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Our task is to inform public opinion by a broad hospitality to divergent views and ideas that promote cross-cultural understanding, tolerance, and the dissemination of knowledge unreservedly. Papers adopting a comparative, interdisciplinary approach will be especially welcome. **Graduate students are strongly encouraged to submit their work for consideration.**

* 'Asia Pacific region' as used here includes East Asia, Southeast Asia, South Asia, Oceania, and the Russian Far East.

Citizens, Government, Business and the Transformation of a Ravaged Philippine City: The Case of San Fernando, Pampanga

by Edel C. Guiza

Abstract

After more than ten years of devolution, the Philippine local landscape is energized by success stories of local governments who dared to innovate and make a difference in the lives of their constituents. This case study is one such story of a group of people who capitalized on their crisis and worked together to survive and transform their city amidst the ruins of volcanic eruption, floods and typhoons. The study will try to answer the following questions: How were the citizens of San Fernando, a calamity prone and ravaged area, able to transform their city? What was the role of the local government and its leadership? How were they able to generate the needed revenues to finance the transformation and improve the delivery of basic services? What were the results? What are the practical lessons and insights that can be gained from their experience? What are the prospects for sustainability and replicability? As a backdrop to the San Fernando case, a brief review of the country and its relevant political, economic and historical features will be discussed with special focus on the decentralization policy, specifically the salient provisions of the 1991 Local Government Code institutionalizing citizen participation to promote good local governance. The San Fernando case is best understood in the context of national policy and related national trends.

I. Introduction

Decentralization is a pre-requisite to local autonomy, which is the degree of self-determination exercised by a local government unit vis-à-vis the central government. It disperses power away from the center to the local government units which are closest to the citizens. As such, it hastens the decision making process at the community level, enables participation of stakeholders and improves effectiveness and efficiency in the delivery of basic services. Decentralization comes in two main forms: 1) devolution, sometimes referred to as political decentralization, which involves the transfer of power from central authorities to local governments and 2) deconcentration or administrative decentralization, which is the delegation of functions by a central government authority to its field units. The Philippines has experienced both forms of decentralization: it deconcentrated a few decades back by creating regional field offices and, in 1991, devolved powers and responsibilities to the local governments. By transferring more powers and functions to local government units, the government hopes to strengthen the redemocratization process started in late 1980s and galvanize local energies for local development.

After more than ten years of devolution, the Philippine local landscape is energized by success stories of local governments who dared to innovate and make a difference in

the lives of their constituents. This case study is one such story of a group of people who capitalized on their crisis and worked together to survive and transform their city amidst the ruins of volcanic eruption, floods and typhoons. The study will try to answer the following questions: How were the citizens of San Fernando, a calamity prone and ravaged area, able to transform their city? What was the role of the local government and its leadership? How were they able to generate the needed revenues to finance the transformation and improve the delivery of basic services? What were the results? What are the practical lessons and insights that can be gained from their experience? What are the prospects for sustainability and replicability?

As a backdrop to the San Fernando case, a brief review of the country and its relevant political, economic and historical features will be discussed with special focus on the decentralization policy, specifically the salient provisions of the 1991 Local Government Code institutionalizing citizen participation to promote good local governance. The San Fernando case is best understood in the context of national policy and related national trends.

II. A Brief Country Profile

The Philippines is an archipelagic country of 7,100 islands with Luzon, Visayas and Mindanao as the three main islands. Unlike in other countries in Asia, the 2001 estimated population of 80.1 million is predominantly Roman Catholic, a legacy of Spain's colonial rule for more than three centuries. English, also a colonial legacy but this time from the Americans, is widely spoken and the literacy rate is one of the highest in Asia.

In the 1950s and early 1960s, the Philippines was the envy of countries in Southeast Asia. But in the 1990's, the country lagged behind all of its Southeast Asian neighbors except Indonesia. In 2001, the country registered a GDP growth of 3.4%. The fiscal deficit was 3.8% of GNP financed through borrowing by the national government. In 2001, total public debt was estimated at P1.2 trillion pesos (US \$1 = Php 50.00), about P90 billion higher than that of 2000, and external debt service payments amounted to 16.4% of total exports of goods and services. To reduce the fiscal deficit, the national government cut back on capital and infrastructure investments. While there was a slowdown in public expenditures, private consumption spending was vibrant, primarily due to the high level of remittances from millions of overseas Filipino workers estimated at 8% of GNP.

Poverty Reduction, A Major Challenge

Poverty incidence in 2001 has increased by 2.6 percentage points from its 1997 level. Latest estimates have shown that 39% of the total population have incomes below the national poverty line. Poverty is more acute in the rural areas although urban poverty has been rising due to the influx of rural migrants in the urban centers in search of jobs. The unemployment rate in 2001 is estimated at around 11%, considered the highest in the region.

Given the high level of poverty incidence in the country, reducing poverty has been a major thrust of government. The

present dispensation has formulated a comprehensive package of interventions, a key feature of which is the strengthening of democratic institutions at various levels of government to promote people's empowerment.

The poverty in the country had been attributed to a number of internal and external factors. The 1997 Asian financial crisis swept away the gains of previous poverty reduction efforts. Considered by many as a key internal factor is the concentration of wealth and resources in the hands of a few oligarchic families who controlled the state bureaucracy either by influencing the bureaucracy, holding public positions themselves, or making the politicians beholden to them by financing their election campaigns. The state, considered much weaker than most Southeast Asian states, finds it difficult to withstand the pressure from these economic and political elites thereby widening the yawning gap between the few who are rich and the many who are poor.

Past social development efforts failed to positively impact poverty for a number of reasons, the most notable of which are lack of political will on the part of the government to push for reforms and inadequate resources to implement the chosen strategies. The government interventions were high on rhetoric and low on results causing discontent and impoverishment of the many. Inequity remains widespread.

Democratization Efforts: Strengthening Civil Society

The emergence of cause-oriented groups, NGOs, and other civil society organizations is considered a significant advancement in Philippine democracy. These entities emerged to compensate for the failure of the state to address the deteriorating socioeconomic conditions and to pressure the state to correct its policies. The student movement of the late 1960s and early 1970s produced the first generation of NGO leaders to work with the labor unions and urban poor communities. After the declaration of Martial Law in 1972, the National Democratic Front led an armed struggle against the government while the Social Democrats organized their associations to propagate their own set of beliefs. Other groups also emerged: women's groups to confront the subordination of women, human rights groups to counter detention and torture of political detainees, and environmental groups to advocate for strict implementation of environmental laws and policies, among others.

The growth and expansion of NGOs and various groups was facilitated by a conducive policy environment during the Aquino administration. An estimated 16,000 NGOs were formed, based on the number of registered NGOs in the Securities and Exchange Commission. There was freedom to organize and funds were channeled to NGOs for engagement in economic and social development work including delivery of basic services. They undertook research to support policy advocacy, reshaped the public agenda by articulating the interests of the marginalized groups and raised issues which were ignored or repressed before. They also pushed for the implementation of existing pro-poor public policies.

During the Aquino and Ramos administrations, leaders from cause-oriented groups and NGOs were appointed to key

positions in government which paved the way for the creation of strategic partnerships between the government and the NGOs. This practice was continued by the Estrada and the (present) Arroyo administrations. The efforts of the NGOs made the bureaucracy conscious of its mandate to work for those who need the government most—the poor and the marginalized.

