

2009 State of the City Report*

A city poised for greater things

A YEAR AGO, with global financial crisis at its peak, I presented the state of our city with measured optimism that we will be able to ride it through and overcome. Today, with indicators pointing that the crisis appears to have turned a corner, the city's performance over the last 12 months show that better things are in store for Naga.

This will be my final State of the City Report to you, as mandated under the Local Government Code. Of course, early next year, I will still update you with our 2009 Operating Highlights, a key finetuning of the reporting system we introduced this year; but I am sure most everyone's attention will be on the election season at hand. By then, we will have known who among you and our fellow Nagueños have finally decided to offer themselves to take on the responsibility of running the city government after my term is over.

Six Key Strengths

In less than a year from now, a new mayor will address our people and report on the state of our city: **if there is one thing I will assure you, it is the confidence that the next administration will be inheriting a city poised to take on and do greater things.**

Allow me to explain why:

1. A robust local economy

The local economy continues to defy expectations. According to our Investment Promotion unit, the number of new enterprises rose from 614 last June to 781 this year, a 27% increase. Helped by more competitively priced construction materials, property development continues to soar, this time rising by 163% compared to 46% last year. And we can expect more growth from the housing subsector as the city issued development permit for 6 new subdivisions, twice the number of permits issued last year.

Combined, total investments in the city during the period reached P1.2 billion, 11% lower than last year's figure of P1.4. Using the conventional investment-to-employment generation ratio, it translated to 5,147 new jobs created. But take note that the bulk of last year's investments came from the ongoing construction of the SM City Naga mall; this year, the total was more evenly distributed among the commercial, property development and housing sectors of the local economy.

* Presented by Mayor Jesse M. Robredo before the Sangguniang Panlungsod during its regular meeting on September 1, 2009.

Two important developments will help further boost the city's economy:

One, the 10,000-seater Metro Naga Coliseum—the best of its kind in the entire Bicolandia—will already be completed and ready for operation. When last year, we were anticipating construction costs to exceed P155 million, our competitive bidding process reduced this to only P122 million—a 21% savings for the city.

What can we expect over the next 10 months? According to the work plan of the City Engineer's Office, delivery of materials and setting up of the perimeter fence will take place in September; fabrication of roof framing, improvement of the anchorage and beams, and construction of stalls and the mezzanine section will be undertaken from October to December; installation of the roof framing from January to March, when the typhoon season is over; and the roofing and finishing works from April to June 2010.

Two, we will have a practically new Naga City Public Market when the ongoing rehabilitation is finally completed.

Since it was bid out last March, work is already ongoing for Phases 1 (covering the riverside section) and 2 (the middle section) of the public market; we are expecting to complete the reconstruction work—which means the return of some stalls earlier than expected—before yearend. This is being funded by a total of P70 million from local and national sources.

Work on Phases 3, 4 and 5—which covers reconstruction of the remaining section near Prieto Street; the beautification and finishing work on the completed two-thirds in Phases 1 and 2; and reconstruction of damaged portions of the 3rd floor roofing—will commence in October, to be completed by June 2010. Their combined funding requirement is placed at P80 million, P40 million of which came from congressional fund of Senators Mar Roxas, Juan Ponce Enrile and Pia Cayetano. The remaining P14 million is practically a grant from the ACEF facility of the Department of Agriculture. We are negotiating with Sen. Ramon Revilla, Jr. to cover the balance through the National Disaster Coordinating Council. But we are ready to cover whatever financial shortfalls with local funds.

This physical upgrade on the 40-year institution is an opportunity the city should take advantage of: on top of the new structure, we will improve its layout, lighting, internal and external access, and other amenities. This will anchor the continuing renewal of CBD 1, which its stakeholders want to call Naga Centro, and ensure the competitiveness of our downtown area. The city government, of course, will make sure it will become a more effective economic enterprise and profit center for its operations the way the CBD 2 Terminal is doing.

2. A rock-solid City Hall

Supporting the city leadership and underpinning our governance is a City Hall we should be proud of. When I first became mayor in 1988 and aspired to transform City Hall into the country's best, many said I was dreaming: today, two decades later, what skeptics said is impossible has come true.

