

**FCM International**

**CASE STUDY**

**Municipal Partners for Economic  
Development Program**

**FOSTERING LOCAL ECONOMIC  
TRANSFORMATION THROUGH  
COMMUNITY ENGAGEMENT**

**Naga City's Collaboration with its  
Civil Society and Businesses**

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The Federation of Canadian Municipalities (FCM) Municipal Partners for Economic Development (MPED) is a five-year program (2010–15) to support sustainable and equitable economic development in seven developing countries in Asia, Africa and the Americas. The program partners and direct beneficiaries are local governments and local government associations (LGAs) from these countries. MPED is undertaken with the financial support of the Government of Canada provided through the Canadian International Development Agency (CIDA). In Asia, the program is active in Vietnam and Cambodia. MPED also supports the engagement of program partners in regional (Asia) knowledge sharing, global policy development, and program coordination, with an emphasis on economic development, environmental sustainability and gender equality.

By strategically concentrating resources on local-level “demonstration projects”, MPED allows partners to develop new evidence-based models and practices for effective municipal management and economic development. The resulting knowledge and data can allow partners, and LGAs in particular, to influence national policy development and replicate local successes.

This case study from the Philippines was identified and documented with the intention of offering ideas for Cambodian and Vietnamese municipalities, as well as other stakeholders in the decentralization and local development effort, to consider new avenues and innovations as part of their role in supporting LED. Its focus is to propose ideas that work and to question the practices underlying these models, with the view of triggering the discussions required to adapt and transfer these experiences to other contexts.

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# THE CASE OF NAGA CITY

**N**aga City is about 450 kilometres south of Manila in southern Luzon. It is about 100 kilometres north of Legaspi City, the government centre of Bicol Region, one of the country's 16 administrative regions. It is home to two of the country's oldest colleges, founded in 1793 and 1868 and is considered "the heart of Bicol". It has established itself as the historical, religious, educational and business centre of Bicol Region. Naga has a population of approximately 175,000 people which swells to an estimated day time population of 300,000 to 400,000. It has a total land area of 85 square kilometres. The city is landlocked. It doesn't have direct access to the sea and is not particularly well-endowed in terms of location and natural resources. It is therefore somewhat disadvantaged compared to other cities, especially port cities, from an economic development perspective.

Twenty years ago, the potential for the growth of the City's commercial and trade sectors had significant limitations. The local economy was weak and employment was scarce. Business sector confidence was low and there was widespread indifference towards development and little cooperation among the various sectors of society. The city's main public market — considered in 1969 as Southeast Asia's biggest — had significantly "degraded" and was later hit by a fire which took away 1/3 of its available space. The Central Business District (CBD), typical of similar business centres in other cities in the Philippines, was overcrowded and had major traffic volume aggravated by the presence of numerous "jeepneys"<sup>1</sup>, buses and motorised tricycles whose main terminals were located within the business

<sup>1</sup>Jeepneys are the most popular means of public transportation in the Philippines. They were originally made from US military jeeps left over from World War II and are known for their flamboyant decoration and crowded seating. They have become a symbol of Philippine culture.

district itself. These factors were scaring investors away and thus the business tax base of the city government was weak. Furthermore, the City had to contend with the usual social problems affecting urban centres such as growing urbanization and homelessness, a crime rate on the rise, limited basic services for the citizens and rampant illegal gambling.

## ■ Partnering with Civil Society to Address Economic Growth

Mayor Jessy Robredo first ran for Mayor in 1987. Under his leadership, the City of Naga has made itself a name for competitiveness enhancement and good local governance largely based on the local government's strategy of embracing civil society involvement and encouraging cooperation with the NGO and business sectors. Based upon his progressive practices and credibility, he has been re-elected for 5 terms, a total of 15 years between 1987 and 2010. The Mayor had a clear vision of the governance model he wanted to offer to the citizens of Naga to address the city's problems and transform it into an economically vibrant urban centre.

