

PHILIPPINE CITIES COMPETITIVENESS RANKING PROJECT 2007

PROJECT BACKGROUND: What is PCCRP?

The Philippine Cities Competitiveness Ranking Project (PCCRP) is the flagship research undertaking of the Asian Institute of Management Policy Center's City Competitiveness Program. It measures the competitiveness of cities by analyzing relevant indicators of local economic and political systems and the capability of cities to provide an environment that nurtures dynamism of its local enterprises and prosperity of its residents. The project formulates a process and technology with which the development strides of cities can be regularly monitored and evaluated. Moreover, it constructs a benchmarking method that will aid individual cities in measuring their level of competitiveness in relation to other cities.

The study ranks the overall competitiveness of Philippine urban centers based on the following drivers of competitiveness: costs of doing business, dynamism of the local economy, human resources and training, infrastructure, responsiveness of the local government to business sector's needs, and quality of life.

Objectives

The policy objective for conducting the study is to encourage local government leaders to understand that with the decentralization espoused by the Local Government Code, their roles must shift from being mere service providers to becoming economic and development managers. The study also aims to develop a model that encourages healthy competition among leading and emerging urban centers and to emphasize the role of small and medium enterprises as the backbone of city development.

Project Implementations

In 1999, the Policy Center completed a competitiveness ranking of ten emerging Philippine Cities (outside NCR) vis-a-vis national and international standards. The project was funded by the Philippine APEC Study Center Network (PASCN). The cities that were part of the study were San Fernando (La Union), Baguio, Angeles, Tacloban, Iloilo, General Santos, Davao, Cagayan de Oro, Iligan and Zamboanga. The results of the study were presented in an international conference with the end goal of assisting national and local governments in the preparation of development plans, and to link investors with potential partners and businesses. Furthermore, the Policy Center released a formal and academic research summary and a more condensed magazine publication for public dissemination. The study succeeded in producing an objective benchmark of the strengths and weaknesses of each city and providing local businessmen and government leaders a policy framework from which to improve the business and human environment in selected urban areas.

In 2001, the Policy Center started another round of competitiveness ranking. The project was done in partnership with the Department of Trade and Industry with the aim of promoting the need for an improved investment climate in each city. The ratings were based on both quantitative and perception-based data. The number of cities was increased to thirty-three (33) cities using an improved set of indicators. In this edition, an innovation was introduced by classifying cities according to the size of their population: small cities (non-metro

cities with less than 200,000 inhabitants); mid-sized cities (non-metro cities with more than 200,000 inhabitants); and metro cities (urban centers that belong to National Capital Region, Metro Cebu, and Metro Davao).

In 2003, the AIM Policy Center, in collaboration with The Asia Foundation, Konrad Adenauer Foundation, German Development Cooperation, and International Labour Organization, completed another round of city rankings. The new Philippine Cities Competitiveness Ranking Project featured an enhanced and more comprehensive set of criteria covering 50 cities all over the country. The study was carried out in partnership with St. Louis University (Baguio), Angeles University Foundation, De La Salle Lipa, Ateneo de Naga University, University of San Agustin (Iloilo), University of San Carlos (Cebu), Xavier University (Cagayan de Oro City), Ateneo de Zamboanga University, Mindanao State University (Marawi), and Ateneo de Davao University.

The results of the study were presented in a national conference at the Philippine International Convention Center spearheaded by the Asian Institute of Management Policy Center and its institutional partners. The top three cities were recognized during the conference. Local chief executives and other local government representatives, together with various members from non-governmental organizations, local and foreign business associations, and academic institutions were among the attendees in the conference.

Moreover, a new project component was introduced in 2004. City-level workshops and focus group discussions (FGD) were carried out in selected local government units using the wealth of information gathered from PCCRP 2003. The AIM Policy Center and its academic partners convened the various sectors of localities and presented areas for improvement that need immediate action from local governments. Workshop and FGD participants provided recommendation/proposed solutions to pressing issues which were disseminated to the local chief executive of respective cities. The AIM Policy Center completed four workshops (Baguio, Tarlac, Iligan, and Zamboanga) and eight FGDs (Bacolod, Cadiz, San Carlos, Mandaue, Cebu, Lapu-Lapu, Ormoc, and Tacloban).

For PCCRP 2005, the AIM Policy Center partnered again with the United States Agency for International Development, The Asia Foundation, and the German Technical Cooperation. With the assistance of 13 academic partners: St. Louis University (Baguio), Angeles University Foundation, De La Salle University Lipa, De La Salle University Dasmariñas, Ateneo de Naga University, University of San Agustin (Iloilo), University of San Carlos (Cebu), Silliman University, Xavier University (Cagayan de Oro City), Notre Dame of Dadiangas, Ateneo de Zamboanga University, Mindanao State University – Iligan Institute of Technology, and Ateneo de Davao University, there were 65 cities rated for this round with focus on analyzing leadership as a factor of city competitiveness.