Of course, I will concede that we don't have the most beautiful City Hall building in the country. Many visitors and returning city residents who paid us a visit in fact feel a certain disconnect between our well established reputation on one hand, and the structure that we have on the other. Nene Guevara, the CEO of Synergeia Foundation, in fact said when she visited Naga the first time: "Ang pangit-pangit ng City Hall n'yo!"

But as many others who followed her came to realize, most recently the 51-strong Career Executive Service Eligibles (CSEEs) who recently did their week-long immersion in Naga, the real strength of our city hall lies, not in the building that has seen better days, but with the 1000-strong men and women who comprise the city government. That was the conclusion reached by Dr. Eric Tayag of the DOH Epidemiology Center, class president of that CSEE batch. (And of course, that includes you in the Sangguniang Panlungsod and me at CMO.)

For those who are not yet convinced, let me offer you the latest proof:

Early last year, under a technical assistance project of the World Bank, the Standard and Poor's, an international rating agency, was engaged to undertake a financial management assessment—in other words, a credit rating—of eight pilot Philippine cities. Aside from Naga, other cities covered by the project include Iligan, Malabon, Mandaluyong, Marikina, Quezon City, Tacloban and Taguig.

Allow me to quote the summary of its findings:

The overall FMA score of 'Intermediate' for Naga City reflects its moderately developed level of financial reporting and **fairly high level of disclosure, adequate performance in annual budgeting and debt management skills which are more sophisticated than most local peers**. On the other hand, the score takes into account the basic practices of Naga in elements of FMA like expenditure management and medium-term planning.

Notably, Naga City's overall FMA score is the highest among assessed Philippines LGUs to date, reflecting the city's more balanced developments in its FMA practices for most key areas, as opposed to some local peers who may demonstrate sound practices in certain elements such as revenue management, but at the same time scoring poorly in other areas like debt management, budgeting etc. Nevertheless, the Naga city government's lack of computerization in most aspects of financial management such as annual budgeting,

financial reporting, tax collection and disbursement have emerged as a constraint on these respective scores. A comprehensive computerization of the city's system could potentially see improvement in Naga's overall FMA and individual element scores.

In addition to Naga City's own weaknesses in financial management practices, the city's overall FMA score is constrained by the poor public finance environment that Philippines LGUs operate in. The complicated national set-up to supervise LGUs involves multiple national agencies simultaneously managing the same local government space, and the general lack of coordination among them has contributed to ineffective oversight. An extremely politicized environment has also brought about general institutional weaknesses in the city government, although this is not unlike many other LGUs. In the absence of institutionalized policies and a medium-term policy framework, the key-man risk factor is significant for Naga City, since elected mayors have almost full discretion in all key decisions, which is a similar situation to other LGUs.

Like many LGUs in the Philippines, Naga have no accounting software in place and still relying on archaic manual procedures that are cumbersome and lengthy. Mitigating this is the existence of timely and comprehensive audits by the national Commission on Audit. However, the majority of LGUs received qualified opinions on their financial statements. **Notably, Naga City is the only city assessed so far to have consistently received a clean opinion from COA on its financial statements, which placed the quality of its financial reporting considerably above domestic peers.**

Of course, if you have the best city treasury, accounting and assessor in the region; one of the best planning, budgeting and project monitoring systems in Bicol; one of the top nutrition and civil registry units in the entire country; a highly competent management team; a transparent procurement process; and a policy of "information openness" securely in place, any good mayor would be enough. But our city should always aspire for the best there is.

3. A bigger revenue base, and more effective, dependable revenue generation system

Eighteen years after the 1991 Local Government Code became law to promote local autonomy, many provinces, municipalities and even cities continue to be IRA-dependent; in other words, they have failed to develop their local revenue base so that if you take these national allotments away, these local governments will collapse like an empty sack.

According to studies, provinces on the average depend on the IRA for 83% of their annual budget, while municipalities are a tad lower at 78%. According to the 2007 Regional Development Report prepared by NEDA, the IRA dependency of other cities in the Bicol region range between 64% (in the case of Legazpi City) to as much as 90% (in the case of Tabaco). According to that same document, Naga is only dependent on the IRA for 54% of its annual budget; last year, we brought it down to 49%.