The partnership element of the governance model he developed with his team is now a foundational aspect of Naga City's approach. The current Mayor, Atty. John Bongat, continues to innovate, expand the city's development, and consolidate systems based on the principle of constructive engagement and synergy with civil society partners. Its fundamental concept is based upon the "principle of stakeholderhood". Since 2010, that principle and the experience of Naga City are now reflected at the national level in the programs and policies of the Department of the Interior where the former Mayor now acts as its Secretary.

### *Governance Model*

Naga City adopted the principle of stakeholderhood as its guiding framework for city governance and its development strategies. The chart noted below summarizes the framework's key elements.

The model is anchored on the ideal of building strong institutions and there are three key elements which form its foundation:

#### 1. **Progressive Development**

The progressive perspective is a philosophy that anchors all development efforts and seeks to engage all sectors of society in realizing their role in local development. It is spearheaded by the local government as part of its leadership and

mobilization role. Behind this perspective is the notion of “growth with equity” which seeks to promote economic development (growth) and sustain the implementation of pro-poor (equity) projects to build prosperity for the community at large. The philosophy stipulates that growth and equity building can feed on each other. Economic growth provides the resources and sustains the implementation of social development programs. Equity projects lead to better quality of life, a better city that ultimately, fuels further growth.

## 2. Functional Partnerships

On-going engagement in partnerships is the vehicle that enables the City to tap community resources for priority undertakings. Government resources are never enough to address all the concerns of the constituency. Non-governmental groups also have the capability to address specific problems which the government bureaucracy cannot. Partnerships are sought to multiply the local government’s capacity and enable it to overcome resource constraints.

## 3. People Participation

People participation mechanisms ensure the inclusion of individuals and the community in government decision-making. They promote long-term sustainability by generating broad based stake-holdership and community ownership over local

undertakings. While partnerships, for operational and practical reasons, often occur between institutions and organized groups, participatory mechanisms give all sectors of the community — including the marginalized — a voice in government. It mainstreams them and engages them in governance. The response of various constituencies — a business person, the market stallholder, the squatter, the farmer or the householder — depends on how receptive an administration is to their participation in the decision making process. The City’s leadership encourages and formalizes mechanisms to enhance constituency participation.

The Naga City leadership developed a visioning process which evolved incrementally. Taking advantage of one of the city’s strengths — the presence of an active civil society sector composed of business, civic and people’s organizations — Naga City institutionalized various mechanisms of participation and consultation. The Naga partnerships and participatory mechanisms go beyond mere consultation. They can be classified as follows:

- **Project-based Partnerships:** these are specific projects where private sector expertise and resources are tapped to complement government capability. Projects may be related to generating economic growth (growth strategy) or supporting the poor into society (social development or equity-building);
- **Participatory Institutional Partnerships:** these refer to mechanisms that involve the community, usually through organizations, in government-initiated bodies so that they can participate in the decision-making process and the implementation of development programs.

Ultimately, Naga City considers its governance model as a public reflection process which captures the aspirations of the people while the process itself serves to build “stakeholdership” across society.

## ■ Mechanisms to Involve the Community in the City’s Economic Development Efforts

### *Institutional Partnerships — Local Special Bodies*

Naga has pro-actively supported the establishment of several “Local Special Bodies” facilitated by the provisions of the Philippines Local Government Code (1991). The City also issued a “People Empowerment Ordinance” which expanded the people’s role in governance by establishing a functional framework



for partnership and participation with involvement of close to one hundred NGOs and People's Organizations through the "Naga City People's Council" (NCPC). This strategy created and secured the avenue for on-going participation of organized groups in governing the City, not only through consultation, but also through policy-making, project implementation, monitoring and evaluation. For example, various civil society organizations are represented in the Development Council, the Bids and Awards Committee, the Peace and Order Council and other bodies and business community representatives have become members of policy-making bodies such as the Environmental Management Board, the Integrated Livelihood Management Council, as well as the Transport and Traffic Management Task Force.

