

REFORM Case Study

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The Public Governance System: Building Dream Cities in the Philippines

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- The governance pathway, developed by the Institute for Solidarity in Asia, offers Philippine cities a vision and roadmap to achieve governance reforms and make democracy work.
- Thirty cities and two provinces have participated in a rigorous certification process that has improved city services, attracted investment, helped balance budgets, and raised citizens' quality of life.
- Community groups participate in city planning and hold civic officials accountable for their promises, thereby deepening democracy.
- Mayors who adopt good governance practices and respond to citizen demands are publicly recognized, setting a positive example for other cities.





The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 1,000 local initiatives in over 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms. CIPE programs are also supported through the United States Agency for International Development.



The National Endowment for Democracy (NED) is a private, non-profit organization created in 1983 to strengthen democratic institutions around the world through nongovernmental efforts. The Endowment is governed by an independent, non-partisan board of directors. With its annual congressional appropriation, it makes hundreds of grants each year to support prodemocracy groups in Africa, Asia, Central and Eastern Europe, Latin America, the Middle East, and the former Soviet Union.



The Institute for Solidarity in Asia (ISA) was established in 2000 to mobilize the business sector and civil society of the Philippines toward contributing substantively to alleviating poverty, improving the business climate, and promoting responsible citizenship. ISA works with government, business, and civil society at the local level to turn strategy and goals into real improvements in governance, resulting in positive outcomes for citizens.

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Introduction

On August 30, 2007, the mayors of three Philippine cities proudly reported to the third Public Governance Forum on some remarkable changes occurring in their cities of Marikina, San Fernando, and Tagbilaran. These cities are becoming more competitive, more livable, and more responsive to the aspirations of their citizens. The changes in each city are the product of a common vision – a vision developed through consultation and realized through sound planning methods.

Other mayors and municipal officials had come to learn about good governance practices at this forum hosted by the Institute for Solidarity in Asia (ISA), a partner of the Center for International Private Enterprise (CIPE). They took classes in ISA's Public Governance System and exchanged experiences at a Learning Institute. In all, 24 mayors have signed on to ISA's governance system, and interest continues to grow at the municipal, provincial, and national levels. Even the Philippine Military Academy and the nursing profession have embraced ISA's approach to better governance.

What explains this wide interest in governance practices? ISA's program addresses a deeply felt need in the Philippines for greater professionalism and integrity in public life in order to undertake developmental challenges and serve the people. The program's popularity stems from the clear path it provides through a morass of complexity,



Mayor Mary Jane Ortega (left) gives out a plaque of recognition to Mayor Dan N. Lim with Atty. Nuevas Montes of Tagbilaran City.

City of San Fernando, Pampanga Achievements

The City of San Fernando, Pampanga has literally risen from the ashes of the 1991 eruption of Mount Pinatubo. From December 2005 to January 2006, with ISA's assistance, the city crafted a roadmap, set well-defined targets, and gathered community input and support for its vision.

- 135 million pesos directed to new school buildings will benefit 126,000 students in 35 districts over the next 10 years.
- A one-stop shop for processing business permits, taxes, and fees has cut the time needed to obtain documents.
- The number of small- and medium-sized enterprises registered with city hall has jumped to 6,700 from 5,700 a year ago.
- Big companies are investing in San Fernando, such as Avida Land Corp., Landco Pacific Corp., and TeleTech Holdings, Inc.

corruption, and division to arrive at practical, sustainable solutions. The governance pathway offers participating institutions a sequence of constructive steps and incentives to achieve reform goals and make democracy work.

The Philippines' Challenge

ISA's initiative is transforming the Philippines step by step for the benefit of its citizens, and in the process is overcoming corruption and apathy. Since the initial victory in 1986 of "people power," the Philippines has struggled to establish a democracy capable of addressing the needs of all levels of society. Incessant turmoil in national politics has shaken public confidence in governing institutions and impeded improvements in the quality of life.

