



CASE STUDY: THE ROLE OF ELECTED MAYORS IN CREATING A BUSINESS-FRIENDLY ENVIRONMENT IN CARMONA

MUNICIPAL PARTNERS FOR ECONOMIC DEVELOPMENT PROGRAM

Attracting Investors, Creating Jobs and Improving the Quality of Life for Residents

In 1991, enthusiasm was high among local leaders in the Philippines. Central government had passed an innovative Local Government Code, which meant that significant powers and functions were being decentralized and devolved to local authorities. Locally elected leaders, in particular mayors, could thus aspire to an important role in transforming the country.

Attorney Roy Loyola first ran for mayor of the Municipality of Carmona in 1995. This was just eight years after the fall of the Marcos regime when a new constitution was beginning to change the country's political environment. Loyola knew the potential for growth in his municipality; he also knew what was needed to provide opportunities for local citizens.

Located in the Province of Cavite on the outskirts of Metro Manila, Carmona's development has long been tied to the needs, pressures and opportunities of the neighbouring metropolitan area. In the early 1990s, Cavite underwent a period of industrialization and rapid urbanization, which began to turn the province into one of the country's major industrial and commercial centres. To tap into the opportunities offered

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

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

While this case study focuses on a municipality in the Philippines, its primary targets are Cambodian and Vietnamese municipalities. The intention is to provide them — and other stakeholders in the decentralization and local development effort — with ideas for innovative new ways to support local economic development (LED). Its aim is to propose ideas that work, and to question the practices underlying these models with a view to triggering the discussions required to adapt and transfer these experiences to other contexts.

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by its comparative advantage, the Municipality of Carmona had to create the systems and infrastructure needed to attract investors and industrial operators.

The Municipality faced major challenges in trying to create economic growth and improve the quality of life of its residents. With a population of 28,000 spread over 30.92 square kilometres, Carmona was primarily an agricultural town. Although industries had developed in other parts of the province, only about 35 factories had settled in Carmona's single industrial park. A 3rd class municipality¹ with annual revenues of just 31.5 million pesos, Carmona was running a 2 million peso operating deficit. The mayor made a personal commitment to address the deficit and revenue problems; within two years, Carmona had become a 1st class municipality.

Today, Carmona is home to some 65,000 people and has a thriving economy. The municipality is subdivided into 14 barangays and has eight industrial zones. Its annual revenue is 370 million pesos. Successive mayors have played a determining role in the municipality's economic development over the past 15 years, establishing the infrastructure and systems required to attract investors, and supporting community livelihood programs that benefit Carmona residents and alleviate poverty. Since 1995, Carmona has been led by Mayor Roy M. Loyola in alternation with his wife Dr. Dahlia Loyola². This has enabled continuity in strategic orientations and programs. Carmona's success illustrates the potential and influence that a mayor can bring about through effective leadership.

This case study presents the key initiatives underpinning Carmona's economic development; it also discusses how they were facilitated by the leadership of the mayors.

¹The Philippines local government system divides local government units into four main categories: 1) Provinces, the largest in the political structure, perform coordinative and supervisory functions over their component cities and municipalities; 2) Cities, further classified into chartered cities, which are independent from the provincial government, and component cities, subject to provincial supervision; 3) Municipalities, operating under the supervision of provinces; and 4) Barangays, the smallest political unit, into which cities and municipalities are divided. Barangays are led by elected officials and operate under the jurisdiction of municipal and city governments. Cities and Municipalities are further classified according to their local income level.

²In the Philippines, the term of office for local government officials is three years. An individual can seek the mayor's seat for three consecutive terms after which he/she may not run until another term has passed. It is relatively frequent for a politician's relative to run for office, which may result in members of the same family being elected several terms in a row. As in any political system, this approach to local politics can either have a positive or negative impact on local development, depending on the leaders in office.

MOBILIZING CHAMPIONS FOR CARMONA'S LOCAL ECONOMIC DEVELOPMENT

One of the key achievements instigated by the mayors was to gradually mobilize local champions and economic stakeholders to work together for development and growth. Various Chambers of Commerce have partnered with the municipal government to promote Carmona as a destination of choice for business operations; they also work towards improving the business environment, and contribute to community-based livelihood and employment initiatives.