### Partnership Transparency – i-Governance

The i-Governance Program is amongst the effective transparency and accountability mechanisms developed by the City to strengthen its rapport with the citizenry. This key program is an initiative to make "information and communications technology work" for the improvement of governance and to enhance effectiveness of City development strategies. Initiated 10 years ago (2001), its components are now institutionalized features of daily two-way communication between the government and its citizens. For example, the *Naga Citizens Charter*, distributed to all households and businesses, describes approximately 130 key services of the city government. It explains the step-by-step procedure for accessing these services, as well as the response time for delivery, and the city hall officers and staff responsible for the service. This information is complemented by a list of requirements a customer must comply with to facilitate service delivery, as well as the relevant fees. The Citizens Charter is viewed as a contract between the city government and its citizens.

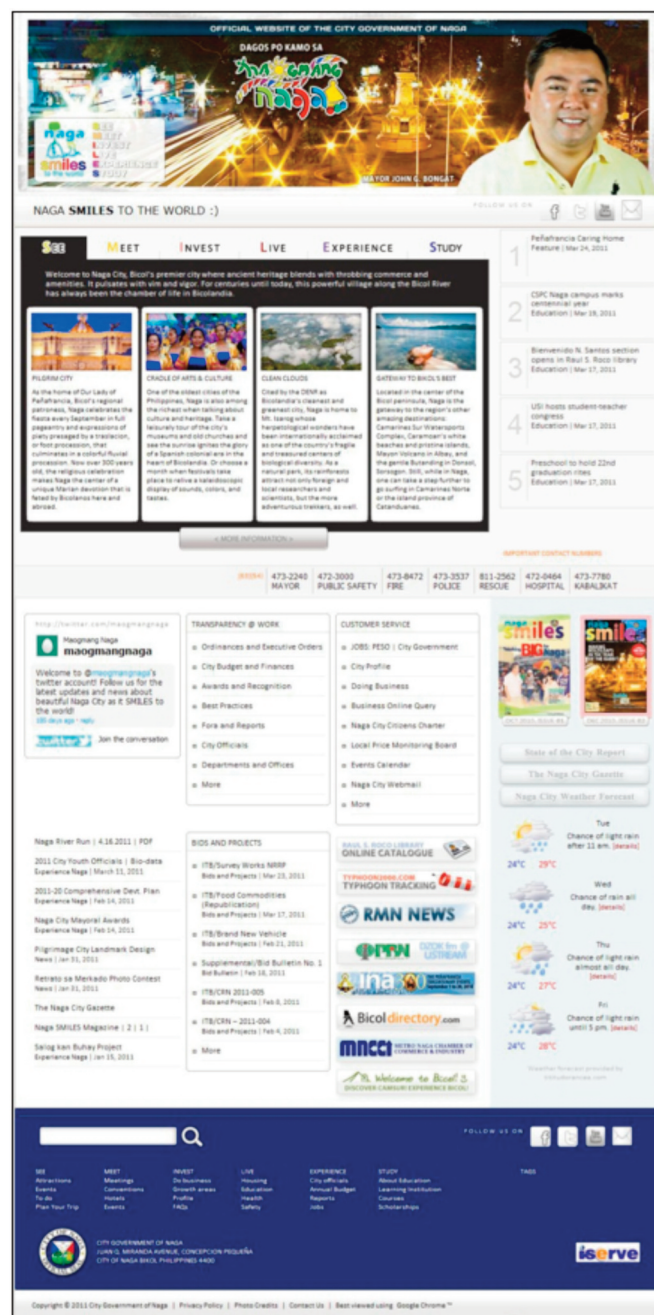
### Partnership Accountability

Another key tool is the City's website (www.naga.gov.ph) which provides details of practically all aspects of city operations on the internet which is a relatively rare practice in the Philippines. It also presents a means of understanding and monitoring the activities. It contains a virtual Citizens Charter (called Netserve) and also posts:

1. The city's annual budget, along with the allocations for specific departments and offices

2. The status of city finances, updated on a quarterly basis
3. Notices of bids, public offerings and other procurement activities, as well as their outcomes
4. City ordinances and Executive Orders.

In addition, the website features the TXTNaga (later Naga "TxtServe") program which takes advantage of the widespread use of mobile phones and their SMS or "texting" capabilities. This feature allows citizens, merchants and corporations to send complaints, queries and feedback to the city government at a very low cost (as low as 1 peso = US \$ .02 per message sent). These messages are sent to the City



Page from the website



Naga 'TxtServe' program.

government's mail server and follow-up actions are directed to the relevant city department. Replies are returned the same way.