The political turmoil has created a "tendency to focus on personalities rather than on institutions; to focus on the short term, rather than on the long term; to focus on tactics, rather than on strategy..."¹ To overcome these political hurdles, along with economic and other developmental hurdles, ISA has labored to increase citizen participation and improve the transparency and efficiency of government. In the

words of Dr. Jesus P. Estanislao, founding chairman of ISA, “good governance is an oft-repeated aspiration; it is as though it were the silver lining in the dark clouds that almost permanently hover over our skies. The challenge is clear – develop good governance mechanisms in a democracy with weak national governance institutions.”²

ISA describes governance as a partnership between the governors and the governed. In ISA’s view, ordinary citizens must play a participatory role to ensure effective governance. At the same time, there is a need for a system to translate the visions and aspirations of responsible citizens, community leaders, and public officials into measurable commitments and initiatives.

A National Roadmap

Dr. Estanislao has a history of founding and rehabilitating institutions. He is known for rehabilitating the Development Bank of the Philippines and founding the University of Asia and the Pacific, as well as the Institute of Corporate Directors. A former Secretary of Finance in President Aquino’s cabinet, he and other leaders from various sectors of Philippine society decided in 2001 to take action in shaping the institutional future of the country. Although ISA started conceptualizing the Public Governance System early on in the process, its first task was to gather citizen groups to chart out a broad vision and direction for the Philippines.

“The thinking has to be big and bold. But the acting has to be done in small and sustained steps.”
– Dr. Jesus Estanislao, ISA Chairman

Together, they created the “Philippines 2030 Roadmap” to instill shared values, a sense of community, and the hope for prosperity and progress. The Roadmap got citizens thinking about a common cause and the interdependence of all elements of society. “Instead of allowing ourselves to be immobilized by despair, we should work together as responsible citizens and foster hope,” urged Dr. Estanislao. “Instead of getting drowned by a multitude of seemingly unrelated and intractable issues, we use the inter-connection between issues in order to address them systematically.”³

City of Marikina Achievements

Marikina’s move to position itself as a business-friendly city has paid off with 20 billion pesos (\$483.8 million) in new investments in 2006-2007. Marikina also managed to open a youth employment center and launch a clean air campaign while balancing its 2006 budget.

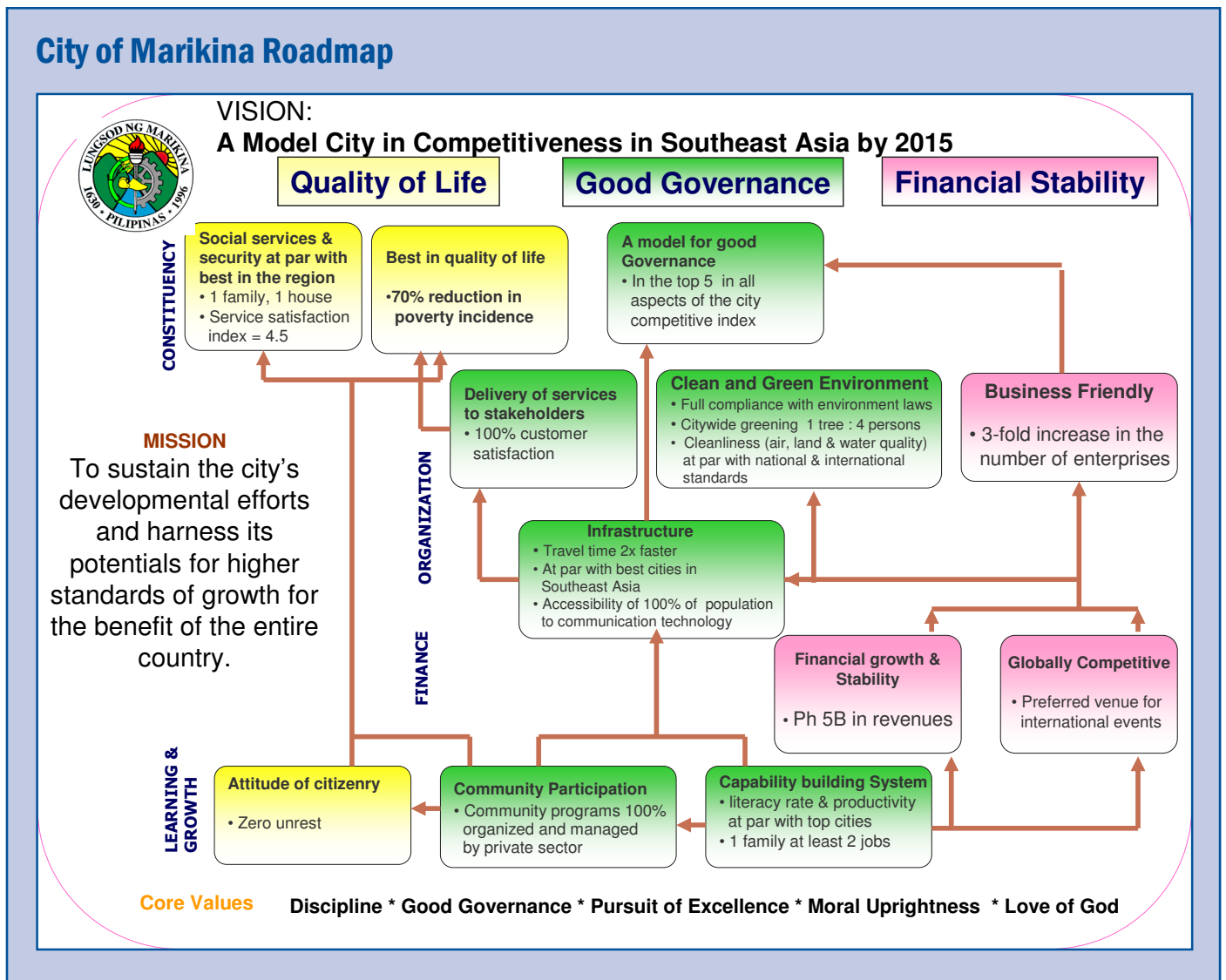
- 7,000 people were empowered to make a livelihood through job skills training.
- 15 public parks were developed and 6,000 trees were planted in 2007.