Political parties have also taken cognizance of the need to take an active role in building an effective state to work for the development of the country. An All Parties Conference was held in May 2002 to come up with a unified economic and political agenda based on the following six themes: 1) escaping the poverty trap: increased productivity and competitiveness with sound fiscal management; 2) enhancing social order and security through law enforcement, diplomatic cooperation and fair delivery of justice; 3) mobilizing civil society participation for better governance; 4) promoting the welfare and development of our Muslim and Indigenous peoples for nation building; 5) strengthening institutions through constitutional and electoral reforms; and 6) improving national-local bureaucracy for effective public service.

The conference was hailed as an initial step towards changing the negative image of political parties in the country. They are perceived to be weak institutionally, are personality or leadership driven, lack ideological foundations, and are beholden to groups and individuals with vested interests, pursuing only their own narrow agendas devoid of concern for the whole country.

Churches and religious organizations have also played a key role in sensitizing government to the needs of the poor and making themselves relevant to the changing environment. Not to be left behind is the business community which has taken a more active position in the economic, political and social affairs of the country as an assertion of their corporate social responsibilities.

However, given the magnitude of the problems facing the country, much remains to be done. Despite three "People Powers," the first one in 1986 against the Marcos dictatorship, the second one against a corrupt and inept president and the third one by the urban poor to denounce the neglect of their sector by the government, the state remains captive to the vested interests of the elite and their cronies. A strong civil society needs to be nurtured to promote and protect the interests of the poor and help empower them so that they themselves can assert their own rights and entitlements. Active participation by members of the civil society together with strong government institutions can ensure an effective state that can work for the common good and act as a countervailing or balancing force to the power of the economic and political elite. Decentralization in the country has been hailed as a step in strengthening the role of the civil society.

III. Decentralization in the Country: A Historical Overview and Latest Initiatives

From Colonial Centralism to Independence

Before the Philippines became a colony of Spain, Filipino settlements consisting of 30 to 100 families were isolated from each other, with each settlement taking care of its own basic needs. The need to survive was a common aspiration of all members of the community and collective survival was paramount. There was no national or central government to control them. The chieftain exercised executive, judicial and legislative powers assisted by a council of elders.

The development of autonomous village governments was interrupted when the Spaniards came and consolidated the various villages and established pueblos (towns), cabildos (cities) and provincias (provinces) as administrative units under the tight control and supervision of a central government in Manila, the seat of the colonial government. They also introduced the encomienda system as a reward to loyal subjects and established an elite class who acted as their allies and intermediaries with the Filipino masses. Christianization did not end the privileged status of the native ruling class, who lost their freedom but not their privileges. While the elite continued to prosper, the masses rebelled against the tribute and forced labor and pushed for the liberation of the country from the Spaniards through armed conflict. They staged various revolts and their participation in the revolts made them aware of their strengths and stirred their political awakening. Eventually through the confluence of the efforts of the middle class and the masses, independence was declared from Spain in 1898 and the Philippines established the first republic in Asia.

Initial Deconcentration Moves

After independence from Spain, the Malolos Constitution was passed in 1899 which provided for "the most ample decentralization and administrative autonomy for local governments, popular and direct elections of local officials, and provincial and municipal taxation." The first attempt of the Filipinos to decentralize was disrupted with the arrival of the Americans in 1902. The Americans initially supported the decentralization efforts, but later re-centralized the system because they doubted the capability of the local officials to manage local affairs.

After the Americans left, the journey from one administration to another produced various decentralization measures starting with the passage of Republic Act 2264 or the "Local Autonomy Act" of 1959, the Barrio Charter Act of 1959 and the Decentralization Law of 1967. The creation of development authorities and regional planning boards constituted attempts to deconcentrate administrative planning and development in 1961.

Continuing Deconcentration, Political Recentralization

During the Marcos Regime, another step to deconcentration was taken. Central government functions were deconcentrated to the eleven (11) regions and lower adminis-

trative levels. To further operationalize the delegation of authority to the regional levels, administrative authority was given to the regional offices. Regional Development Councils were created to decentralize regional planning and the Integrated Area Development Approach was adopted.

However, it was also during the Marcos' years that the system was re-centralized and the executive, legislative and judicial powers were concentrated in the president. Local and national elections were suspended. Congress was abolished to give way to a parliamentary form of government. Local officials were appointed, and local police and fire protection were nationalized. "People Power" in 1986 ended 20 years of dictatorial rule.

Decentralization in the 1990's

The ascendancy of Corazon Aquino to power marked the formulation of the 1986 Freedom Constitution which provided for local autonomy of political and territorial subdivisions. President Aquino was given control and supervision of all local governments units. She removed local officials with questionable loyalty and appointed officers-in-charge as replacements.

The following year, a new constitution was adopted which contained by far the most substantive provisions on decentralization and local autonomy. The 1987 Constitution provides that local governments "shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals." It also provides for a system of accountability of local governments "through the institution of effective mechanisms of recall, initiative and referendum."

Laying the Foundation for Local Autonomy: The 1991 Local Government Code

In accordance with the provision on local autonomy of the 1987 Constitution, a new Local Government Code was signed into law on October 10, 1991, as Republic Act No. 7160 and became effective on January 1, 1992. The law transformed local government units from mere implementing or extension agents of the central government to local area development managers, primarily responsible for the development of their respective areas.

The significant reforms mandated by this new code included the following:

1. Devolution of authority, assets and personnel for basic services such as agriculture (agricultural extension and on-site research); health (field health, hospital services and other tertiary services); social welfare; public works (funded by local funds); and the environment (community based forestry). Other services to be provided by the local governments include education (construction of school buildings); tourism (facilities, promotion and development); telecommunications services; housing (for provinces and cities); and investment support.
2. Transfer of various regulatory powers of national government agencies to local government units (LGUs) such as the reclassification of agricultural lands; enforcement of

environmental laws; inspection of food products and quarantine; enforcement of the National Building Code; operation of tricycles; processing and approval of subdivision plans; and establishment of cockpits and the holding of cockfights.

3. Promotion of popular participation in local governance through the establishment of local special bodies such as the: Local Development Council, Local School Board, Local Health Board and the Peace and Order Council. Local governments are also mandated to promote the growth and development of people's and non-government organizations in their respective localities to become their active partners. They can provide financial or other forms of assistance and enter into joint ventures and other cooperative arrangements with them in the delivery of basic services, capability building and livelihood projects, development of local enterprises, promotion of ecological balance and other initiatives that could enhance the economic and well-being of the people.
4. Provision of increased resource generation and mobilization through autonomous taxing powers, automatic release of Internal Revenue Allotment (IRA), and local share of revenues from national wealth derived by locally-based government-owned and/or operated corporations (GOCCs).

Levels of Local Governments and Local Officials

There are four levels of local governments in the country—the province, the city, the municipality and the barangay (village), the basic political unit. At the provincial level, elected officials consist of a governor, vice governor and members of the provincial board; at the municipal and city levels, the mayor, vice mayor and members of respective sanggunian (council) or the legislative body; and at the barangay level are the barangay captain and barangay council members. The elected local officials serve a term of three years for a maximum of three consecutive terms or a total of nine years except for the barangay officials whose terms are determined by law.

The country has 79 provinces, 114 cities, 1,495 municipalities and 41,935 barangays. There are 17,000 elected local government officials at the provincial, city and municipal levels. The local government units except for the barangays are classified into classes based on annual income. The cities are further classified into two: component cities and highly urbanized cities. Component cities are under the direct supervision of the province while those highly urbanized cities with a minimum population of 200,000 and an annual income of P50 million are considered viable enough to be on their own.

