from them. By building relationships that open communication lines, they are able to input their learnings and proposals into state processes and gradually make institutional processes work better in favour of the poor.

b. Design of relocation projects

The HPFP's collaboration with local government in implementing relocation projects also potentially contributes to the formulation of national or local guidelines for relocation. Again, this initiative should help improve the way in which formal institutions undertake relocation projects. Already, the HPFP has drawn up partnership agreements with two city governments (Iloilo City and General Santos City) to undertake relocation in high-risk areas. In these two cities, the HPFP has been declared a partner in preparing the communities for city-sponsored resettlement projects. The HPFP prepares communities for self-management and helps design financial and community management policies. Notably, the HPFP has come up with terms of reference that would guide the way in which tasks and responsibilities would be allocated between itself and local government. These guidelines have spelled out the specific pre- and post-relocation procedures, while assigning responsibilities based on the relative competencies of key players. They represent the accumulated (and still evolving) experience of the HPFP in implementing resettlement initiatives in many parts of the country.

c. Conducting city surveys to draw public attention to high-risk communities

The HPFP carries out surveys of high-risk communities on a continuous basis, the benefits of which are include listing of households in high-risk and dangerous locations often overlooked by official surveys and censuses; drawing the attention of communities and government officials to often ignored high-risk living conditions in order to consider possible solutions; offering a venue to introduce savings schemes and generate discussion on the community's issues in order to instigate self-mobilization. These surveys are undertaken with the support, if not the active partnership, of local governments. In some cases, such as in Iloilo City, the survey team featured a bipartite partnership, as it was composed of members from the city (particularly the city engineer's office, which helped with mapping structures) and from people's organizations (particularly the HPFP, local groups and the surveyed communities). Under this partnership, the city recognizes the listing of households for a future resettlement project. The survey is considered the first step in sensitizing communities and local governments to high-risk living conditions, as well as initiating the social processes that underpin community-led solutions.

d. Working from within public institutions

The HPFP also seeks to work from within public institutions. The federation deems it important to be recognized as a partner of barangays – this being the first line of engagement with communities – and to participate in one important mechanism available to people's organizations and NGOs, namely the barangay development council, where the barangay's physical, economic and social development plans and budgets are prepared and approved. Barangay plans and projects have a palpable impact on communities. Road projects, for example, can lead to the dislocation of some communities, or health-related projects may overlap, rather than complement, community-initiated facilities.

HPFP leaders lobbied successfully for the activation of a barangay development council in Quezon City, on which they now sit as HPFP representatives, and HPFP leaders are also members of the city development council of General Santos City. However, the experience of the federation is that without local pressure, these councils may not operate effectively and may exist only in name.

Lessons learned

Engaging local governments did not come easily to the HPFP. Lessons have been learned as to how to better establish better relationships with government and ensure people-oriented outcomes. One of the most important lessons is that communities and their organizations have to strengthen their technical know-how so that they are able to express their aspirations in operational terms. The only way to deepen skills and knowledge is by allowing leaders and members the space to implement services and solve problems collectively – rather than simply stand at the receiving end of social programmes. Today, HPFP community leaders and volunteers have become relatively well versed in the financial and technical responsibilities previously believed to be the domain of non-government support organizations and professionals.

It is not enough that organizations demand for amenities or favourable policies. Equally important is being able to articulate these in concrete, operational terms. Politicians and government officials often communicate using technical and legalese jargon. It is important that communities are also able to communicate through this language, and develop a strong command of the required technical skills.

Source:

Sandra Yu and Anna Marie Karaos, 2004. "Establishing the Role of Communities in Governance: The Experience of the Homeless People's Federation Philippines", *Environment and Urbanization*, Volume 16 Number 1, April.

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