For hope to be translated into reality, there must be practical measures that lead towards a focused goal. “The thinking has to be big and bold. But the acting has to be done in small and sustained steps.”⁴ With its overarching vision in hand, ISA looked for places to begin reform from the bottom up.

Planning Dream Cities

Rather than throwing up its hands at the obstacles to reforming national government, ISA identified promising localities and sectors in which to nurture pockets of good governance, involve citizens, and create anchors for future results. Citizens were usually more actively involved in the decision-making process at the local level compared to the national level. “Not everything in politics is done in Manila, so there’s a lot that is very positive that is being done outside Manila,” explained Dr. Estanislao.⁵

ISA decided to target municipal governance because of the increasing strategic importance of cities in the Philippines. More than half of the Philippine population lived in 116 cities scattered across the country. Urban centers accounted for 70 percent of gross domestic product, yet many cities still had not reached their economic potential due to unfocused planning. In 1991, the new Local Government Code gave cities a larger role in public governance. ISA’s program built on citizen involvement to give substance to local governance and administrative decentralization.



Eight cities stepped forward to become pioneers in the ISA Public Governance System. Each crafted a vision of what their community would be in the year 2015, together with a roadmap of how to achieve the vision and scorecards to measure progress. Marikina is an excellent example.

City of Marikina

Vision

To become “a model city in competitiveness” by 2015.

Mission

“To sustain the city’s developmental efforts and harness its potential for higher standards of growth for the benefit of the entire country.”

The City of Marikina, working side by side with a multi-sectoral civic coalition, set 12 primary objectives for the city as well as high standards of achievement. Marikina mapped out a series of mutually supportive relationships among these objectives, which it grouped according to developmental, financial, organizational, and constituent priorities. Beginning with citizen empowerment and community participation, the roadmap indicated how good governance would sustain a business-friendly environment and ultimately make Marikina a competitive city enjoying a high quality of life.

Thanks to the PGS, “the ordinary can become extraordinarily effective.”
– Mayor Oscar M. Rodriguez, San Fernando, Pampanga