Degrees of Devolution and Local Government Powers

The barangay has the least powers among local governments although it has one exclusive power: the barangay justice system which simplifies the procedures for settling disputes among the residents. The main objective is to

decongest the courts, and only those cases which the barangay cannot handle or resolve are turned over to the courts for settlement.

The municipality has more extensive powers than the barangays, whose ordinances have to be submitted to the municipality for approval. The municipality which is subordinate to the province also submits its ordinances to the Provincial Board for approval. Municipal powers include the delivery of the following four major services:

- 1) Agriculture and aquaculture to be undertaken through the cooperatives;
- 2) Primary health care services with access to secondary and tertiary health services;
- 3) Social welfare services which include any pro-poor project, nutrition and family planning;
- 4) Other services including the dissemination of information on investment needs and job placements.

The province is tasked to deliver the following services:

- 1) Agriculture and aquaculture services including the organization of farmers and fishers cooperatives;
- 2) Industrial development services;
- 3) Health services including hospitals and tertiary health care;
- 4) Social services like mass housing;
- 5) Investment support services;
- 6) Computerizing tax information and collection services;
- 7) Intra-municipal telecom services.

Of all the local government units, the city level is considered the most powerful since it has been granted all the powers that the province, the municipalities and the barangays enjoy except for administering the barangay justice system which only the barangay is empowered to undertake. In addition, the city is expected to perform two major functions: provision of adequate communication and transportation facilities and support for education, police and fire services and facilities.

Fiscal Decentralization

To perform their devolved functions, the Local Government Code raised the Internal Revenue Allotment (IRA) Shares of local governments to 40% (it used to be 20% in the Old Code) of the Bureau of Internal Revenue collected taxes. The IRA is distributed among the local government units as follows: provinces, 23%; cities, 23%; municipalities, 34%; and barangays, 20%. The share of each province, city, municipality or barangay is computed based on population (50%), land area (25%) and equal sharing (25%). Population and land area have been consistently used in the distribution formula. The size of the population directly relates to the demand and expenses for social services. Land area is directly related to the need for infrastructure services and utilities. The bigger the area and the population, the higher is the demand for services and expenditures for public services. Equal sharing as a third factor is meant to provide the minimum amount of services which any local unit must provide whatever the population size and land area may be. This distribution formula was criticized by many groups for its lack of attention to equity and performance.

The local governments can also create their own sources of revenue and can levy taxes, fees and charges which will accrue to them exclusively and be retained by them automatically and which they may use for their own purpose. The local governments are also authorized to negotiate and secure financial grants or donations in kind from local and foreign agencies without approval or clearance from the national government or any of its agencies or higher local government units like the province. However, if the assistance or grant requested by the local government unit has national security implications, the approval of the appropriate national government agency is necessary.

Since the approval of the Local Government Code in 1991, there has been a big jump in the revenues and expenditures of the local governments. From P27.4 billion revenues in 1992, it rose to P120.3 billion in 1999. Expenditures went from P24.4 billion in 1992 to P110.8 billion in 1999.

The Master Plan for the Implementation of the Code

As an expression of the national government's serious intentions of bringing about effective local governance, a Master Plan for the Sustained Implementation of the Code was formulated and adopted in 1994 as the basic framework for a more synchronized approach in preserving the gains and strengthening the momentum of decentralization. Its preparation was undertaken with the active participation of national government agencies, local governments and NGOs. Covering the period 1993 to 1998, the plan hopes to bring together all efforts by various sectors in sustaining the Code's implementation in the areas of policy innovation, effective operating systems, organizational development and capacity building.

The specific objectives of the Master Plan were:

- To strengthen the capability of local governments to effectively deliver and expand devolved basic services, and exercise their regulatory functions;
- To provide an array of locally adaptable technologies in planning, budgeting, consensus building and management systems which are appropriate, transparent and accountable;
- To assist local governments in local revenue mobilization including capital investments financed through varied and non-traditional means, such as building, operation, transfer schemes, and partnership and joint ventures with the private sector and other institutions.
- To expand local government partnership with NGOs, people's organizations, barangay associations and the private sector.

Three phases were outlined in the Local Government Code implementation: 1) the changeover phase; 2) the transition phase; and 3) the stabilization phase. The first phase involved the transfer to local governments of the devolved functions with the corresponding assets and personnel which had been substantially completed in 1992–93. Of the total government personnel of 1.4 million, local government personnel constitute only .4 million. In the transition phase, the national and local governments were

expected to have institutionalized their adjustments to meet the decentralized schemes. The last phase, the stabilization period, focused on building adequate capabilities in local governments for managing local affairs with the national government agencies providing support and technical assistance.

Building the Capacity of Local Governments

The national government, through the Department of Local Government and Interior's Local Government Academy, designed an Integrated Capacity Building Program to enhance the managerial and technical competencies of local officials and their staff. Several institutes for local government administration were established in strategic areas in the country to help the Local Government Academy in conducting training in five major areas: management systems, development planning, local legislation, local financial administration and community mobilization. International donor agencies also funded capacity building programs undertaken by various universities to train local governments. The Asian Institute of Management was commissioned to enhance the skills and knowledge of newly elected governors and mayors for formulating their own executive development agendas which they will implement during their three-year terms. Strategic planning workshops were also undertaken to help local governments craft their development objectives, strategies and programs.

The training of local elected officials is a continuous process given the three-year terms of those officials. Initially, the training activities were funded either by the national government or by international donors. However, as the revenues of the local governments increased, they funded their own staff development, including the preparation of their master development plans. The resource-scarce local governments rely on the support of international donor agencies and the national government for their capacity building requirements.

The Role of NGOs in Local Governance

The Local Government Code created an enabling environment for local governments, NGOs and people's organizations to cooperate with each other in the achievement of common objectives. The democratic space paved the way for the proliferation of various types of NGOs. While some NGOs proceeded to collaborate and entered into partnership with local governments, others remained critical and refused to join the participation bandwagon. Some feared cooptation and others did not have the confidence to deal with the local bureaucracy given their limited knowledge and understanding of how the bureaucracy works. Some international donors funded capacity building programs for NGOs to develop their competence in dealing with the bureaucracy and in gaining new skills and knowledge for pushing the democratic governance agenda. In general, while suspicions and mistrust remain on both sides, there was a significant increase in collaborative undertakings between the local governments and the NGOs. Some local governments contracted the NGOs to deliver basic services while they started to assume

the new role of an enabler. More and more, NGOs and other community organizations served as alternative delivery mechanisms for the various programs and projects at the local government level. Some NGOs remained as watchdogs to exact performance from local governments and prevent and expose corrupt practices in the awarding and implementation of contracts for infrastructure projects.

The NGOs also complemented the national government's capacity-building efforts for local governments. A total of 28 NGOs were involved in a USAID-funded local development assistance program in 1992–94 to train and provide consultancy services to local governments, NGOs and people's organizations. Even after the project ended, the NGOs continued to provide capacity building services to the local governments by charging minimal fees.

IV. The Case Setting: The City of San Fernando

The first class city of San Fernando is strategically located within the high growth Manila-Clark-Subic Economic Triangle. The city, home of world-renowned giant lanterns, is one of the 21 towns of Pampanga, a province in Central Luzon. Situated 67 kilometers north of Manila, it has a population of 221,857 (year 2000) distributed among its 34 barangays. With a population of 2.2 million, San Fernando is considered small, thus easier to manage, when compared to the biggest city in the country. San Fernando is not only a major commercial center but also a provincial and regional government center in Central Luzon. The provincial capitol and regional offices of all but three national government agencies are located in the city.

