

Improving City Competitiveness for Economic Development and Job Creation*

1. Introduction and Approach

City competitiveness can be defined as the ability of city to support job creation, economic growth and productivity growth. City competitiveness is affected by multiple factors, a number of which are outside of control of the city government and by nature are the prerogative of the national government. The analysis on this policy note draws on the competitive city framework which includes four pillars: “institutions and regulations”, “infrastructure and land”, “skills and innovation” and “enterprise support and finance.”¹ It analyzes factors that constrain city competitiveness, the role that city governments can play, and provides policy recommendations based on both the Filipino and international good practices in promoting city competitiveness. Analysis also looks at the enabling environment provided at the national level to foster city competitiveness. Literature reviews, analysis of national level data and the results of firm level surveys and focus group meetings inform the analysis.

In recent years cities have emerged as the key drivers of economic growth in the Philippines. Growing competitiveness of cities is most comprehensively illustrated by the rapid rise of the BPO industry. In less than a decade Metro Manila, Cebu city, Iloilo have emerged as the most attractive places for foreign direct investment (FDI) in this sector. This story illustrates how local endowments can be utilized to become drivers of economic growth. But rise



of BPO wouldn't have been possible without an enabling national policy, proactive and well organized private sector and growth-minded local governments. While the story of BPOs is an unquestionable example of success – a lot of issues persist that will require a commitment by all key actors to reform in support of the emergence of new growth industries in Filipino cities.

This policy note discusses 5 key challenges which affect economic development and job creation at the city level. These include; 1) poor business environment; 2) weak infrastructure, land management and access to markets; 3) low demand for innovation and skill match; 4) access to finance and business support; and 5) inefficient economic planning, unclear mandate and weak governance. The analysis of these challenges is followed by a discussion of recommended priority actions.

* This policy note is part of a broader study, “Philippines Urbanization Review: Fostering Competitive, Sustainable and Inclusive Cities, 2017 The World Bank.

¹ Source: World Bank (2015) “Competitive Cities for Jobs and Growth: What, Who and How”

2. Key Challenges

2.1 Business Environment: Recent Successes and Need for Further Improvements

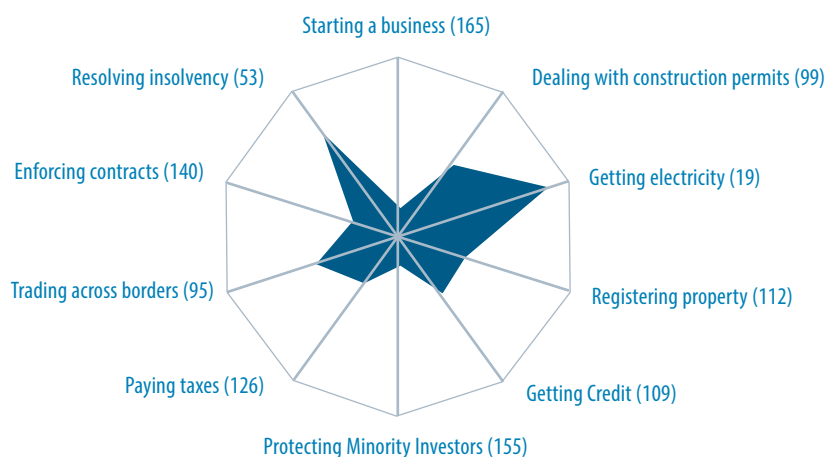
A healthy business environment is essential for growth and poverty reduction. There is abundant evidence that cumbersome and costly regulations, excessive taxation, lack of fair competition, and an unstable policy environment restrict business operations, undermine investment, constrain the development of markets, and stifle entrepreneurship.² Better business environment contributes to better growth and job outcomes.

In the last 5 years the Government of the Philippines has recognized the importance of simplifying and streamlining business regulations. A number of reforms implemented at local and national level have made it easier to do business. Some cities such as Cagayan de Oro and Barangays have achieved incredible progress in simplifying some aspects

of the regulatory environment. However, despite local successes – broader problems persist.

Philippine business regulations remain among the most complex in East Asia and present big hurdles to job creation. The World Bank Doing Business 2016 report ranks the Philippines at only a 103rd place among 189 economies in the overall ease of doing business. Among major economies in the ASEAN region, only Indonesia ranks lower (109). Across the ten topic areas covered by the ranking, the country scores in the bottom half of the ranking for more than half of the indicators. Starting a business, paying taxes, dealing with construction permits and registering property are especially daunting. (Figure 1).

Figure 1. Philippines Detailed Rankings in Doing Business 2016



Source: Doing Business 2016

² See, for instance, the annual World Bank Doing Business reports for a useful summary of the literature on the importance of business environment for growth.