Carmona's Economic Development Team (CEDT) was created by the Municipality to guide its economic development initiatives. CEDT comprises a committee, which takes on the lead role and is supported by a technical working group (TWG) that implements its recommendations and decisions. CEDT meets on a quarterly basis and is made up of key representatives from municipal departments and civil society partners. It currently has the following composition:

- The mayor, as chair of the committee.
- The local economic and investment promotion officer (LEIPO), from the Mayor's Office.
- A private-sector representative, acting as economic advisor.
- The municipal planning & development coordinator, head of the Planning Department.
- A representative of the Taiwanese Chamber of the South Philippines, Inc. (TCSPI), a leading Chamber of Commerce with strong presence in Carmona.
- The president of the Carmona Business Club (CBC), an organization of businessmen with offices in Carmona. The CBC aims to act as the link between the local business sector, the community and local government, as well as with different national agencies.



Golden Mile Business Park.

- A local representative of the national Department of Trade and Industry (DTI).

The TWG, operating under the leadership of CEDT, includes representatives from:

- The Department of Agriculture, a devolved local government unit (LGU) responsible for agriculture programs.
- The Information Technology (IT) Unit, responsible for the municipal website and computerized information tools for all departments.
- The Municipal Social Welfare and Development Office, which is responsible for community livelihood programs.
- The Municipal Cooperative Development Council, responsible for cooperative development and supporting small and medium-sized enterprises.
- The Public Employment Service Office (PESO). PESO is an office created by the mayor through a national program; its main objective is to match the supply and demand of workers.
- The Tourism and Investment Council, which is responsible for the promotion of tourism and investment.

The LEIPO also sits on the TWG and acts as a conduit between the two groups. The officer brings recommendations and decisions from CEDT to the TWG for action, and then reports back to CEDT on progress made.

CARMONA'S BALANCED APPROACH TO LOCAL ECONOMIC DEVELOPMENT

The approach taken by the municipal government to generate economic development has three components:

1. Build an effective government with economic growth as a part of its strategic orientations.
2. Develop the facilities and support system required for investors to establish themselves and maintain a presence in Carmona (e.g. rapid and effective processing of business permits, industrial parks with adequate transportation links, and facilities such as water and electricity).
3. Develop livelihood initiatives to alleviate poverty, ensuring that Carmonians benefit from growth generated through industrial and commercial development.

1. An Effective Municipal Government with Economic Growth in Mind

Successive mayors in Carmona have instilled a culture of excellence, ethics and hard work into the local administration. They understand and have demonstrated that there are no shortcuts to achieving meaningful and sustainable results. As a result of their efforts, the Municipality of Carmona has received prestigious national awards in several categories, including good governance, service delivery, environmental management, and caring for children and disadvantaged groups. Employees at Carmona Municipal Hall seem proud to work for the municipal government and contribute to its success.

The vision and mission statements of the Municipality of Carmona encompass the notions of effectiveness, quality of life and economic growth. The municipality fully recognizes its comparative advantage; it has integrated the notion of investment attraction in the articulation of its mission, and ensures this translates into concrete action. A practical demonstration of this intention is the creation of CEDT, which has the following role and functions:

- i. Accelerate economic growth by:
 - encouraging and helping community members to improve the production and marketing of their goods and services
 - enhancing the capability of community members to establish and manage their own business enterprises
 - creating adequate job opportunities for residents of Carmona.

VISION

A premier investment and sports hub in the Province of Cavite with an ecologically balanced community and a fast-growing economy steered by a dynamic leadership and an empowered citizenry.

MISSION

To provide an atmosphere that will enhance investment and sports development under a peaceful and orderly community with satisfied constituents through the effective and efficient delivery of services.

- ii. Achieve economic equity by:
 - attracting appropriate investments from international and domestic sources, and supporting Carmona residents to access employment in the newly established firms³
 - giving priority to low-income families as beneficiaries of livelihood programs.
- iii. Ensure economic stability by:
 - enhancing the capacity of community members to produce quality goods and services
 - encouraging diversification of industries within Carmona
 - meeting the current needs of business and industry without sacrificing the needs of future generations
 - optimizing the use of local resources without jeopardizing the environment.

As a result of the emphasis on industrial development within the municipality, Carmona also created the LEIPO position to promote economic development. The officer reports directly to the mayor, and coordinates with CEDT and the TWG. LEIPO's role is to:

- Facilitate the preparation, coordination and execution of local economic and investment promotion policies, projects and activities of the municipal government.
- Facilitate the establishment of an aggressive, systematic, coordinated and sustained promotion and marketing of Carmona as an investment location.
- Provide basic information about the municipality's business potential to prospective investors, including services, available facilities and infrastructure.