No one in the area could forget the damage inflicted by the Mount Pinatubo eruption in June 1991, considered the second largest volcanic eruption of the twentieth century. While the volcano is actually located in the nearby province of Zambales, the greatest damage went to Pampanga, especially the low-lying towns of the province. Up to 800 people were killed and 100,000 became homeless. On June 15, 1991, after nine hours of continuous eruptions, millions of tons of sulfur dioxide were discharged into the atmosphere, resulting in a decrease in the temperature worldwide over the next few years.

In October, 1995, Typhoon Sybil with its torrential rain and strong winds lashed at the slopes of Mt. Pinatubo. The deadly lahar—a mudflow mixture of volcanic ash and rocks dumped there by the 1991 eruption—began to edge downward; slowly at first, and then, in an unstoppable avalanche six meters high, it swept through the towns of Pampanga. Everything was at a standstill. Businesses and schools closed, though some schools served as evacuation centers. Six of the most thickly populated barangays of San Fernando were nearly submerged by massive lahar flow and flooding. The devastation triggered an outflow of investment and businesses.

After several years, San Fernando rose from the ravages of lahar and became a model of good local governance in the country. How was San Fernando able to do it?

V. Rising from the Ashes, Blazing the Trail to Development

The transformation story started with the election of a new mayor in San Fernando in 1995 who came from humble beginnings and did not belong to any of the political clans in the province. He was a self-made man who worked while a student to complete his medical degree. Dr. Rey Aquino practiced his profession as a medical doctor in the city with discipline, care and dedication, and before long his practice flourished. He had created a vast network of acquaintances from all walks of life. He was an active member of several professional organizations and NGOs in the city. Having seen his dedication to service and his sincerity to serve, his colleagues encouraged him first to run as vice mayor and then as mayor when an opportunity occurred. His only condition was for those supporters to cooperate with him fully in improving the city. Having come from the civil society himself, he vowed to make the government more responsive, transparent and participatory in approach and accountable to the citizens for its actions.

1. Identifying the Problems

In July 1995, when Dr. Aquino assumed the post as mayor of San Fernando, which was a municipality then, he was confronted with the twin problems of inadequate delivery of essential services and lack of funds to perform the city's devolved functions and pay its long overdue debts. San Fernando had a budgetary deficit of more than P12 million pesos, P35 million payable to the provincial government in un-remitted taxes, and unpaid bills of approximately P8 million for water, electricity and telephone services. In addition, the municipal government owed various private contractors millions of pesos for completed infrastructure projects.

2. Enabling Citizen Participation through Shared Mission

The municipal government realized that without the active support and participation of the citizens of San Fernando, their dream of transforming the municipality would never become a reality. The mayor knew that the job could not be done by the government alone, especially one with no resources and saddled with debts. He examined the situation with intent to focus on the priority needs of citizens and on the resources for meeting them (taxpayers, especially business). The mayor recognized the possibility of harnessing the locational advantages of the city and the resilient, enduring and cooperative nature of the people of San Fernando. In addition, the citizens were organized along the lines of various types of organizations and associations.

He went to the various sectors to secure their involvement in setting the directions and priority concerns of his administration. After consulting with various groups, the city government embarked on a five-point mission to improve the quality of life of the people of San Fernando:

- Rehabilitate the barangays affected adversely by lahar and flooding and implement all possible interventions to protect San Fernando from any natural or man-made calamities;
- Open the city's doors to international markets while at the same time protecting local entrepreneurs; encourage the industrialization of agriculture and other traditional industries; develop more industrial and commercial establishments;
- Maintain a clean and healthy environment;
- Create an atmosphere of peace and sustain the sense of unity of the Fernandinos.
- Deliver services tailored to the needs of the poor.

3. Energizing the Bureaucracy

Having determined what needed to be done, the next concern of the city mayor was how to energize the bureaucracy and develop a culture of performance. When he assumed the post, he brought with him only one person (with a solid background in managing a bank) to fill the position of the city administrator, a co-terminus position with the mayor. He inherited a bureaucracy whose systems, processes and practices left much to be desired. The staff did not report on time and had no clear idea of what they were supposed to do. He made himself the role model of the work ethic he wanted his staff to imbibe. He reported for work early, making sure he was the first one to arrive in the morning and the last one to leave in the afternoon. The staff soon followed the example set by their mayor. To further reinforce punctuality, a bundy clock was installed to monitor the arrival and departure of staff.

To improve performance, a performance evaluation system was put in place which spells out the performance measures, standards and rating system. He met with the department heads to plan their work and set targets. This became the standard practice for the years that followed: Every July of each year, each department head provided the mayor with their plans, targets and budget and in December of each year, an assessment of their accomplishments was done followed by goal and target setting for the incoming year. The plans and budget were further fine tuned, based on the results of the dialogue between the mayor with the various sectors before the end of each year.

After dealing with the staffing concerns, the city next focused on where to get the needed resources to finance its programs. After carefully studying all the existing ordinances and the taxation structure, they saw the immediate need to increase revenue collection guided by the city's existing Local Revenue Code. They also saw the need to eventually work towards converting the municipality into a city. With conversion into a city, the local government hoped to increase its Internal Revenue Allotment (IRA) because cities get a bigger IRA (only 114 cities divide among themselves the 23% of IRA share for cities) compared to the share of the municipalities (1,542 share 34% the IRA).

4. Reducing Expenses, Showing Political Will

But before embarking on an intensive tax collection campaign, the city deemed it necessary to reduce its administrative expenses starting with personal services where it reduced the number of staff from 586 to 446, mostly casual employees, some of whom helped the mayor in his last election campaign. These 140 employees received an average of P5,000 pesos a month. Thus, after trimming down the size of the bureaucracy, the municipality saved P700,000 a month or P8.4 million a year. A reduction in utilities and office supplies followed by cutting off all illegal electrical connections from government buildings to several houses that had them and by controlling the procurement and use of office supplies. This move to reduce expenses set the stage for the prudent management of expenditures. The monthly consumption of utilities was monitored closely by the Office of the Treasurer.

Budgets were prepared by the departments and followed strictly, and justifications were demanded for any change to prevent arbitrariness, inefficiency and sloppy budgeting. These internal housekeeping efforts sent a strong signal to the community that the city government was serious, sincere and committed in its desire to reinvent itself. When the city embarked on its intensive campaign to increase collection to improve the delivery of public services, the people, especially the business community, responded positively. They expressed willingness to pay their taxes in the correct amount and on time.

5. Institutionalizing Citizen Participation

To facilitate the participation of the various sectors in the governance of the city, the city created the following Local Government Code-mandated special bodies: the Local Development Council (LDC), Prequalification, Bids and Awards Committee (PBAC), Local School Board (LSB), Local Health Board (LHB) and Local Peace and Order Council (LPOC). The mayor was the ex-officio head of all these local special bodies.

Local Development Council - Formulated the multi-sectoral development plan and coordinated the various development efforts of the city. The council had 51 members with 14 representatives from the NGO sector who chose their own representatives. As a commitment to development planning from below, the barangay development councils were also created to mobilize people's participation in the local development efforts, prepare the barangay development plans and monitor and evaluate the implementation of the plan. The councils met at least twice a year.

Local School Board - Advised the city legislative body on education matters and the Department of Education on the appointment of school officials; determined the budget of the education sector. Priorities included the construction, repair and maintenance of school buildings and other facilities of public elementary and secondary schools. The local school board was co-chaired by the district school supervisor and had only three members—one from the city council, the president of the Parent-Teacher's Association, and a representative from the teachers' organization. It met at least once a month.