Results of the study were presented in a national conference with more than 400 participants from local and national government, business sector, academe, civil society organizations, and the media. During the conference, the most competitive cities were recognized – 5 metro cities, 5 mid-sized cities, and 10 small cities – to acknowledge their efforts in continuously improving their city's competitiveness standing. Regional presentations in Visayas and Mindanao were also undertaken to disseminate the information.

City-level workshops were also conducted to thoroughly discuss the key findings of the study. Around fifty participants from the government, business, academe, media and civil society organizations participated in each of these workshops.

For this round, the center collaborates with German Technical Cooperation, International Finance Corporation, International Labour Organization, Petron Inc., and SM Investments. The number of cities to be included has been increased to 90, with 3 new academic partners to handle the additional research workload namely Philippine Normal University- Agusan, Notre Dame of Marbel University and University of Saint Louis-Tuguegarao. This brings the number of academic partners to 15 overall.

City Competitiveness: Its Nature and Drivers

Adapted from the World Competitiveness Yearbook, the study takes off from the precept that city competitiveness is the ability of the city to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people. City competitiveness is futile if it is not accompanied by a decent standard of living for residents. Sustainable development dictates that the city make efficient use of its natural resources minimizing adverse effects brought about by undirected urban growth.

The task then of local governments is to ensure that the prerequisites are laid down by providing an environment pushing its businesses and residents to become better off. In the next 15-20 years, the main drivers of competitiveness of emerging Philippine cities will be:

- **Cost of Doing Business.** How expensive is it to operate a business in the city compared to other cities? This driver is concerned with the direct costs of doing business, such as those for land, labor, rent, telecommunications and power.
- **Dynamism of the Local Economy.** A vibrant local economy is fundamental in attracting inward investments, generating income and fostering the attractiveness of a city.
- **Human Resources and Training.** How well equipped is the population to build and take advantage of opportunities in the locality? The education of the populace is taken to be the most significant component of human resource endowment. The driver primarily refers to the competence of local manpower and the availability of training programs for skills development.
- **Infrastructure.** Are the necessary physical, telecommunications, technological, infrastructure and knowledge support services in place in the city? Transacting business requires not only the quintessential production factors, but also accompanying infrastructure and services. These include, among others, road infrastructure, transport and information and communications technology.
- **Responsiveness of LGU to Business Needs.** More importantly, the critical role especially in leadership of the local government in urban development cannot be undermined. Much of urban competitiveness is determined by the ability of the government to respond to systemic and short-lived issues with a well-grounded and focused vision.
- **Quality of Life.** How well off are urban residents in terms of quality of environment and life? The quality of life factor has been increasingly considered as one of the yardsticks in determining which cities have successfully developed and which have succumbed to the ills of urbanization. Indeed, the long-term competitiveness of the city would significantly be influenced by the degree to which its leaders have taken care of the environment and the local community. Among the relevant aspects of the quality of life are the social welfare of the people, peace and order, quality of living environment, and local amenities among others.

Note: In previous rounds, seven drivers of competitiveness were being observed. However, in PCCR 2007, Linkages and Accessibility was merged in Infrastructure since some indicators under the two drivers are over-lapping.

Methodology

Patterned after the International Management Development's World Competitiveness Yearbook (WCY), the study utilizes both hard data and executive survey to measure the competitiveness of Philippine cities. However, not all WCY's indicators are materialized in this study. The Philippine setting had been considered in the selection of variables to be included.

Over all, the study uses 43 indicators, which are distributed among the six drivers of competitiveness. Nine out of the total variables are hard data, which were acquired from different national government agencies, local government units, and private utility companies.

On the other hand, executive surveys were administered to owners and managers of Small-and-Medium enterprises (SMEs) to capture their perception on the capability of the city to provide an environment that nurtures dynamism of its local enterprises and prosperity of its residents.

Generally, there are two major criteria that are applied in classifying small and medium enterprise which is defined as any business activity or enterprise engaged in industry, agri-business and/or services whether single proprietorship, cooperative, partnership or corporation:

Republic Act No. 9178, otherwise known as the Barangay Micro Business Enterprise (BMBE) Act of 2002 has redefined the categories. Hence, the present structure, by law, is as follows:

Definition Asset Size

Micro	:	up to 3,000,000
Small	:	P3,000,001 - 15,000,000
Medium	:	P15,000,001 - 100,000,000
Large	:	above P100,000,000

Definition based on number of employees

Micro	:	1 to 9 workers
Small	:	10 to 99 workers
Medium	:	100 to 199 workers
Large	:	200 and above

The list of SMEs had been secured from the Department of Trade and Industry. But since the database of DTI has a limited number of registered SMEs and some of the establishments in the list had already shutdown or had moved in other location, membership lists of local business chamber and other business organizations had also been considered in identifying possible respondents.