The i-Governance Program is comprehensive and many of its details are not elaborated here. The point is that the program illustrates how Naga City partners with, and leverages contributions from the community and private sector. Partnerships enable resource pooling, building synergy and allow the City government to tap community resources. Examples of such partnerships include the following:

PARTNER	AREA OF COOPERATION
1. Naga City People's Council	<ul style="list-style-type: none"> <li>• Impetus for development.</li> <li>• Development and maintenance of naga.gov (city website).</li> </ul>
2. Naga City Investment Board/ Metro Naga Chamber of Commerce and Industry	<ul style="list-style-type: none"> <li>• Impetus for development.</li> <li>• Development and maintenance of 2 components of naga.gov, namely the Investment Guide and the Netserve/Services page.</li> </ul>
3. Naga City Tourism Council	<ul style="list-style-type: none"> <li>• Impetus for development.</li> <li>• Development and maintenance of the Tourism and Travel Guide pages of naga.gov.</li> </ul>
4. University of Nueva Caceres	<ul style="list-style-type: none"> <li>• Technical support from the IT college.</li> </ul>
5. Department of Education (national)	<ul style="list-style-type: none"> <li>• Internet access and training for all public elementary and high schools (cyber school — support infrastructure).</li> </ul>
6. Ayala Foundation	<ul style="list-style-type: none"> <li>• Internet access for all public high schools (provision of equipment).</li> </ul>
7. Digitel (telephone company and Internet Service Provider)	<ul style="list-style-type: none"> <li>• Internet access for all public schools (internet connection).</li> </ul>
8. Association of Barangay Councils	<ul style="list-style-type: none"> <li>• Operation of cybercafés at the village level.</li> </ul>
9. Smart Telecommunications (a major national mobile service provider)	<ul style="list-style-type: none"> <li>• Support to the TxtNaga component.</li> </ul>

### Project-based Partnerships

The stagnation of the local economy and congestion in the former city center in the early 90s, two of many problems, became the drivers of long-term, project-based economic interventions and the transformation of Naga. Here the private sector has been successfully involved in growth-enhancing programs and in equity-building efforts. These government-led initiatives have enticed the private sector to take the initiative. Striking examples of growth enhancement were the strategies adopted by the city to reduce congestion in the city-center and to open up new business areas. A few of them are described below.

### The "Urban Transport and Traffic Management Plan":

The UTTMP demonstrated how the City could use its regulatory and policy enforcement powers in support of business expansion by relocating all the bus and jeepney terminals to outside of the old Central Business District (CBD). In the early 90s, these transport terminals were located in the "Centro" (or CBD) and people came to the CBD in Naga from all parts of the Bicol region by bus and jeepney to trade. The result was gridlock. As traffic management is one of the responsibilities of the city government, the administration undertook lengthy deliberations with the private sector to determine how to best re-organize circulation and relocate the terminals while minimizing the negative short-term impact on some stakeholders. The relocation of the terminals outside of the "centro" increased pedestrian circulation and perked up economic activity on the periphery of the



Part of the Central Business District (CBD). More popularly called by locals as "centro", CBD-I is the traditional commercial hub. The Naga River, Hernandez Avenue and Arana Street bound this 30-hectare area. Being the location of most businesses engaged in services and wholesale and retail trade, CBD-I teems with people — which swells to as much as 250,000 during the daytime — from the city and its neighboring municipalities. The Naga City Supermarket, the biggest in Southeast Asia when it was built in 1969, is found at the core of this district.

CBD. The total commercial area effectively expanded by a third and the strategy significantly eased traffic flow within the CBD, restoring order, life and vitality in the area.

**Satellite District Markets:** In the Philippines, public markets are usually operated by local government and such was the case with the 1,500-stall Naga Public Market which is at the heart of the CBD. Under the *Naga Local Initiatives for Economic Activities and Partnerships (LEAPS)* program, the City encouraged the private sector to construct and operate satellite markets in pre-determined, strategic areas on the periphery of the CBD. The only limitation imposed by the City was that these initiatives should follow a set of government requirements regarding the area and facilities development. This approach generated several proposals from the private sector, and there are now five privately owned district markets attracting commercial development.