Local Health Board - Proposed the annual budget for the health sector, advised the local legislative body on health matters and advised the local health agencies on health personnel selection and promotion. The board was composed of five members with one representative chosen by the NGOs involved in the delivery of health services. It met at least once a month.

Peace and Order Council – Formulated plans and recommended measures to improve the peace, order and public safety in the city. The council had 18 members. Three NGO representatives, appointed by the mayor based on recommendations of the various sectors also sat in the council.

Pre-Qualification, Bids and Awards Committee – Of the five members of the committee, three representatives came from the business, professional and NGO sectors to ensure transparency in the bidding and awards process. Two were from the city council. The Commission on Audit had one representative as observer.

The meetings, discussions and consultations of the above special bodies were not exclusive to the formal or official members. All recognized NGOs, civic and professional organizations in the city were invited. Aside from the public announcement of any meetings or public hearings in the city, individual invitations were sent to concerned sectors.

6. Broadening Citizen Participation: Non-Code Mandated Councils and Committees

Aside from these code-mandated special bodies, the City of San Fernando established various committees and councils to broaden citizen participation and make the process of governance more inclusionary.

The city established the Municipal Nutrition Committee, Solid Waste Management Committee, Public Market Advisory Council, City Agricultural and Fishery Council, City Economic Council, City Council for the Welfare of Disabled Persons, Committee for the Welfare of Children and Youth, Anti-Mendicancy Task Force, Very Clean and Evergreen Committee, the City and Barangay Disaster Coordinating Council and the City Task Force on Human and Ecological Security. Each of these special bodies conducted regular monthly meetings. While most of these bodies did not have city officials as chairpersons, meetings were held in the City Hall and were open to any city official or residents.

Around 50 Non-Government Organizations operated in the City of San Fernando. One of the very active ones with a special niche was the IMMFI, an organization of children for health concerns. Its main thrust was preventing disabilities among children through primary health care, proper education and training on detecting any impairment at an earlier stage, and conducting initial interventions. The city government has tapped this NGO for the training of day care workers and has funded the salary of IMMFI staff involved in a pilot project for children. Another very active NGO was the one formed by senior citizens who had made themselves visible in many activities of the city. They also secured funding from the city government for some of the services they themselves needed and which the city did not have the capacity to provide.

7. Informal Means of Interacting with Citizens

The mayor also formed an informal group of 15 representatives from various sectors which met as often as necessary to help him take the pulse of the people. The mayor did not rely on formal structures to engage the citizens but created mechanisms for direct interaction with them. One such mechanism was Barangay Day, designed to bring the government closer to the people in the barangays and give each barangay the attention it deserves. The mayor, the local legislators and the department heads go to a particular barangay on a scheduled day to dialogue with the people, listen to them, get their suggestions, clarify and prioritize issues, and come up with practical solutions to address the most pressing problems. Together with the city government team were doctors, nurses and dentists who attended to the health care needs of barangay residents. Other services include seed dispersal and animal vaccination.

In addition to the mayor's daily visits to barangays, his office was opened to any citizen who wanted to meet with him there. Outside of the usual office hours and on weekends his house was open to receive guests. He had a "civic room" in his residential compound open 24 hours a day, seven days a week. This was nothing new because as a medical doctor he was on call 24 hours a day.

Every December of each year since he assumed office, the mayor called for a caucus of the various groups in the city where each one expressed his or her own concerns and ideas on how best to govern the city. The mayor listened to the various groups, sought some clarification, asked questions and responded to some of the issues and suggestions. The groups usually arrived at a consensus on the priority issues and concerns and the corresponding action to take. The results of the caucus served as a key input in the planning and budgeting of the various departments.

8. Increasing Revenue Generation: Processes Involved

8.1 Conducting Information Campaigns

The message conveyed to the citizens revolved around the theme of paying taxes and charging fees for better public service. The city government made a promise to its citizens that the increase in resources will be used to undertake flood prevention measures, develop the infrastructure of the city which was destroyed by Mt. Pinatubo's lahar flow, construct school buildings, establish day care centers, and develop the human resource pool to supply the skills needed by industries, etc. An information campaign using the media was undertaken with the help of the various sectors.

Dialogues with the accountants of major business firms were also conducted to confirm that in preparing the declaration of gross incomes for their respective companies, the reported amounts not be too low but more or less approximate the actual gross. Arrangements with the banks were also made so that the income from loans which were generated in San Fernando was declared in the city and not in the loaning center, which was in another locality. For payment of the annual community tax, coordination was made with the personnel officers of all the big firms in the city. The person-

nel officer provided the information on the actual income received by each employee as a basis for computing the community tax. The usual practice was to pay the minimum amount, which was much lower than the actual salaries received.

8.2. Creating the Tax Enforcement Unit

To systematize the collection of business taxes, fees and other charges, a Tax Enforcement Unit (TEU) was formed composed of staff from various offices whose first assignment was to prepare a computerized master list of all persons and establishments doing business or trade activities in San Fernando. Surveys were undertaken to come up with a list, with basic information, on the establishments operating in the city. Tax mapping was done by all the barangays with the help of the residents. The master list served as a reference in determining those who paid and did not pay their taxes. Businesses that paid their taxes were given a plate number with a strip containing the year when the business had paid. The plate was prominently displayed by the firm in their office for easy monitoring. The plate was similar to the ones issued by the Land Transportation Office to car owners when they register. A report was made by the TEU to the treasurer of all those firms operating without business permits and those who had not paid their taxes. The Office of the Treasurer then issued a demand letter to the delinquent taxpayer requesting him to pay his obligations within ten days from the receipt of the letter. The Philippine National Police Investigator then filed a criminal complaint in the municipal trial court against taxpayers with delinquent accounts.

8.3. Setting up the MAYAP, A Watchdog Body

During the last quarter of 2001 another body was formed called MAYAP, an acronym for Mayor's Aid for Peace, Order and Cleanliness. MAYAP, the watchdog of the administration, was tasked with reporting any business establishments not paying their correct taxes, or any wrongful or illegal activities, to the proper authority. The mayor deputized a number of employees in the local government who had good track records. He also solicited the help of barangay officials in this endeavor.

MAYAP and TEU complemented each other's work. TEU worked primarily before, during, and after the tax period. MAYAP, on the other hand, had no fixed schedule. It worked year round to secure accurate and comprehensive information on business establishments in the city. After identifying the delinquent establishments and any probable causes that existed, a warning was issued, whether it was tax season or not.

8.4 Establishing a One-Stop Shop

A one-stop shop was set up in the treasurer's office where all the offices of the city which collect taxes, fees or charges are represented so that the taxpayer need not go from office to office. Taxpayers were given an assessment form where all taxes, fees and licenses were listed. A simple, easy to follow brochure was also provided informing the taxpayer of the

steps to follow and the documents required per step. For instance, to secure a new business permit, the following documents were required: 1) application form from the treasurer's office; 2) zoning clearance from the Municipal Zoning officer; 3) Department of Trade and Industry Certificate for registering the business name if applicant is a single proprietorship or Securities and Exchange Commission registration certificate if a corporation or partnership; 4) community tax certificate; 5) barangay business clearance; 6) Social Security System clearance if applicant is a corporation or partnership and 7) homeowner's clearance if the business to be set up is inside a subdivision.