This indicates a progressively growing local revenue base that will enable the city government to fund its development programs, deliver quality services, and in partnership with national government agencies and our civil society partners, attain the key outcomes we committed to our people

This is clearly indicated by the First Semester Report on Revenues and Receipts prepared by the accounting office, which shows that as of June 30, 2009, the city treasury has already collected P148.1 million, representing 75% of the P195.8 million projected local income by the Local Finance Committee for the current year. It is therefore safe to assume that we will exceed our collection target and consequently will have more than enough resources to fund out 2009 budget.

But we will not rest on these laurels. Before my term ends next year, we will have a new computerized business and real property tax system in place, thanks to a P3-million grant from the Innovation Support Fund (ISF) of the World Bank and AusAid-funded Land Administration and Management Project (LAMP). Called Enhanced Tax Revenue Assessment and Collection System (eTRACS), this system will replace the outdated RPT and BPLS system developed by our EDP unit that, written in an obsolete computer language, is no longer responsive to our needs.

Under our proposed project called Governance of Responsive and Sustainable LAM Systems (GRAND SLAMS), the ISF grant will provide both hardware and software to support local and national land administration and management (LAM) agencies in the city, particularly the assessor, treasury and planning offices. It will enhance our existing GIS capabilities, and provide the same to our partners like the BIR, Registry of Deeds, DAR and DENR.

This reward is an unintended consequence of our resolve to undertake the challenging valuation reforms last year, capped by the adoption of market-based Schedule of Market Values (SMVs) for real properties in the city; we were not supposed to get the grant, as there were other LGUs lining up to apply for it. But the Manila-based LAMP management decided that the project stands the best chance of putting up a truly integrated LAM system in Naga, which is yet to be done in the Philippines.

So, through this, we will be hitting three birds with one stone:

- One, we will be able to address a fundamental weakness in our Standard and Poor's credit rating (i.e. the need for comprehensive computerization of the

city's financial management system, from budgeting and financial reporting to tax collection and disbursements)

- Two, we will be able to put in place a more effective and dependable revenue generation system that will certainly improve on our current 63% collection efficiency. If we do that, the projected “best-case scenario” local income by 2013, when the next administration’s first term ends, of P461 million as estimated by the Institute for Solidarity in Asia (ISA) will be within reach.
- And finally, our newly established Naga City Governance Institute (NCGI) will be better positioned to deliver responsive short-term LAM courses for other LGUs in Southern Luzon and even the entire country who want to expand their local resource base and revenue generation capacity. Because the GRAND SLAMS project envisions that through the NCGI, Naga will leverage its built-up institutional knowledge on this critical area of governance to become the Southern Luzon resource center on LAM.

4. A world-class governance system

In marked contrast with the nation’s lingering and worsening governance problem, it is also a testament to our own governance system that many local governments from faraway corners of the archipelago visited Naga, particularly to learn about our Citizen’s Charter.

According to the Naga City Visitors Center, we hosted at least 25 LGU study tours specifically to learn how the city crafted its 3rd edition of the Naga Citizen’s Charter, which predates by seven years Republic Act No. 9485, more popularly known as the Anti-Red Tape Act (ARTA) of 2007. This new law that requires all national and local government agencies to come up with their own service charters only came into effect when it was signed by President Gloria Macapagal-Arroyo on June 2, 2007. They include cities and provinces from Ilocos in the North, Bulacan in Central Luzon, Laguna and Cavite in Southern Tagalog region, the islands of Mindoro and Marinduque, and Panabo City in Davao.

In case you haven’t noticed, our city is being consistently selected as pilot area of key development projects and innovations being sponsored by national and international agencies. Clearly, these institutions recognize that with us, any undertaking is less risky and therefore guarantees a high probability of success. In addition to the challenging valuation reform I mentioned above, the list includes MDG localization (UNDP), Localized Community Mortgage Program (Social Housing Finance Corporation), the Barangay Citizen’s Charter (PAGC), Urban HEART (WHO and DOH), the Performance Governance System (Institute of Solidarity in Asia) and credit rating of cities (World Bank).