Starting a business in the Philippines is among the most cumbersome in the world. Doing Business 2016 ranks the country at 165 out of 189 economies on starting a business. The average firm spends 29 days securing licenses required to start a business and spends around PHP 20,000 (equivalent to 16.1 percent of the country's per capita income). Up to 18 licenses, permits, and forms have to be approved before a business can commence. In addition, the Philippines still requires a relatively high paid-in minimum capital and a minimum of five incorporators, a practice that many countries have abolished. In many cases, firms report that they need to pay bribes or give gifts to obtain various permits and government services. Procedures for setting up unincorporated businesses (sole proprietorships), which make up the majority of businesses in the country, are simpler, especially in cities with one-stop shops, but nonetheless remain cumbersome.

Cities impose additional constraints on national level regulations. For instance, out of 16 steps and 29 days to incorporate a limited liability company, 13 steps and 21 days are processed by or at national agencies and 3 steps and 8 days are within the control of the LGU or city (Table 1). Additionally local governments are responsible for the organization of application processing. Local BPOs can become major sources of delays, or on the opposite can make it easier for business to deal with multiple requirements and agencies, as has been proven by the examples of cities that have established one-stop shops (Cagayan de Oro, Batangas etc.) LGUs also impose additional requirements on the already complex national rules on the construction process.³ As recorded in World Bank Group's 2011 Sub-national Doing Business survey, Taguig City required 25 procedures to get a construction permits while Cebu City and Pasig City required



36 procedures. The time needed to get the permit ranged from 46 days in Zamboanga to 169 days in Manila. In Mexico, for instance, the most efficient secondary cities such as Culiacan, Colima or Hermosillo, required only 7-9 procedures and 10-40 days to grant a construction permit.⁴

Renewing the annual business permit is especially costly, slow and inefficient. All firms in the country need to renew their local business permits every year, an unusual practice for more developed countries. As part of the annual renewal process, businesses must pay local business tax and fees, as prescribed by the Local Revenue Code, and then show proof of multiple licenses and certificates. Firms in the Philippines also need to provide more licenses than their counterparts in neighboring countries such as Vietnam and Indonesia (The World Bank Enterprise Survey 2009). The example of Batangas, where until recently the annual business permit renewal process required 31 different steps, shows how complicated, costly and cumbersome the business permit process can be (Box 1). Similar and often even more complicated process is still the norm around the country.

³ Before going ahead with a construction project, an entrepreneur must obtain zoning clearance and other requirements from the LGU and other clearances from DPWH, ATO, HLURB, DOT, DENR, DOTC, DILG, PPA, Dep Ed, DOH, PHIVOLCS, LLDA, MWSS, NWRB, DAR, DA, DOLE, NHA and NCWDP. Section 302, NWR IRR.

⁴ World Bank "Doing Business in Mexico 2014".

Table 1. Procedures for Starting a Corporation: Average Cost and Time

STEPS	DAYS	COST (PHP)	NAT'L OR LGU**
1. Verify and reserve the company name with the Securities and Exchange Commission (SEC).	1	40	N
2. Deposit the paid-in minimum capital at the bank.	1	0	N
3. Notarize articles of incorporation and treasurer's affidavit at the notary.	1	500	N
4. Register the company with the SEC and receive pre-registered Taxpayer Identification Number (TIN).	2	3,065*	N
5. Obtain barangay clearance.	1	500	LGU
6. Pay the annual community tax and obtain the community tax certificate (CTC) from the City Treasurer's Office (CTO).	1	500	LGU
7. Obtain the Mayor's business permit to operate from the Business Permit Licensing Office (BPLO). ⁵	6	5,353*	LGU
8. Buy special books of account at bookstore.	1	400	N
9. Apply for Certificate of Registration (COR) and TIN at the Bureau of Internal Revenue (BIR).	1	115	N
10. Pay the registration fee and documentary stamp taxes (DST) at the authorized agent bank (AAB).	1	5,665*	N
11. Obtain the authority to print receipts and invoices from the BIR.	1	0	N
12. Print receipts and invoices at the print shop.	7	3,500	N
13. Have books of accounts and Printer's Certificate of Delivery (PCD) stamped by the BIR.	1	0	N
14. Register with the Social Security System (SSS).	2	0	N
15. Register with the Philippine Health Insurance Company (PhilHealth).	1	0	N
16. Register with Home Development Mutual Fund (Pag-ibig).***	1	0	N
TOTAL	29	19,638	

Source: Doing Business 2016

* See Doing Business 2016 methodology for details, found in <http://www.doingbusiness.org/data/exploreeconomies/philippines/starting-a-business>

