

Balanced Scorecards of urban local government units (LGUs) benefit outlying rural areas in the Philippines

Summary Note¹

The Urgent Need to Promote Inclusive Growth

The overarching issue that needs to be urgently addressed in the Philippines today is making economic growth more inclusive. Despite a robust growth rate the incidence of poverty has remained at roughly the same levels (2003- 24.9%, 2012- 25.2%). Moreso, unemployment and underemployment rates have remained high (2010: 7.4% & 18.8%, 2013 July: 7.3%, 19.2%).

Economic opportunity is highly concentrated around the main metropolitan areas. Metro Manila and the two contiguous regions, (Regions 3 & 4-a) with 37% of the population contributed 62.3% of the Philippine GDP. The rest of the country's 17 administrative regions accounted for only about a third of total output. The Bicol Region, for instance, at the southernmost end of the Luzon Island provided for only 2% of GDP. Seventy three (73%) of the poor people in the Philippines are found in the rural areas. (Albert & Collado, 2004)

National government departments have aggressively launched an array of programs targeted to stimulate inclusive growth. These include; on one side, conditional cash transfers to the poor at an unprecedented scale , and community driven development programs. On the other end; an accelerated public infrastructure spending program and clustered processing facilities for small entrepreneurs. These programs, while providing relief to numerous families have still been unable to move the needle in terms of significantly reducing poverty incidence on a macro level. (Poverty Incidence of pop.: 2003- 24.9%, 2012- 25.2%)

The role of the Local Government Units (LGUs) then comes to fore. While local governments have been empowered through legislation (The Local Government Code of 1991) for some time now much still needs to be done to improve the quality of local governance. Today, LGUs carry out their administrative, public safety and social delivery functions more effectively. However, not much can be cited in terms of local government leaders pursuing strategic initiatives that expand their local economies. Resources are seldom optimized as mayors (with a term of office of only 3 years) focus on short term operational challenges.

¹ This note on rural-urban linkages in the Philippines was prepared by Mr. Oliver B. Butalid, a delegate from the Philippines to the international policy conference on rural-urban poverty linkages held on 2-4 September 2014 in Zhejiang, People's Republic of China. Mr. Butalid is a member of the Board of Governors of the Philippines Board of Investments and a fellow of the Institute of Solidarity in Asia (ISA). The views expressed in this note are those of the author, and do not necessarily reflect the views and policies of the organizers (Asian Development Bank [ADB] and International Poverty Reduction Center in China [IPRCC]), or ADB's Board of Governors, or the governments they represent. ADB and IPRCC do not guarantee the accuracy of the data and information in this paper.

Good Governance is Good Economics

President Benigno Aquino Jr has championed the cause of good governance as the hallmark of his administration. Reforms on the national level have been particularly noteworthy in tax collection and public works. The real challenge though is in the level of the local government units (LGU). These national programs often encounter implementation problems either because of ineffective NGO conduits or the lack of coordination and convergence. The LGUs must now step up their game and assume the economic leadership in their respective areas by; recognizing their latent comparative advantages, by formulating sharper strategies, by encouraging convergence and alignment.

The Civil Service Commission (CSC) recently rolled out an entirely new performance rating system for government employees called, the Strategic Performance Management System (SPMS). It stresses the importance for individuals in each government unit to contribute towards the realization of strategic goals over and above their mandated functions. This departs radically from the 'bean counting' paradigm of reporting performance.

The SPMS is an incentive for local government executives to formulate new approaches to address joblessness and income disparity in the 144 cities and 1,490 municipalities in the country. Under the new rules performance bonus should be based on the SPMS ratings. Even the private sector has realized the tremendous opportunity for the LGUs to be more relevant in terms of economic transformation. The Institute of Solidarity in Asia (ISA), a non profit foundation of corporate leaders, has provided certain urban LGUs the tools to formulate and execute strategy effectively (i.e Balanced Scorecard)

The Balanced Scorecard (Kaplan & Norton), provides an LGU the discipline to plan for its future using multiple perspectives. It enables the LGUs to deploy the strategy developed from the top to the lowest levels of their organization. It provides a fresh approach to measurement, social marketing and accountability that is highly suitable to the local government setting.

The example of Masbate City: Changing the Game with a Strategy Map

One interesting story of how 'vision aligned' leadership of one city can redefine the economic driver of an entire province is that of Masbate City in the Bicol region of Luzon. Masbate (2010 pop. 834 thousand) is an island province that has been regarded as having such a high incidence of poverty (42.5% poverty incidence in 2009). When Mayor Rowena Tuason, assumed as the city's new mayor in 2013 she sought the assistance of ISA to guide the LGU in crafting a compelling vision.

The vision agreed upon by the city's stakeholders was for Masbate City to be the "organic beef capital of the Philippines". It was framed even if Masbate City does not have any cattle ranch within its territory. The Mayor realized that the key to unlocking the latent potential of the towns around the City hinged in providing programs that would help the rural folks earn through the value adding activity of cattle fattening.

The ranchers, for generations, were quite content with merely selling the skinny cattle to Manila-based traders for them to fatten. The economic benefit to ordinary Masbatenos was nil. Today, the LGU of Masbate City is championing a new business model for the

cattle industry. It is pushing to institutionalize a system whereby the high value activity of cattle fattening be done locally, where income opportunities are badly needed.

Transforming The Nation One City at a Time

The pivotal role of the city mayors to spread the income opportunities from their urban areas to the rural hinterlands cannot be overemphasized. If the cities ignore the needs of the rural areas they too will suffer the consequences of unabated migration.

Cities need not wait for national government agencies to provide more stimulus programs that may or may not permeate to these rural areas. The leaders of the urban areas, by themselves, can formulate an economic agenda that benefits everyone if they use the right strategy management systems such as the Balanced Scorecard.