This is precisely why we established and launched the NCGI last June 20 by blessing its office and holding the Inagural NCGI Local Governance Forum. Through the NCGI, we will leverage on our existing good practices—like the Citizens Charter and its precursors like PIP, QSIP and PSEP; our evolving experience in land

administration and management, built around market-based valuation reforms; our child-friendly programs like the reinvented School Board, Sanggawadan, QUEEN, and the Nutri-Ataman/Nanay/Dunong; our i-Governance, i-Serve, digital animation, and other IT initiatives—to develop courses and training events that will facilitate their scaling up and replication by other interested LGUs in the country.

In fact, tomorrow, the NCGI will be hosting a three-day training event entitled “Achieving the Millennium Development Goals Through Local Procurement Process and other Local Innovations” at Avenue Plaza Hotel for the League of Cities of the Philippines (LCP). With funding assistance from the UNDP, it will be attended by around 40 participants from 10 pilot cities all over the country, including Iriga and Masbate, as well as the other Bicol cities. NCGI’s operation will go full-blast beginning next year, especially if we qualify for the European Union grant on MDG advocacy which will be awarded later this year.

At the same time, we are bringing this governance system down to the barangay level. On October 10, 2009, coinciding with the celebration of 18th anniversary of the 1991 LGC, we will award for the first time the inaugural list of the most outstanding barangays in Naga under our Barangay Performance Management System (BPMS) initiative. The city planning office has already processed and tabulated entries from 19 of our 27 barangays; after thorough validation and evaluation, we will recognize the top barangay governments in the areas of nutrition, family planning, health, education; peace, security and disaster risk management; environment protection, and economic development.

Moreover, we have also pioneered the development of Barangay Citizens Charters, thanks to a partnership with the Presidential Anti-Graft Commission (PAGC) through Commissioners Constancia de Guzman and Jaime S. Jacob which provided technical assistance from the Development Academy of the Philippines. To date, the Barangay Councils of Concepcion Grande and Liboton have already completed their own Citizen’s Charter, with others poised to follow suit.

5. Competitive city of a proud people

Further, the NCVG report also indicates that Naga is, as we envisioned, fast becoming a major convention destination, indicated by the following events we hosted over the last six months:

- The Bicol Arts Festival/National Arts Month during the whole month of February, 2009
- 2009 National Schools Press Conference of the Department of Education from February 16- 21, with some 3,000 participants from all over the country
- 2009 Private Schools Athletic Association (PRISAA National Games) from April 19-26, with some 7,500 athletes and delegates from 17 regions of the country
- The National Convention of Devolved Agriculturists of the Philippines from May 13-15, with some 400 participants
- National Heritage Month Opening Ceremonies last April 29 and 30

- The 16th Annual Convention of the Community Pediatrics Society of the Philippines from May 15 and 16, with some 400 participants, and
- The South Luzon Area Business Conference of the PCCI and 5th Bicol Business Week from May 15-17, with some 300 participants.

Indeed, the opening of SM City Naga Mall helped improve the city's competitiveness. As Rex Drilon II of the Ortigas group pointed out when visited the city two months ago to speak on a forum about CBD 1's competitiveness, the SM Group's entry means that Naga has finally joined the big leagues.

If the recently released tourism data are accurate, we have every reason to be more optimistic. During the first six months of 2009, the 902,202 tourist arrivals covering both domestic and foreign visitors to Naga and Camarines Sur represent a 194% increase over the same period last year, tops among the 6 provinces and seven cities of the Bicol Region as well as the entire country. And because tourism data is based on hotel occupancy, among others, and the city easily accounts for at least half of the best available hotel rooms in the province, it can reasonably be argued that many of these tourists stayed in Naga City hotels.

Local airlines have already increased their frequencies to Naga, helping improve access to and from the city. Combined, the busy Naga Airport now services 39 flights a week; last year, it was only 14, twice daily and only in the morning.

The renewed sense of pride and identity extends into the realm of arts and culture, a weak area for which we earned brickbats from both well-meaning critics and their City Hall-obsessed colleagues. Later this month, we will be awarding, in partnership with the Arejola Foundation for Social Responsibility, the winners of this year's cycle of the annual Premio Tomas Arejola sa Literaturang Bicolnon (PTALB), as well as the inaugural winners of our Bikolinismo 2009 Search for the Most Outstanding Bicolano Artists.