The Municipality is proud of its excellent housekeeping practices, which include good financial management, revenue generation and tax collection, as well as participative planning practices. In addition to its regular functions, the Planning Division spearheads the Municipality's use of such tools as the national Local Government Performance Measurement System and supports the development of an Executive and Legislative Agenda, which is a term-based plan that aims to build synergy between the agendas of the executive and legislative branches of government during their term in office. The Municipality has also initiated the Community-Based Monitoring System survey, through which barangay enumerators visit each household to collect data to help the LGU develop programs and projects that address the Millennium Development Goals.

³As an example, Carmona is currently developing a policy to ensure companies with operations in the municipality, and who sign a MOA with the LGU, have to hire at least 50 per cent of their work force from among residents of Carmona.

The Municipality has outreach and information services to keep its citizens informed about municipal affairs. A *Citizen's Charter* was developed to promote transparency in government and to explain the public services delivered. The charter aims to inform residents about the mandate of the various departments and organizations, explains how to contact officials, and what services are to be expected. In addition, Carmona has an excellent website that provides information about municipal government services, and investment conditions and opportunities (carmonagov.net).

This culture of performance and excellence is also prevalent in areas such as developing an investment enabling environment and in the provision of social services.

2. Developing the Facilities and Support Systems Required to Attract Investors

Over the years, Carmona has planned and developed eight **industrial complexes** where investors can set up operations in the municipality. Ranging from nine to 100 hectares in size, these industrial estates have all the necessary amenities. They are secure and are closely coordinated with CBC, a key local business association.

The **Carmona Investment Officer** provides advice on which of these locations is most appropriate for investors to set up operations. The Municipal Environment and Natural Resources Office provides assistance with environmental compliance for industrial establishments. It verifies compliance and provides clearance for certificates and permits to be issued, including the Wastewater Discharge Permit, the Permit to Operate Air Pollution Control installations, and the Integrated Waste Management Permit. It also helps industrial operators to set goals for the continuous improvement of their environmental performance.

Another significant feature of Carmona's efforts to facilitate investment is the **One-Stop-Shop for the Processing of Business Permits**. The Philippines is known for the somewhat lengthy process required to obtain a business permit; Carmona has taken a proactive role to make the process simple for investors. Forms and information are now available on-line, and a dedicated room at Municipal Hall enables investors to access all local government offices involved in processing a business permit, both for applications and renewals. The Municipality's IT Division has streamlined and modernized the operations of the shop; Carmona now guarantees that with all requirements completed, transactions are accurate and can be finalized in 30-40 minutes.

Perhaps one of the most important aspects of the support system developed by Carmona for its investors and business partners is the **personalized assistance** provided by the Mayor's Office. The mayor opens her

doors to provide any assistance required by potential and established investors. This may include helping investors understand national Bureau of Internal Revenue requirements, linking them up with the national electricity providers or acting as a mediator to solve labour disputes. Carmona has also established a system of mediating and resolving labour disputes through the PESO manager and LEIPO. In addition, the Municipality maintains close ties with the business community by holding **business forums** in conjunction with national government agencies to discuss problems and formulate solutions to labour issues. The forums also seek input into ways to attract new investors and retain existing ones. The Municipality undertakes special recruitment activities to help industries meet human resource gaps through an employment facilitation program delivered by PESO. Through the program, employers are given assistance to recruit qualified workers and the municipality makes PESO facilities available for recruitment activities. The program speeds up an employer's search for applicants and an applicant's search for jobs. Finally, the municipal revenue generation strategy outlines tax incentives offered for investors and early tax payers.

From a tourism perspective, the overall land use plan of the municipality has been aligned to gradually develop a mix of commercial and recreational structures and facilities that will enhance the quality of life for visitors and investors staying in Carmona. Special historical and topographic features have been enhanced, and the municipality has put in place — and continues to develop — recreational facilities such as a horse-racing course, a golf course, swimming pools, a casino, and a network of bicycle and hiking paths.

3. Developing Livelihood Initiatives to Diversify Economic Development and Alleviate Poverty

Like any municipality in the Philippines, Carmona has its share of social issues and problems. Revenue disparities and poverty, natural disasters, drug use and addiction, family violence and abuse, common communicable diseases, issues associated to special needs groups



The One-Stop-Shop for business permits.

such as the disabled, the gay community and the elderly, are part of the challenges faced by municipal authorities. However, the Municipality goes out of its way to ensure the benefits linked to industrialization and development reach all sectors of the community. Different strategies are required to enhance the livelihood and economic conditions of various sub-groups; the municipality has developed a number of programs to address the needs of lower income groups, as well as levels of poverty among its citizens. These include specific income-generating initiatives, as well as targeted social services and employment support programs.