**Panganiban Beautification and Upgrading Project:** Also part of the LEAPS program, the PBUP was an initiative to create a new business corridor out of a kilometer-long swampy area on the periphery of the old CBD. The property was owned by the Philippines National Railways (PNR) and was located along the rail tracks and Panganiban Drive, which serves as one of the main thoroughfares leading to the CBD. The city government leased an abandoned portion of the PNR property. It then approached a national organization with a local chapter in Naga, the United Architects of the Philippines (UAP), to conceive a cohesive design for duplex-type commercial buildings in the area. Regulatory policies (Naga City Ordinance No. 92-027) were established to guide the use and maintenance of the properties. Interested private developers were then invited to sub-lease the PNR property and build the approved duplex-type commercial buildings. A Build-Operate-Transfer (BOT) arrangement was developed with the national government and the business community as partners. The result was a new commercial and beautification project begun and a new business area created which generated new commercial activity and employment.

**The Central Business District-II:** CBD-II is a 250-hectare area whose core is a 27-hectare development is being undertaken by a private sector partner, Ruby Shelter Builders and Development Corporation. Compared to the UTTMP and the Panganiban Upgrading Project which moved growth to other areas at the periphery of the old business district, CBD-II is an effort to create another distinct com-



*CBD-II, inaugurated in 1996, is designed for medium-end commercial development. It is dubbed as Naga's Transport Exchange.*

mercial area. Based upon the UTTMP experience, the local government was approached to provide the growth stimulus. Using its power to regulate transport terminals, the city established an integrated bus terminal on a lot donated by the private company, Ruby Shelter. The area was also designed as the location of two privately-owned integrated jeepney terminals to service two-thirds of all inter-city/municipality public utility vehicles. These terminals became the anchors of the CBD-II development. In fact, CBD-II has been dubbed *Naga's transport exchange*. City hall has since then constructed a sports complex on another donated lot in the area and the private sector has established a satellite market within the area. Establishments supporting and catering to the market created by these facilities have sprouted within the area and Ruby Shelter's 27-hectare core development alone has resulted in a 100% expansion of the commercial district. In addition, it played a role in stabilizing an exorbitant price rise for commercial space in Naga.

## ■ Naga's Economic Development Program

The current administration continues to follow the same governance model, now named "*HELP your City*". It calls for strong participation in governance and development in virtually all of the sectoral programs<sup>2</sup> which directly or indirectly affect local

<sup>2</sup>Health and Nutrition; Housing and Urban Poor; Education, Arts, Culture and Sports Development; Livelihood, Employment and Human Development; Public Safety, Peace & Order; Cleanliness and Environmental Protection; Transparency, Accountability, Good Governance.

economic development<sup>3</sup>. Consistent with the City's governance model, the operationalization of this vision calls for the economic empowerment of the citizens.

There are a number of initiatives currently underway as part of this program and they include the following:

- Re-activation of the Naga City Investment Board
- Continuing improvement of the public transport terminals and support for the development of additional business centers<sup>4</sup>;
- Infrastructure improvements to the CBDs;
- The re-organization of the Market Enterprise and Promotions Office (MEPO);
- The development and expansion of market facilities through a Build-Operate-Transfer (BOT) scheme, etc.
- Several small enterprise development initiatives supporting agricultural development<sup>5</sup>
- Infrastructure development and facilities assistance for agricultural stakeholders<sup>6</sup>
- Tourism development initiatives<sup>7</sup> to promote tourism in Naga

<sup>3</sup>An example would be the *Livelihood, Employment and Human Development* component which emphasizes the establishment of an investment and business friendly climate, the creation of employment and economic opportunities, sustained agricultural development, comprehensive tourism promotion and strong support for needy sectors.

<sup>4</sup>Including the rationalization of sidewalk vending and parking arrangements in some areas.

<sup>5</sup>Such as soya milk and soya based food production, Pili nut processing, and handicraft production and soft broom production.