Sampling Design and Survey Sample Size

Since no agency can provide a comprehensive listing of SMEs in the country, the study uses Purposive Sampling. This sampling technique only requires that the respondents have the best qualifications to answer the survey and therefore achieve the purpose of the study. Also in this kind of method, the number of respondents does not matter as long as the questionnaire is properly and objectively accomplished.

In this round of PCCRP, an average of 40 Small-and-Medium Enterprise owners and managers per city were asked to accomplish the survey form.

Questionnaire Construction

In the formulation of survey questionnaire, selected indicators that are valid for measuring the competitiveness of the city were classified under the six drivers of PCCRP. The form comprises of four types of questions: (1) Screener or lead question, which is the basis to answer subsequent question; (2) Numerical question, where exact figure is needed; (3) Question with ordinal choices, where respondents have to rate the indicator with a point scaling to choose from; and (4) Yes/No question.

The questionnaire was first subjected to a pre-testing to evaluate the usefulness and relevance of the questions to the study and to obtain different comments and suggestions for further improvement of the survey instrument.

Actual Dissemination and Validation of Survey

The AIM Policy Center tapped prominent universities known for its research capabilities to manage the administering of the survey questionnaire. Academic partners in this round include Angeles University Foundation, Ateneo de Davao University, Ateneo de Naga University, Ateneo de Zamboanga University, De La Salle University – Canlubang, De La Salle University – Lipa, Mindanao State University – Iligan Institute of Technology, Notre Dame of Marbel University, Philippine Normal University – Agusan Campus, Silliman University, St. Louis University, University of San Agustin, University of Sa Carlos, University of St. Louis – Tuguegarao, and Xavier University.

Self-administered survey was employed in this round due to questions that are in need of exact figures. But to ensure the consistency of gathered information and also to substantiate the executive survey, a phone validation was done by AIM Policy Center.

Data Cleaning, Processing and Data Analysis

As the team evaluated the quality of responses for each questionnaire, it has found out that most of the respondents did not answer the questions pertaining to numerical data. Due to very low quality of information gathered for these specific variables, it was automatically dropped from the analysis.

In addition, for the yes/no variables to be substantive, it was converted into a quantitative data by getting the percentage of those who answered yes relative to the total number of responses.

To standardize the extraction of raw questionnaires to an electronic file, a coding system was done. Using Statistical Packages for Social Sciences (SPSS), the encoded data were checked and verified for possible error in coding.

The study uses two statistical measurements to obtain the over-all competitiveness of the city: Ranking and Scoring Method.

Ranking Method

The objective of the ranking method is to position the different cities according to competitiveness exhibited, based on the indicators. This method converts raw data into a comparable 10-point standard scale that measures the relative difference between cities' performance.

With the raw data presented in the new scale, each criterion value is consolidated to produce rankings for each driver, yielding the relative strengths and weaknesses of cities.

Scoring Method

The objective of scoring method is to rate the performance of cities as measured by selected socio-economic indicators. Standards of performance are set *vis-à-vis* averages of all the cities included in the study.

Scores for each quantitative indicator are obtained by translating raw data using ten-point conversion tables that are constructed on the bases of 90 city-averages.

Gradients of the ten-point scale will translate into qualitative categories that are consistent with the bracketing of the utilized conversion tables. The initial City Competitiveness Program benchmarking project used the following scale to assess urban competitiveness:

Score	Qualitative Meaning
1-2	Very low competitiveness (reform)
3-4	Below average competitiveness (improve)
5	Average (benchmark)
6-7	Above average competitiveness (enhance)
8-10	High competitiveness (sustain)

Computation of Competitiveness Score

The PCCRP, for the first time, introduced the concept of weights per driver and indicators. In the past, equal weights have been given to all indicators across the 6 drivers of competitiveness, which render each indicator on equal footing with the rest. For this round, the Dynamism of Local Economy was given more emphasis in the computation of the over-all score, as various economic literatures put economic dynamism at the forefront of local growth and development.

However, some cities were excluded in the computation of averages and over-all scores because of missing indicators. The City Competitiveness Program adopted a scheme wherein those whose over-all missing weighted indicators amounts to more than 5% will automatically be excluded from the rankings, for the purpose of impartiality with other cities with complete or less than 5% missing indicators. A different computation of scores (per driver and over-all) for these cities was applied. Unlike the 2005 round where weights are being distributed to all indicators, this time, weights of the missing indicator/s are distributed to all indicators of same domain.

What's next After PCCRP 2007 National Presentation of Results?

To have an extensive discussion of the PCCRP results, regional road shows will be replicated in Visayas and Mindanao. City-level workshops and capacity-building activities will also be conducted. The specific objectives of these activities are to (a) identify and thoroughly discuss the key strengths and weaknesses of the city, (b) determine specific key areas for improvement and the proposed actions, and (c) draw policy recommendations incorporating stakeholders' insights that would aid in the overall development strategy of the city.

CONTACT INFORMATION

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