For those renewing their business permits, only the following documents were required: 1) business permit for the past year; 2) application form; 3) community tax certificate; 4) barangay business clearance; 5) official receipt of the permit issued last year and amount of gross receipts or sales of the past year. After filling out the required form and completing all the necessary documents, the person: 1) went to the treasurer's office to have his business permit fee assessed; 2) paid at the teller window; 3) secured a "Fire Inspection Permit" from the Fire Department; 4) secured the sanitary permit from the Municipal Health Office; and 5) got the signed business permit from the Municipal Planning and Development Office.

8.5 Communicating with the Citizenry

The city published a quarterly and yearly accomplishment and financial report summarizing its income and expenditures and the list of the projects implemented, the cost of each project, the status of implementation and the implementing agency for each project. The reports were circulated widely by the city government to inform citizens as to where their taxes went. The citizens were welcome to ask any question on any aspect of the report. The mayor also provided weekly updates on the developments in the city hall including financial transactions. Callers were entertained and issues were clarified or acted upon as needed.

8.6 Recognizing the Taxpayers

Recognition was given to the "First 50 Biggest Business Taxpayers" and the "First 50 Biggest Real Property Taxpayers" through a special program held for the purpose. Each awardee received a plaque from the city mayor. It was the city's way of thanking the citizens for their cooperation. Again, the mayor would report on the accomplishments of the projects supported by taxpayers' money.

VI. Accomplishments and Results

Increased Revenues and Increased Expenditures for Services

The revenues for the city showed a steady increase from 1996 to 2001, both for locally generated resources and external resources (primarily the Internal Revenue Allotment (IRA) Share from the national government). The biggest increase in revenues was in 2001 with a total of P218 million followed by around P158 million in 2000. The increase in local revenues in

2001 was primarily due to the entry of a big mall operator in the city which generated 1,600 jobs and included business firms like Robinson's, Hyundai, Honda and Ford. The smallest was in 1996, amounting to around P86 million only. The increase from 1996 to 2001 in local revenues was around 60%. On the basis of these figures, it can be concluded that the city government had been successful in its revenue generating strategies.

It can be noted that the increase in local revenues was always higher than the IRA from 1996 to 2001, except in 2000 where the IRA share constituted 53% of the total revenues collected while the local revenues were only 47%. The increase in IRA share was enjoyed by all the local government units in the country whether they performed or not or whether they generated their own local revenues or not. The disbursement of IRA share by the national government is decreed by law and its release is automatic. The IRA shares for San Fernando from 1996 to 2001 were based on its status as a municipality but, next year, it will receive a bigger IRA share because its official conversion from a municipality to a city was approved only in mid-2001.

The higher percentage of locally generated revenues vis-à-vis the IRA is significant in the Philippine setting because more than 70% of the local governments in the country are heavily dependent on the IRA, especially in the provinces and municipalities where the usual IRA share vis-à-vis local revenues is 80% to 95%.

While the revenues were increasing, the expenditures were also increasing, especially for socio-economic services. In 1996, socio-economic services constituted only 44% of the total expenditures, but in 2001 it increased to 61%. Please see Annex 2 for the details.

Using Taxpayers' Money for Projects Citizens Value

The city spent taxpayers' money on high impact, high visibility projects which carried the banner: "Projects implemented with the taxes you paid." These projects/activities and acquisitions are briefly described below.

1. Improved Infrastructure at Reduced Costs

An increase in revenues allowed the city to acquire three dump trucks, one pay loader, one grader and one backhoe worth P6 million which it used in undertaking its own infrastructure projects, conducted by the administration (doing it by themselves) rather than by contracting out. Through this scheme, the city saved more than 50% over what it used to spend. For instance, the city government used to pay contractors the amount of P500,000 for a 100 meter barangay road but spent less than half of this amount by doing the job themselves. Almost all the barangay roads had been paved in concrete, one bridge was built and the city hall was renovated. The city was able to clean and clear all drainage canals, widen the waterways and build new canals. The city built a pumping station worth P33 million. Roads were consistently maintained and filling materials were made available to low-lying barangays for free. A new public

market was constructed to replace the one buried by lahar. The vendors, who used the side streets and sidewalk to sell their stuff were given spaces inside the new market. Plans are underway for the rehabilitation of the old public market to serve as a bus terminal and for a parking area and the construction of cold storage facilities.

2. Improved access to essential services

Because the regional hospital is located in San Fernando, the city government concentrated its efforts on community-based primary and preventive health. A new Rural Health Unit building was constructed in San Augustin complete with staff and facilities to service the health needs of the population residing in the northern part of the city. The city also acquired two ambulances.

The city renovated and repaired 21 elementary school classrooms. A scholarship program from the city supported more than 200 poor but deserving college, high school and elementary students coming from various barangays of the city. Around P300,000 was earmarked per month for their monthly allowances, school supplies and miscellaneous expenses. The city also granted additional allowances to public school teachers to augment their monthly salaries from the Department of Education. A special day for public school teachers from elementary and high school was regularly held to recognize their continuing efforts to improve the quality of public education.

The children were also given priority. A total of 42 day care centers were constructed; 40 were distributed among the 34 barangays of the city and two were built in the evacuation center to serve the needs of the Mt. Pinatubo evacuees. The day care workers were trained in child development by the San Lorenzo Child Study Center.

3. Employment and Livelihood Assistance

To support individuals in crisis situations the city, through its Self-Employment Assistance Program, provided skills training and financial assistance to help them start their own livelihood activities.

The city was able to attract major business establishments to locate in San Fernando which created jobs for the residents. The local government had an agreement with these business establishments that 50% of the workers to be hired by them would be residents of the city. Skills training was conducted by the city to provide individuals with the necessary skills needed by industries. A special program for the employment of students was also initiated with around 150 students involved in the program.

4. Other Services

Collection of garbage was made easier with the acquisition of three dump trucks in addition to those donated by the Japan International Cooperation Agency (JICA). With more garbage trucks in service, the surroundings became clean—especially the streets which used to be littered with uncollected garbage. The city government bought a six-hectare landfill amounting to P6 million pesos as a major component

of its recently launched solid waste management program which incorporated the 3Rs—reduce, reuse, recycle.

A major bottleneck that any growing city needs to address is traffic congestion. A traffic management unit was formed composed of volunteer traffic aides. Ten were women who were trained in traffic management to augment the police force. The sidewalks and side streets were cleared of vendors and stalled vehicles for smoother flow of traffic.

The city had its own well equipped 24-hour radio and telephone communications network connecting all the barangays and various parts of the city to give up-to-date information and timely warning on the weather, lahar flow and floodwater especially during the rainy season. Watch points were established in strategic areas in the city to monitor the lahar flow and floodwater.

VII. Key Enabling Factors for Citizen Participation

The mayor attributed the transformation of the city to the people of San Fernando who cooperated and collaborated with the city government in all its undertakings. The people even built, using their own resources, the St. Ferdinand People's dike, a 5-kilometer tail dike along the boundaries of the city which cost around P14 million pesos. Being a calamity prone area, the people have internalized the value of sharing and caring for each other. Participation was not therefore limited to certain tasks only. It was borderless, encompassing all aspects of city life and was a demonstration of the care and concern the citizens have for each other and their city.

Why did citizens participate and own the transformation process in San Fernando? What were the key enabling factors?

1. The Crisis as Enabler

Crisis provides opportunities for people to unite, collaborate, work together. When survival is at stake, people are driven to collective action because they know that they have more chances of surviving when they are united and pursue concerted action than when they act alone. The city government capitalized on the crisis and used it to move people to action.