<sup>6</sup>Including the rehabilitation of irrigation systems, concreting of farm to market roads, the acquisition of a recirculating dryer for the City's tree and plant nursery, etc.

<sup>7</sup>Including the establishment of the Arts, Culture and Tourism Office, a promotion campaign known as SMILES Naga (for See, Meet, Invest, Live, Experience, and Study in Naga), and various linkages with the academe, travel agencies, etc.

<sup>8</sup>Transforming the riverbank areas into one of the major recreational and tourism attractions in the city by developing walkways, bridges, promenades and mini-parks.

<sup>9</sup>The Naga City Hall's mission statement comprises the notions of honesty, dedication and collaboration. It reads as follows: *"Through a well-defined development plan and a corps of honest and dedicated public servants working hand in hand with the people, we shall pursue growth with equity"*.

- The revitalization of the Naga River, a major waterway that bisects the urban district, in order to maximize the river's potential to beautify the city<sup>8</sup> and generate new commercial activities on its periphery. It will be managed with civil society partners such as the Ateneo Institute for Environmental Conservation and Research (INECAR) and the Geodetic Engineers of the Philippines.

## ■ Naga City LED — Success Factors

There are a number of key factors which have contributed to make Naga successful in its LED policies and programs.

### *Shared Ownership and Benefits*

One of the key factors is the shared ownership of various initiatives by the local government, the local constituents and organized groups who collaborate to conceptualise and implement them. Through its openness to meaningful collaboration, the local government ensures that its projects and initiatives respond to local needs and benefit local people. This approach creates a foundation of trust and goodwill amongst local citizens who become more inclined to support their local government and its initiatives.

### *Multi-Sector Collaboration*

The City government pro-actively builds synergy through its collaboration with business and civil society groups. Several of its initiatives to expand commercial areas demonstrate how this pooling of resources can generate commercial activity and economic development in the city.

### *Effective Stewardship*

The prevalent philosophy in city hall is to do more with less and it has been able to pool resources (financial as well as knowledge/capabilities/skills) and do more with less reliance on its own financial resources.

### *Human Capital Development*

The Naga City government estimates that between 40 and 50% of its success can be directly attributed to its human capital development focus.<sup>9</sup> It has been based upon its team of professionals working hard within the local public service, as well as with its active and engaged NGO and private sectors. In addition, its management team has a progressive attitude and is vision-driven, results-oriented and takes pride in its success.



### **Leadership Continuity**

The City has also benefited from many years of professional and political continuity and stability. The Mayor who initiated the strategy was in place for almost two decades. The same City management team has been in place for 18 years of uninterrupted service. This situation has allowed that team to build a constructive rapport with the community and pursue and sustain clearly defined short and long-term objectives.

### **A Conducive Environment**

The Naga City management team had the willingness and readiness to make the most of the local autonomy provisions of the 1991 Philippines Local Government Code. It contained a number of new and innovative decentralization features and provided additional powers to local authorities which included new local revenue generation powers, as well as mechanisms for local participation. Naga maximized the use of these provisions with the formation of “*Local Special Bodies*” which included sectoral representation from civil society.

## **CONCLUSIONS**

Naga City officials have demonstrated that good local governance matters because it can bring a community together to mobilize its resources to promote economic growth and equitable social development that directly benefits its people. The City is now one of the fastest-growing economies in the country. Since 1999, Naga City’s economy has been growing at a rate of 5 to 7 % higher than the national average. It is considered a liveable city, with improved basic services, a significantly higher employment rate and a dramatically decreased poverty incidence. Citizens enjoy a much higher quality of life than then they did 20 years ago.

The city is recognized as a centre of local innovation. It has built a reputation for being a model local government and has developed its own City Governance Institute to share its experience with other cities and municipalities from the Philippines and around the world. However, though much has been done over the years, Naga City authorities remain aware of the need to continue working hard to sustain the gains achieved. The management team works relentlessly to meet challenges. It needs to ensure that a stream of competent leaders will be there to continue the work, as well as to continue the corporate strengthening process and community organizing and empowerment which has been at the heart of its strategy. Naga City is gradually on its way to achieve its vision of local economic empowerment and ensuring that development is “inclusive” and benefits everyone.