The Municipality undertook several livelihood generation projects through its Center for Industrial Peace, Productivity, Training, Employment & Livelihood (CIPPTTEL) program. CIPPTTEL provides community-based and technical-vocational training for out-of-school youth, unemployed mothers, and displaced workers from different industries, as well as returning overseas Filipino workers. CIPPTTEL has become a place where employers go to find part of their labour force. CIPPTTEL offers training in areas as disparate as cosmetology, cell phone repairs, welding and bartending.

Other municipal livelihood initiatives include:

- Providing transportation costs and allowances for out-of-school youth to attend national Technical Education and Skills Development Authority training programs.
- Initiating a basic Hair and Beauty Culture program in cooperation with the Filipino Hairdressers' Cooperative.
- Distributing small side-cars and additional capital to micro, small and medium entrepreneurs.
- Awarding capital assistance to individuals, groups and families through the Municipal Social Welfare and Development Office's Self-Employment Assistance Program. This program aims to assist small and micro-entrepreneurs to expand their business. The local government lends qualified applicants between P3,000 and P10,000 (\$80 to \$250 US), which they can pay back without interest for 10-12 months.
- Developing and expanding livelihood programs in cooperation with NGOs and private companies from Carmona to generate products out of industrial waste. These include:
 - pataw making for 47 heads of family (a pataw is a floater used by fishermen to attach to their fishing nets)
 - rubber slipper making, which benefited 1,124 low income families
 - beanbag making, a home-based project in which 143 families increased their income
 - doormat making, with 80 families involved.

Carmona's response to the national One Town, One Product program helped expand an existing cottage industry making knives and cutlery. In conjunction with DTI, the Municipality sponsored training on packaging and marketing of products, and helped promote the products at various conventions and local trade shows.

The municipality also supports multi-purpose and financial assistance cooperatives for various groups, enabling them to increase their buying power and enterprise development opportunities. These include cooperatives of small home owners, senior citizens, and low income employee groups.

The municipality's employment facilitation initiatives include specifically targeted recruitment activities. Some are implemented in cooperation with the Association of Human Resources Practitioners from local industries engaged with the municipality. This helps identify needed skills and ongoing human resources development issues, and makes it easier to match skills to the specific labour demand from the industry.

Specific training programs for skills not usually available are also organized in collaboration with private partner companies and technical vocational schools.

KEY BENEFITS AND RESULTS

The Municipality of Carmona has been recognized for excellence in various aspects of local governance both nationally and internationally, and regularly wins awards from recognition programs in the Philippines. A few of its recent awards include:

- 2009 & 2010 Most Business-Friendly Local Government Unit, Philippines Chamber of Commerce and Industry.

- 2009 Most Outstanding Municipal Public Employment Service Office, National PESO Program.
- 2009 Outstanding Municipal Executive for Cooperative Development, Province of Cavite.
- 2010 Regional Top PESO Performer, Department of Labour and Employment.

As the case study has described, Carmona has maximized its comparative advantage with a proactive, ongoing effort to attract potential investors, and provide them with the support they need to successfully establish and maintain company operations in the municipality. This best practice is about the municipal government's role in creating an enabling environment that is conducive to building investors' confidence, which encourages them to set up operations in Carmona and support improvements to the community's living conditions.

There are a few key elements: building an effective, transparent municipal government that is proactively responsive to the needs of the business sector and investors; developing the facilities/infrastructure and support system necessary for investors to establish themselves (e.g. the rapid and effective delivery of business permits, industrial parks with adequate transportation links, and the provision of facilities like water and electricity); and developing initiatives to alleviate poverty and ensure that Carmonians are able to benefit from industrial and commercial growth. Political continuity and effective local government over the past 15 years have greatly contributed to the municipality's LED success.

The results and benefits from years of multi-faceted and well-coordinated work are impressive.



The People's Technology Complex was the first industrial estate in Carmona. It is now considered the largest industrial complex in terms of the number of companies operating within it.



Carmona's commercial and financial centres.

Local Revenue: Of the 2,000 municipalities and cities in the Philippines, Carmona is one of very few to have reduced its dependence on national government transfers (Internal Revenue Allotment) to only 22 per cent (the figure varies slightly from year to year). Approximately 80 per cent of the municipality's revenue is generated locally, and consists of local taxes, specific service income, permits and licenses, and revenues from interest. Revenues are used to improve services and the quality of life of Carmona citizens.