Scorecard for the Business Sector in the City of Marikina

OBJECTIVES	MEASURES	TARGETS 2015
<i>Best in quality of life in Southeast Asia</i>	Business belong to the sunrise industry	360 percent growth in profitability
<i>Social Services and Security</i>	50% of workers living in the city are employed	One person per household is employed in any medium- to large-scale business within the city
<i>Business Friendly</i>	Multi-awarded business chamber	Hall of Fame in Southeast Asia's Best Business Organization
<i>Clean and Green Environment</i>	50% decrease in garbage collection	All business establishments implement individual or communal waste management program specifically the establishment of Material Recovery Facility (MRF)
<i>Most Efficient Delivery of Basic Services in Southeast Asia</i>	Customer satisfaction and delight at par with Southeast Asia's notable industries/businesses	100 percent: Zero complaint/Zero return of goods
<i>Globally Competitive</i>	Excellent craftsmen & craftsmanship/ services	All leading products/ services have the seal of excellence/ ISO certified
<i>Most Efficient Capability Building System in Southeast Asia</i>	Model curriculum in labor and business education	Fully functioning Labor Market and Lifestyle Village.
<i>Most Active Community Participation</i>	40% of annual target visitors are interested in business tourism	Leader in business tourism
<i>Best Attitude of Citizenry</i>	<ul style="list-style-type: none"> - Multi-awarded business organization - Several entrepreneurs and industries are consistently recognized by international business organizations - Compliance w/ Global Compact Initiative of U.N. 	5 percent of local business is in the top 1,000 corporations of Southeast Asia
<i>Most Efficient Infrastructure in Southeast Asia</i>	Road, IT, and telecom infrastructures are all in place	The region's best business infrastructure

This scorecard for business, one of several scorecards for Marikina's sectors, shows the measures and targets by which:

- Business will support top objectives on the city's roadmap
- Citizens will benefit from business development and business contributions to the city
- Business will benefit from improved local governance

The Public Governance System⁶

At the core of the Dream Cities program is ISA's Public Governance System (PGS). ISA developed the PGS based on the Balanced Scorecard, a strategic planning and management system originated at Harvard Business School. A Balanced Scorecard translates strategy into concrete measures that communicate a vision to an organization. The approach has been widely implemented in the private sector and has also been extended for use in the public

sector, by, for example, a number of cities across the United States. CIPE arranged for a delegation of Philippine mayors to visit cities such as Charlotte, North Carolina, and Austin, Texas, to observe how these cities have successfully implemented the Balanced Scorecard to improve municipal performance.

The PGS process, as adapted by ISA for Philippine cities, contains a vital innovation: the community becomes a co-owner of the plan with the city. ISA's

scorecard methodology provides an integrated approach to reform, involving all major constituents, creating the potential to increase accountability, efficiency, and transparency in government. It spreads a culture of professionalism and innovation in public service. At the same time, it establishes a complete cycle of democratic governance by building community input into planning and providing a mechanism for government to be responsive and accountable.

In a nutshell, the public governance system coordinates local government planning in four areas:

1. Service and responsiveness to citizens.
2. Fiduciary responsibility to citizens.
3. Efficiency and quality of administrative processes.
4. Development of human capital and innovation.

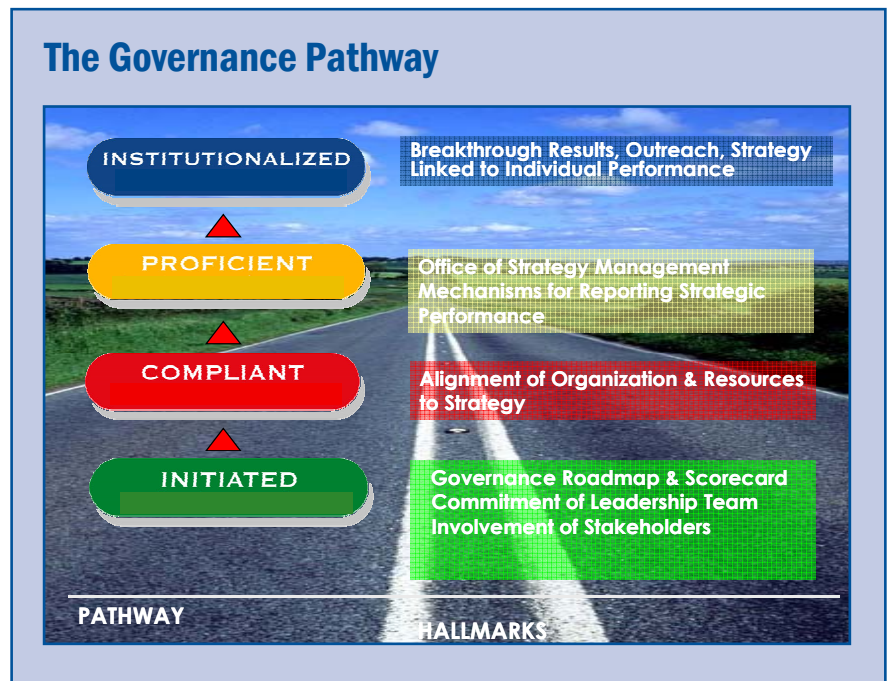
Core objectives in these four areas are laid out by local participants in a top-level roadmap. For each objective, achievable and measurable targets and deadlines are set. A series of scorecards then break out the intermediate steps necessary to reach the targets and lay down specific indicators by which results may be judged. As a system, the roadmap and scorecards combine a coordinated vision with practical measures to motivate and facilitate execution.