2. Transparent, Committed and Credible Leadership Indebted to no One but the People

According to a number of NGO and business leaders, the people responded positively to the call for participation of the local government because they believed in the sincerity, commitment and noble intentions of the mayor. He possessed the traits they admire in a leader. His low-key, amiable and gentle personality attracted people to his cause. The mayor preferred to work quietly and help others succeed or do their jobs better. He was like a mentor to his staff, encouraging and supporting them, but he could also get angry if the job was haphazardly done or neglected. No single taint of corruption or wrongdoing was attributed to him.

People admired him when he showed political will in

decreasing the staff in the city government to reduce expenses. While he was people-centered, he also had skills in managing the environment to take advantage of locational advantages and in energizing the bureaucracy to perform and deliver services. He was inclusionary in approach, always ensuring that no group was neglected or left behind in the development of the city. The results of the past three elections show the mayor's resounding mandate from the populace. During the 1995 local elections, he won by a margin of only 1,200 votes; in 1998, it increased to 21,000 votes; and in 2001 to 39,000 votes, not to mention that 9 of the 10 local legislators from his party also won.

Aside from his well liked qualities, the mayor is not captive of the interests of a few elite. His election was not due to the campaign funds donated by certain individuals or groups with vested interests to buy votes. He owed his election to the people themselves who have given him their full trust and confidence. Because he was not pressured by a powerful few, he was free to pursue the people's agenda. He also came along at the right time, when the people and the situation needed somebody like him.

3. Presence of Active Civil Society Organizations

Most of the residents belonged to various organizations in the city. Several NGOs of various types also operate in the city. The educational and consciousness raising efforts of the various organizations have developed a vigilant citizenry conscious of their rights and responsibilities. As such, it is not difficult to connect with the people by listening to and learning from them. To encourage them to be active participants in the governance of the city, the local government created formal and non-formal mechanisms for participation. As they participated in the various programs and processes, ownership of these programs developed. Conscious of their responsibilities, they paid their taxes because they knew where their taxes went—into the programs/projects they themselves identified, planned, helped implement, monitor and evaluate. The tri-media contributed greatly to the continuing dialogue, engagement and exchange between and among the local government and the various sectors.

4. Inclusionary Mechanisms and Processes for Participation

Formal mechanisms are important in channeling people's participation but the informal mechanisms are also as important. And the whole process was perceived by the people as inclusionary rather than exclusionary or favoring certain groups in society. While the city had constituted the code-mandated councils, the informal mechanisms delivered a stronger message to the public in encouraging them to cooperate and collaborate with government. The formal and informal mechanisms and the open invitation to all groups to participate in any of the meetings of the various councils and committees removed the barriers to participation.

5. Efficient and Transparent Management Systems Making it Easy for People to Deal with the Bureaucracy

The local government of San Fernando has strong internal management systems, especially with respect to the financial controls covering the treasury, budget, accounting and assessment. The city government has computerized all its processes including its payroll preparation, real property tax information system and the local service registry. As a multi-purpose organization, they have shown that they have the capacity to respond to the demands of citizens. Transparency, accountability and participation have become a way of life in the city government. It is open to public scrutiny and transparent in all its financial dealings. Broad linkages and close contact have been established with all the constituents. Teamwork among the heads of offices and employees is noticeable. This close coordination was facilitated by the weekly Executive Conference where each department reports on the activities undertaken, the issues and concerns of the department and their plans for the following week.

The city government made sure that once the people were convinced of the need to pay their taxes, the systems were in place to make the payment of taxes a pleasant experience. They set up the one-stop shop to facilitate faster payments. Taxpayers need not go to the various offices to secure the needed forms or clearances, so government made it easy for taxpayers to pay their taxes. However, they also made sure that the information contained in the tax forms more or less approximated the company's actual income. The Tax Enforcement Unit and the MAYAP were formed to ensure that every taxpayer paid their taxes and in the correct amount.

6. Accountability for One's Actions Builds Public Confidence to Participate

Quarterly and annual reports were prepared on the progress of the various projects of the city, the amounts spent for the projects, the agencies involved and the nature of activities. Annual reports were also prepared summarizing the projects accomplished for the year, the amount spent, the agencies involved and the activities undertaken. These reports were circulated to the citizens for their information. The mayor also provided the citizens with weekly updates in his radio program. A continuous feedback and feed forward loop was instituted to ensure transparency, participation and accountability.

VIII. Reaping the Rewards

The city of San Fernando is one of the most awarded and recognized cities among the 114 cities in the country. Two of its major awards are described below:

a). The city was recognized in 2000 by the Galing Pook (good place) Awards for Innovation and Excellence in Local Governance for its program entitled "Breaking Financial Barriers" because of its creative strategies in increasing its local revenues without increasing the tax rates to be collected. The Galing Pook Awards program was then managed by the

Center for Development Management of the Asian Institute of Management in cooperation with the Department of the Interior and Local Government and The Ford Foundation. For the past seven years, the Galing Pook Awards received a total of 2,100 program applications from various local government units in the country. It has recognized 70 outstanding programs (10 per year for the past seven years) based on these five selection criteria: effectiveness, positive socio-economic and environmental impact, people empowerment, transferability/sustainability and creative use of powers provided by the 1991 Local Government Code.

b) The latest recognition the city has received is from the Philippine Cities Competitiveness Ranking Project 2002, managed by the Policy Center of the Asian Institute of Management in partnership with the Department of Trade and Industry. The project assesses the capacity of the city to provide a nurturing and dynamic environment for its local enterprises and industries; the ability of the city to attract investments, entrepreneurs and residents; efficient use of natural resources in the context of sustainable development; and the ability to raise the standard of living of residents. The cities are assessed by businessmen based on the identified drivers of city competitiveness such as linkages and accessibility, dynamism of local economy, cost competitiveness, quality of human resources, infrastructure, responsiveness of local government and quality of life. In 2002, San Fernando rose to number two, compared to its previous ranking of number four in 1999, among all the cities included in the ranking. It was considered most competitive among small cities in 2002. The city was rated very highly by businessmen on responsiveness of the local government.

IX. Lessons Learned

1. The story of San Fernando shows that the people participate because they know it is for their own good and they benefit from the process. They paid their taxes because they saw where their taxes went. The credibility and transparency of the local government were important in convincing the citizens to get involved and even contribute financial resources in major infrastructure activities like the building of a dike.
2. Sound fiscal administration is important to enable citizens to participate and it does not exist in a vacuum, nor is it separated from the overall development efforts of the city government. It should be linked to performance, to successful high impact/high visibility projects which the people see as important to them. Doing something relevant and worthwhile generates more public support.
3. Leadership matters—a leadership that has a clear vision and mission, with qualities deemed by the people as important, like credibility, warmth, sincerity, simplicity, openness, transparency, etc. The leader also needs to communicate regularly with the internal and external stakeholders and must have the ability to balance the various competing and conflicting needs of its multiple stakeholders. And more importantly, leadership should not be indebted to nor controlled by a special few.

4. Internal management structures and systems, especially financial controls, are important to satisfy the citizens' demands for accountability and transparency in all financial transactions of the city government. A highly credible leadership is a product of transparent systems and processes.
5. Transferring power and functions, coupled with the transfer of resources and the power to raise their own revenues, increases the capacity of the local government to become effective in performing its mandated functions and responsive to the priority needs of its citizens.
6. Success in generating local revenues requires learning to be efficient first in tax collection before moving on to increasing taxes to get the support of the citizenry.