Increase in the Number of Businesses: Carmona now has 266 active enterprises and factories that pay taxes and contribute to the transformation of the municipality in various ways. This provides revenue to the municipality and creates jobs for citizens. These enterprises also bring in new residents to Carmona, gradually changing the socio-economic profile of the municipality. The new residents build houses, take part in recreational activities, pay local taxes, and play a role in stimulating the local economy.

Addressing Poverty and Social Issues: Increased local government income allows the Municipality to provide more and better basic services to the community. With increased revenue, Carmona develops targeted programs to address the needs of the poorer segments of its community.

Harnessing the Corporate Responsibility of a Growing Business Presence: The Municipality engages the business sector creatively, finding ways for it to contribute to social programs and to help address the needs of disadvantaged groups in Carmona. Various companies make donations and sponsor social programs. For example, by donating waste from its plastic slippers factory, Best Rubber Philippines enabled the Municipality to develop an income generation program by setting up a cottage industry to make pataws from the waste rubber. These are then sold in local markets, enabling some 50 families to benefit from the initiative. This is just one example of what can happen when the private sector directly participates in the municipal government's poverty alleviation efforts.

TCSPI has become a great contributor to Carmona's development. Forty-two of the 168 members of the organization have located their operations in Carmona, and the Chamber has also established its headquarters there. They are in Carmona because of the outstanding support they receive from the municipal government, and they regularly contribute to municipal community development initiatives. In June 2011, the Taiwanese Chamber provided eight computer stations to one of the municipality's training centres for disadvantaged groups.

THE ROLE OF MUNICIPAL LEADERSHIP IN CREATING A BUSINESS-FRIENDLY ENVIRONMENT

Carmona's success in developing a strong enabling environment to attract business can largely be attributed to the leadership of Mayor Roy Loyola and his wife Dahlia Loyola (who subsequently also became mayor), as well as the other strong stakeholders they mobilized to promote the development of the business sector in the municipality. Through strong leadership and champions of good governance, the Municipality has slowly but surely improved municipal housekeeping, administration and services. There is a genuine respect for the municipal government and the way it is responsive to community needs; significantly, these include the needs of the business sector, which is the biggest contributor to LED in Carmona.

One of the characteristics that has played a significant role in Carmona's successful attracting and maintaining of investors is the personalized assistance provided by the Mayor's Office. The mayors have made themselves personally available to help, and have developed effective mechanisms through which they can delegate tasks to members of their team. They have fostered a business mindset among their team to help investors meet their needs; they act as mediators to solve problems and proactively nurture constructive linkages to be ahead of potential issues and problems.

The provision of effective and transparent municipal services has built the confidence of investors, who now commit their own hard-earned resources. Investors have to feel confident about the environment in which to expand their operations and succeed. Carmona's municipal government has understood this, and strives to deliver effective, transparent services to its investors.

Mayor Roy Loyola has achieved a great deal since his first election, surpassing his initial objectives. He has been mayor for four terms (between 1995 and 2010). The deficit he inherited in 1995 was eliminated during his first term; together with his wife, current mayor of Carmona Dahlia Loyola, he has transformed Carmona and its municipal administration. A 3rd class municipality in 1995, the significant increase in local revenues has enabled Carmona to become a 1st class municipality. From 35 industrial operations in one industrial park in 1995, Carmona now has 266 in eight industrial complexes developed by the municipality.

Roy Loyola continues to work on behalf of his constituents, actively working with his wife to promote Carmona's development. In 2010, he ran for National

Congress and he is now the representative of Cavite's 5th district. He has set up his local congressional office in Municipal Hall; Carmona residents now have two committed leaders, one at the local level and one at the national, building synergies between national and local policies and programs, making municipal operations more effective and having a greater impact on the lives of citizens.

Notwithstanding the comparative advantage gained by its proximity to the country's economic engine, the strategies and approaches developed by Carmona's leaders are generic enough to generate results in any

context. The creation of a strategic LED committee with well identified civil society leaders, supported by a municipal TWG to implement its strategies, might have produced similar results if applied in other economic development sectors (e.g. to support the development of a particular set of agricultural commodities). These principles and approaches to the LED strategy were combined with ongoing attention to residents' needs and improving municipal operations. The Carmona experience demonstrates that extraordinary results can be achieved through good governance and focused strategic planning, undertaken in collaboration with community stakeholders.