Putting the PGS into Effect

The governance reform process begins when a mayor is nominated by peers from other cities to participate, based on his or her competence and commitment to development. ISA will only begin work in cities where the mayor is committed to the process. Typically, an executive order and a city council resolution should express the city’s intention to incorporate the PGS process in its planning.

ISA brings together civil society groups and public officials, in each city about 20 leaders altogether, for consultative sessions on introducing the public

governance system to the city. The civil society groups – representing business, labor, civic and professional organizations, youth, and academia – usually respond very positively to a mayor’s vision initiative because it is the first time that they have been consulted and have felt important in the city. During consultative sessions, the local technical groups and the local coalition create a governance roadmap, including the city’s vision, core values, concrete policy targets, and specific initiatives to meet the objectives. The mayor and the civic leaders publicly assume responsibility for implementing their respective duties as outlined in the roadmap.



Success is measured against specific targets, making it possible to track progress on scorecards. The mayor of a city, each department of city hall, and the major civic sectors all have their own scorecards. ISA leads monitoring teams – composed of mayors and administrators from other cities – that visit participating cities to audit implementation of the roadmaps every year.

Civil society groups define their own deliverables to reach the overall goal. According to Mayor Jesse Robredo of Naga City, a key challenge is “connecting the dots” – connecting ordinary citizens and administrators with the governance process and with each other. Thanks to the PGS, “the ordinary can

become extraordinarily effective,” declared Mayor Oscar M. Rodriguez of San Fernando.

ISA has clarified the steps to be taken as part of the governance reform process through its “governance pathway.” The pathway offers practical guidance on measures toward institutionalizing good governance, and lays out a common standard for evaluating how cities and communities are developing in their governance reform. For instance, a city that has reached the “proficient” stage on the pathway is recognized by ISA to have performed rigorous strategic planning using scorecards, aligned its organization and resources with the strategy, and implemented a mechanism to report on its performance.

Reporting Back: The Public Governance Forum

Transparency sustains the governance process in multiple ways. ISA’s semi-annual Public Governance Forum combines multiple features of governance reform in a credible, transparent venue. At the forum, city leaders who have reached given milestones on the governance pathway address their peers – and a wider audience through the media – on the status of their reform efforts. Leaders of civic associations and certain public institutions likewise participate. In this manner, the forum performs the following functions:

- Mayors and civic leaders publicly pledge to adopt a discipline of democratic governance in the pursuit of city objectives, thereby tying their reputations to governance reform.
- Citizens and stakeholder groups are kept informed about issues of concern and measures that local governments are taking to address them.
- Through the uniform reporting framework, citizens and stakeholder groups can check whether previous commitments have been honored and can hold their officials accountable.
- Mayors who are reporting on progress receive recognition for positive changes they have made.

- Participants in governance reform efforts provide mutual support and assume joint ownership of the endeavor.
- New and experienced leaders alike learn from others’ experiences and practices, especially at the Learning Institute hosted in conjunction with the forum.

Under the banner “Mahal Ko Ang Pilipinas” (“I love the Philippines”), the forum highlights public service success stories and responsible citizenship to overcome cynicism and demonstrate that there is a way forward. Regularly attended by about 20 mayors as well as leaders from PGS anchor groups, civic groups, and business, the forum spreads a message of hope and good governance through substantial national media coverage.

Results So Far

As of the end of 2006, 24 cities had already adopted the Public Governance System. Mayors and sector leaders of several more cities had committed to institutionalizing the system. New mayors are regularly recruited by current fellows of the program.

The business environment was improving among the cities farthest along the pathway. The National Competitiveness Council declared eight of the Dream Cities to be “business friendly.”⁷ Marikina brought in 20 billion pesos in new investments in 2006-2007, and San Fernando (Pampanga) had 481 million pesos for the same timeframe.