X. Conclusion and Prospects for Sustainability and Replicability

The case points to the transformative dimension of citizen participation with the local government as enabler. The twin problems faced by the city government and the citizens were effectively addressed. Guided by a clear mission, the partnership drew strength from each other. They have done what they promised to do. Citizen participation in the case of San Fernando was like a seamless process, a continuous flow of involvement and chain of events which were interconnected and encompassing. The experience showed the important role of leadership, in tandem with effective internal management structures and processes, in credibility and effectiveness when harnessing financial resources and making the citizens active partners in governance. The citizens and the city government did not wait for the national government or any external entity to help them. They relied on their own strengths and resources and trusted each other as they blazed a trail to the transformation of their city. The case certainly represents good local governance in action.

Will the journey continue even with the change in leadership?

A major resource is the people who would be involved in defining their own needs priorities and who also have the resources to meet those needs. A local government should think about where to get resources only after it has defined what it should be doing in partnership with its citizens.

The San Fernando story showed the changing roles of local government from provider of services to enabler of people's participation for the greater good. Building ownership by the community of the programs and processes is key to sustainability.

Participation has become second nature to the people of San Fernando through inclusionary formal and informal processes and mechanisms. At the start of the mayor's administration, formal structures were introduced and, as the years went by, the city government and the citizens relied more on informal means of engaging with each other.

The structures are in place, and the values of transparency, accountability and participation have been embedded to some extent in the hearts and minds of the people. Perform-

mance standards have been set by the administration of Mayor Aquino. And to quote one city mayor in the Philippines:

"Getting the right people, building their capacity, creating distinct structures to operationalize the programs, putting in place the legal basis through the passing of ordinances These we have actually done precisely to ensure sustainability. But more than these, we have been trying to institutionalize things in the minds and hearts of our people. Somehow, I am confident that if the people feel the full impact of what we have been trying to do, then it would become part and parcel of public expectations from the local government and it becomes the standard. With my remaining days in the office, I will try to lift that standard as high as I can."

Can the San Fernando case be replicated?

What the city of San Fernando did was nothing magical. They simply implemented what they were mandated to do by the Local Government Code. It required a lot of political will combined with a host of other factors that produced the desired results. This can just as easily be done by other cities in the country. But three key factors need to be present—a strong civil society, local elected officials indebted to no one but the people, and a broad revenue base.

However, the local government landscape in the Philippines is marked by hundreds of small municipalities, with no economies of scale—out-migration areas, small population size and a narrow revenue base. The highly fragmented set up has been attributed to the practice of gerrymandering or creating new turf for politicians whose terms have expired and can no longer run for public office unless they move to a new area or unit.

Given the present distribution of local governments, the strategy employed by some local governments who have realized their limitations was to enter into inter-LGU cooperative arrangements such as managing ecosystems or pursuing joint economic development efforts.

There is a need to study the possibility of amalgamating small municipalities to increase their capacity to achieve genuine local autonomy so that they are able to generate their own resources and are not dependent on external sources for continued survival.

The Local Government Code of 1991 has been up for review and several amendments have been proposed to increase the financial capacity of local governments. Various sectors were clamoring for a re-examination of the present distribution formula (population, land area and equal sharing) of the Internal Revenue Allotment to include municipal waters, equity and performance considerations. Equity considerations would be giving more resources to resource-poor local governments; performance-based issues would be to provide incentives to those who do their job well; and municipal waters are important because most of the municipalities are located in the coastal areas, the Philippines being a country of 7,100 islands.

Being an archipelagic country, the national government was right in decentralizing powers and functions to the local

governments. The country is too spread out for a central government to manage effectively. Inspiring stories abound of how local communities in partnership with their local governments have transformed their localities into pleasant places to live, serving as concrete examples of how devolution has worked in the country. So many more challenges remain but success stories inspire us to continue to move forward, to hope that better things can come when individuals participate and assert the collective will for the common good. For indeed, the San Fernando story has shown what the local governments and citizens' groups can do as effective partners of the national government in pursuing the people's development agenda.

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B. Primary Data
 Interviews with the Mayor, City Administrator, Selected Department Heads and Selected NGOs

ANNEX 1: Some Non-Government Organizations and Type of Services Rendered, Year 2000

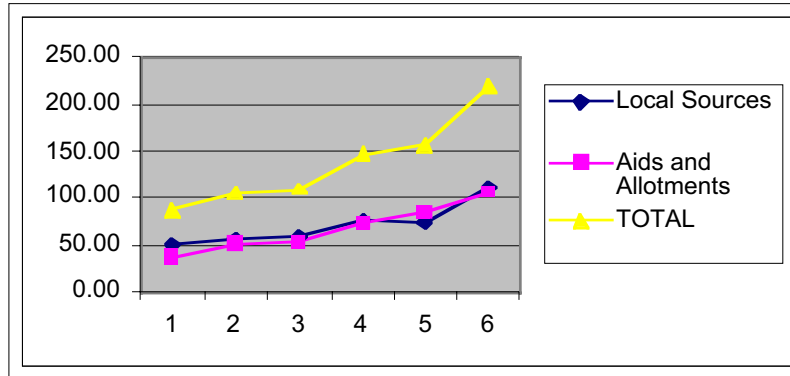
NAME OF NGO	TYPE OF SERVICES RENDERED
Soroptomist International	Skills training for victims of domestic violence
San Lorenzo Ruiz Center for Studies	Seminar Workshop on Scouting, Early Childcare and Development
Kiwanis Club of San Fernando	Social Upliftment/Livelihood Programs for Disabled
SACOP	Scholarship for mendicants
CLIT	Scholarship for deserving out-of-school youth
Pepsi Bottling Company	Skills training for out-of-school youth
Cosmos Bottling Company	Materials for day care centers
SHEAVERS	Skills training
Pag-asa ng Buhay Foundation	Skills training
FUMTA	Services for out-of-school youth
SURE	Street children counseling
PNB Employees Association	Assistance for street children
Christ In You	Skills Training/Services for Disaster Victims and Street Children

ANNEX 2: Financial Performance of the City of San Fernando, 1996-2001, in Millions

	1996	1997	1998	1999	2000	
REVENUES						
Local Sources	49 -57%	55.34 -52.00%	58.39 -53%	75.16 -51%	73.7 -47%	112.15 -51%
Aids and Allotments	37.19 -43%	50.57 -48%	51.92 -47%	72.49 -49%	84.28 -53%	106.27 -49%
TOTAL	86.19 -100%	105.92 -100%	110.31 -100%	147.65 -100%	157.98 -100%	218.42 -100%
Increase		-2.88%	-4.15%	-34%	-7.00%	-38%
EXPENDITURE						
General Government	33.41 -47%	45.19 -48%	45.79 -44%	52.38 -43%	56.44 -42%	74.8 -39%
Socio-economic Services	30.71 -44%	45.39 -48%	53.75 -51%	65.22 -54%	77.78 -57%	115.95 -61%
Capital Outlay	6.51 -9%	3.33 -2%	4.88 -4%	2.94 -2%	1.41 -1%	0 0.00%
TOTAL	70.64 -100%	93.9 -100%	104.43 -100%	120.54 -100%	135.63 -100%	190.74 -100%
Increase		-32.93%	-11.21%	-15.43%	-12.52%	-40.64%
SURPLUS/DEFICIT	15.56	12.02	5.89	27.11	22.35	

Source: Office of the City Administrator, San Fernando, Pampanga, 2002

**ANNEX 3: Revenues Generated, Local and External, 1996-2001
(in millions)**



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