Eleven of the 18 nominees were selected by a distinguished Board of Judges for conferment of the award, which is patterned after the National Artists search, whose recent winners has become highly controversial and has even reached the Supreme Court. All I can assure you is that there is no *dagdag-bawas* in our Bikolinismo search, simply because I believe selecting outstanding Bicolano artists is outside a city mayor's area of competence.

6. An enlightened philosophy that balances economic growth and social development

Finally, there is that unbending commitment to equalize opportunities in favor of the marginalized sector of our society, which is enshrined in our very own vision statement which emphasizes "people-centered development anchored on quality and accessible services in health, education and other social services, especially for the marginalized and the vulnerable."

This, by the way, is totally consistent with the credo of President Ramon Magsaysay, the first three lines of which say:

“I believe that government starts at the bottom and moves upward, for government exists for the welfare of the masses of the nation.

“I believe that he who has less in life should have more in law.

“I believe that the little man is fundamentally entitled to a little bit more food in his stomach, a little more cloth in his back and a little more roof over his head.”

This people-centered philosophy is the moving force behind our Kaantabay sa Kauswagan (KsK) program, which has made a difference in the lives of the 8,285 urban poor families, especially the 1,793 households who have secured the title to their respective homelots. Over the last six months, we have completed the World Bank-Philssa funded road and drainage concreting project, which was formally turned over to the GK Maogmang Lugar Village homeowners association early this month.

Availment of the P50-million pilot facility under the Localized Community Mortgage Program (LCMP) is also ongoing, intended to support land acquisition and upgrading activities in five project areas. Progressive land development and resettlement of beneficiary households at the 3.8-hectare St. Clare Subdivision donated by the Almeda Group is ongoing. We have secured the License to Sell for the Isarog Heights Subdivision project in Carolina from the HLURB, which will enable us to complete these two major settlement areas before the end of my term.

The same philosophy pervades the QUEEN and QUEEN Plus initiatives which, together with Sanggawadan, seek to attain the millennium development goal of ensuring that all school children in the city are able to complete elementary and high school education. Successive revalidation efforts have brought in more beneficiaries, from 16,186 because some parents did not revalidate their membership the first time around to 25,447 for the SY 2008-09. And we have realigned funding for five locally funded teachers to support the hiring of five Muslim teachers that will handle the Madrasah classes in Naga under the ALIVE program of the DepEd.

In partnership with the City Nutrition Office, the School Board-funded Nutri-Dunong project helped bring down the malnutrition rate among public school children, from 22.6% during the opening of classes in June 2008 to only 10.9% during the end of the school year in March 2009. This complements yet another reduction in preschool malnutrition rate from 4% in 2008 to 3.9% as of June 2009.

There are many other positive developments in various areas of local government administration. By themselves or in concert with related agencies, they are also strengths that contribute to the kind of governance and urban community life that we have today in Naga. But they are too many to discuss here one by one. In this regard, may I just refer you to [Annex "A,"](#) which lists down the departmental accomplishments by agency.

Seven Key Things to Do

With roughly 10 months to go, what priority areas should be given attention by the administration? Allow me to propose the following:

1. **Updating of medium and long-term planning documents.** One important preparation we should undertake to facilitate the eventual leadership transition is the updating of key medium and long-term planning documents of the city government that the next administration can use as guide.

Toward this end, I am directing the city planning and development office to initiate a process that will yield an approved Comprehensive Development and Investment Plans before June 30, 2009. In this manner, the next administration can use these key planning documents in the crafting of its own Executive-Legislative Agenda (ELA) after assuming office.

2. **Assess and establish appropriate management structures for the Coliseum and the Public Market.** This is intended to make sure that when the Coliseum and Public Market are finally completed, we will hit the ground running in ensuring that they will eventually be profitable enterprises that contribute to the city government's bottom line. Our benchmark should be the Integrated Central Bus Terminal at CBD 1I, which is bringing in P14 million to the city treasury annually. Toward this end, a joint executive-legislative study group shall be organized to study available options and submit its recommendations by the end of March 2010.

3. **Enhance our performance management systems.** To prevent backsliding and ensure that our productivity gains are sustained, there is a need to strengthen our performance management systems. Previously, we have had success in involving the NCPC in a trimestral evaluation of line agencies of the city government. We need to regularize and institutionalize this practice, which was jointly undertaken by the city budget and planning offices.