In May 2007, out of 20 mayors standing for reelection with whom ISA was working, 18 were re-elected (or the candidate they endorsed). This indicates the strong incentives for these and other mayors to pursue a better governance standard. It also suggests that voters were pleased with the PGS approach – or, more likely, its early results.

CIPE arranged for a delegation of Philippine mayors to visit cities such as Charlotte, North Carolina, and Austin, Texas, to observe how these cities have successfully implemented the Balanced Scorecard to improve municipal performance.

ISA has initiated a program to extend good governance outreach through a new network known as CLEAN, which stands for the Centers for Leadership in East Asia Network. CLEAN Philippines has six founding members: ISA, the Institute of Corporate Directors, the Philippine Military Academy, and the cities of Marikina, San Fernando (Pampanga), and Tagbilaran.

Strengths of the PGS Model and Lessons Learned

The purposes of the Public Governance System include not only strategic planning, but also practical implementation, citizen participation, and government accountability. The Public Governance System, as a Philippine adaptation of the Balanced Scorecard, has proven to be an effective and popular strategic planning tool in Philippine cities at different levels of development and located in diverse areas of the country. The system may serve well in other countries, as well, with appropriate adjustments to local needs.

Civil society must play a leadership role.

One of the greatest strengths of the public governance system is the participation of representatives from all major segments of civil society. Citizens take part in setting objectives and performance measures for governing institutions as well as for themselves. Following through on the planning, civil society groups make their share of contributions to the results and hold government accountable for reaching collective goals.

One of the greatest strengths of the public governance system is the participation of representatives from all major segments of civil society.

When facilitating coalitions of civic groups, ISA found it necessary to have an “anchor group” in each social sector. The anchor group takes ownership and provides structure to the coalition. While it is best for a coalition to be inclusive and broadly representative, the anchor group serves as the organizational core.

City of Tagbilaran Achievements

Once in the shadow of communist insurgency, this city is building its future as an eco-tourism and cultural hub. It has broken ground for a single window office to simplify transactions for land administration, and has delivered free hospital benefits to the poor. Tagbilaran topped the Asian Institute of Management’s quality of life survey, announced in February 2006, for cities with up to 200,000 people.

Create political incentives.

Another reason why the governance pathway works so effectively is that it combines administrative professionalism with political incentives. Mayors and institutions that reach ISA’s milestones – and that pass audits by ISA and their peers – are duly recognized for their achievements. The PGS reveals the good actions that have been taken, and encourages future constructive action. ISA has built a foundation by working with some of the best local leaders – those who are serious about governance discipline – at the same time as inviting and challenging other leaders to follow this route to competitiveness.

Focus on specific communities or institutions.

ISA has publicly committed to fostering a nationwide governance reform movement. With that clear goal, ISA has begun strategically working in selected communities and organizations that are motivated and ready to embrace change. Each community establishes its own specific set of objectives, then brings the combined forces of the community to bear on priority tasks. In other words, a comprehensive approach to reform with a relatively narrow focus is the best methodology.

Notes

¹ Jesus P. Estanislao, “A Governance System for the Philippines,” presented at the Global Public Sector Summit hosted by the Balanced Scorecard Collaborative, Washington, D.C. (October 10, 2007).

² Jesus P. Estanislao, “Strengthening Democracy in the Philippines: Civil Society Solutions to Public Governance,” *Economic Reform Feature Service* (December 15, 2005).

³ Jesus P. Estanislao, *Philippines 2030, Journey to Nationhood: Towards a National Community of Responsible Citizens*, Makati City, Philippines: Institute for Solidarity in Asia (2006). p. x.

⁴ Estanislao, *Philippines 2030*, p. 84.

⁵ Jesus P. Estanislao as quoted in *Philippine Daily Inquirer*, “8 Cities Shine Amid Gloom of RP Politics” (11 August 2005).

⁶ The description of the Public Governance System draws upon a presentation by Nick B. Fontanilla at an orientation for civic officials on August 29, 2007.

⁷ Ronnel W. Domingo, “8 Cities Cited for Being ‘Business Friendly,’” *Philippine Daily Inquirer* (October 31, 2007): B1–2.

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