At the same time, we sought the assistance of Jean Llorin to revisit the Productivity Improvement Program (PIP), with the end view of finding out how we can update and adjust our existing structures and processes to meet the new challenges in the context of the continuous improvement philosophy (CIP) that anchors our 2015 Roadmap.

4. **Establish and operationalize the Naga City LAM Council (NCLC).** To institutionalize our gains in land administration and management, and ensure that the local land sector will have its own voice in the city's policymaking and governance processes, there is a need to strengthen the existing relationships between the LAM agencies in Naga—the city assessor, treasury, planning and budget offices, as well as the RoD, BIR, DAR and DENR.

One such policy is the need for more responsive capital investment planning and budgeting in the city, building on what I proposed last year. The underlying logic is that RPT taxes should be reinvested in capital projects that enhance the value of real properties that yield these taxes in the first place.

Another is the overarching goal of the GRAND SLAMS project to put in place necessary mechanisms for integrated delivery of land administration services—from tax assessment, collection and land titling—preferably under one roof. Establishing the NCLC is a key step towards this direction. The council should help us decide what strategy do we pursue for setting up a LAM one-stop shop (OSS).

5. **Strengthen the Naga City Governance Institute (NCGI).** Side by side, we need to institutionalize the NCGI through an ordinance that builds on Executive Order No. 2009-004 issued on People Power Day last February. There are emerging partnership opportunities in the horizon that we should take advantage of which the broad parameters of the EO did not anticipate. This, as well as the provision for minimum annual outlay that will support its operation, should be spelled out clearly in that ordinance.
6. **Strengthen our early and basic education programs.** Unless a truly progressive and committed leadership is installed in the Division of City Schools, one that will firmly lead by example, I am afraid our public school system will go back to its old distorted values and mindset of measuring development by the number of fancy multipurpose buildings, instead of the core education outcomes like participation rate, completion rate and academic achievement.

But despite these leadership inadequacies, we will maintain our commitment to provide the minimum basic facilities in all public schools -- like libraries and schoolbuildings, and progressively internet connection as well as computer and science laboratories. At the same time, however, we will begin to use the Special Education Fund (SEF) to improve access to our preschool Educare System, aimed at bringing up participation rate from around 63% to 100%. We will also introduce and implement Mother Tongue-based Multilingual Literacy Education (MLE) among Educare classes as part of our commitment to this new education policy. This thrust will effectively add up at least one year to basic education and better prepare our youngsters for elementary under a more conducive, responsive and responsible system that is accountable and results-oriented.

7. **Push the Sanitary Landfill project forward.** Thanks to a technical assistance project funded by the Czech Republic, we already crafted a draft 10-Year Solid Waste Management Plan that calls for the closure of our controlled dumpsite in Balatas and the reconstruction of an improved Materials Recovery Facility (MRF) in its place, simultaneous with the establishment of a Cluster Sanitary Landfill in Carangcang, Magarao that will serve the needs of both the city and the host town.

Copies of the SWM and other related technical documents have been endorsed to us by no less than the Czech Republic ambassador to the Philippines. The mandated geological and hydrological assessment of the proposed project site will be conducted soon. They bring all of us, particularly the people of Magarao and their leaders, to a key decision point:

- Are we all committed to mustering the needed political will, and marshalling the needed financial resources, to see this critical environment project through?
- What contingency measures or backup plans do we implement if faced with the worst-case scenario?

These are key questions we should bear in mind while deliberating on the draft SWM that requires sanggunian approval.

Conclusion

In less than a year, the Filipino people, including the electorate of this city, will again decide whom to entrust the reins of government at the national and local levels. Electing leaders carries an inherent amount of risk in it. For instance, if we choose wrongly as to who we put in Malacañang, we may end up with buyer's remorse again for the third time running.

At the local level, however, we can help lessen the burden of Nagueño electors if we can clarify the local choices facing them in May 2010. Our common task as public servants working for the local government is to sustain the city's strengths and marshal the needed resources towards overcoming lingering challenges to effective and enlightened governance in Naga. My own personal task for the remainder of my term, before I go back to being plain citizen Jess Robredo, is to ensure that there will be a peaceful, orderly transition into the next administration.

If we successfully carry out these tasks, our beloved city will surely continue on its forward path, poised to take on and do greater things in the years ahead.