** Processed by National Agency (N) or Local Government Unit (LGU/city/municipality)

*** Simultaneous with step 15

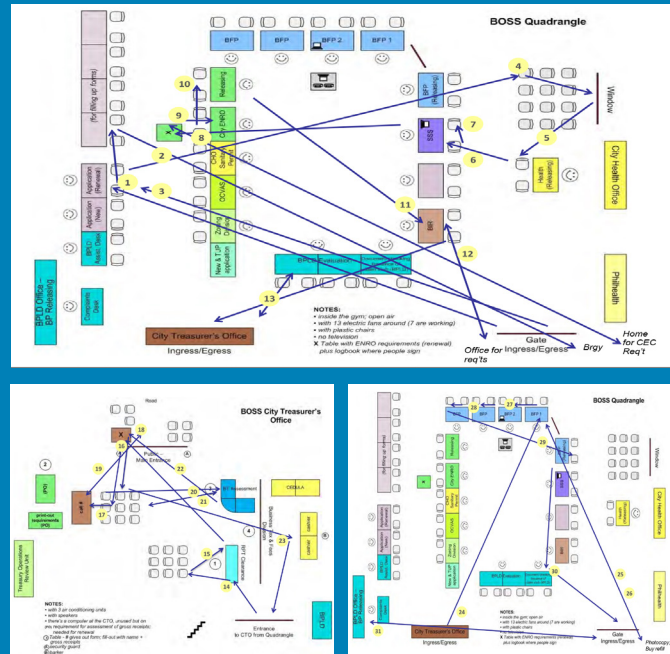
5 World Bank "Doing Business in Mexico 2014".

Box 1. Annual Business Permit Renewal Process in Batangas in 2012: An Applicant Firm's Perspective

Until 2012, the process of renewing the annual business permit in Batangas required 31 different procedural steps. First, an applicant firm had to first visit the City Hall and go through 13 steps (as in the chart below).

Subsequently, the applicant firm had to visit the City Treasurer's Office and complete additional 9 steps (chart below). Finally, he had to go back to the City Hall to complete the remaining 7 steps (chart below).

Source: USAID (2014) "Investment Enabling Environment (INVEST) Project", final report.



Property registration is burdensome. Property registration is managed at the national level by the Land Registration Authority, which has regional offices around the Philippines. The regional level offices, however, vary in their degree of efficiency, especially with regard to local registry of deeds and regional district offices of the Bureau of Internal Revenue. Registration costs also differ considerably across cities due to variations in the property transfer tax and notarization fees, both of which are assessed as a percentage of the property value.

Paying taxes is complex, especially as tax regulations make no concession to business size. Micro, small and medium firms (MSMEs) face high cost of compliance with tax regulations,

which do not differentiate with regard to business size or the capacity to comply. Value Added Tax, for instance, needs to be declared on a monthly basis even by firms that do not have any revenues for certain periods (such as consultants or part-time lawyers). Most micro and small firms do not have the resources to employ accountants or to maintain full accounts required by the tax agency. Businesses must also pay local government taxes and regulatory fees, which add to the complexity, especially as cities apply different thresholds and tax rates. Anecdotal evidence suggests that the tax payments are also prone to corruption, as the tax due is "negotiated" between a firm and a tax inspector, the official tax rates notwithstanding.



A burdensome tax regime, business registration process and a plethora of other regulations deter MSMEs from entering or staying in the formal sector.⁶ It is often easier to leave the system completely than to comply with the red tape, especially as the risk of being caught and penalized is low. Many firms choose to remain informal, non-transparent and small.⁷ Worse, the impact of these regulations is reflected in the low rate of formal business entry: the Philippines is among the bottom 15 percent of countries with the lowest rate of newly registered firms as the Filipinos establish only two limited liability companies per 10,000 working age people per year. In Malaysia, it is 10 times higher.⁸

The current business environment also contributes to the stunted growth of SMEs. The country seems to be challenged by a relative dearth of medium and large size enterprises, as micro and small firms fail to grow: for instance, the share of more productive medium size SMEs, which produce 10 percent of GDP,⁹ represented only 0.4 percent of all SMEs and has not changed since 2006.¹⁰ It seems that firms prefer to stay small than to grow to avoid taxes, onerous regulations and corruption. Given that larger firms are more productive, failure of small firms to grow undermines productivity, exports and job creation.

The government has taken steps to simplify business registration and licensing process, while the first results are positive more needs to be done. In 2010, the government launched a national initiative, the “Nationwide Streamlining of Business Permits and Licensing Systems Reform (BPLS)” and the follow up “Reform Simplification for Local Governments” (RS4LG) to encourage cities to improve business environment. Following the implementation of both initiatives, cities and municipalities were expected to process and release new business permits within 10 days and business renewals in 5 days. As a result compliance costs for firms were cut in some cities, which increased firm registration.¹¹ However many LGUs and municipalities failed to achieve sufficient progress. According to USAID, many cities around the country were not compliant with the program targets, likely because of a combination of low capacity, lack of resources and weak leadership.¹²

6 Aside from regulations covered by the Doing Business indicators, as evidenced by the results of the World Bank led focus groups, companies also need to grapple with obtaining importer licenses, clearing customs, complying with fire regulation, receiving sanitary permits, and complying with food and drug administration product registration..

7 A World Bank firm-level study in Africa (Ingram, Ramachandran, and Desai, 2007, “Why do Firms Choose to Be Informal? Evidence from Enterprise Surveys in Africa”, September) found that firms’ decision to be formal is “positively correlated with perceptions regarding the availability of electricity supply, access to finance and access to land, and negatively correlated with the rate of taxation and corruption”.

8 World Bank Doing Business Entrepreneurship database: <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

9 <http://www.dti.gov.ph/dti/index.php/resources/sme-resources/sme-statistics>

10 Rafaelita M. Aldaba and Fernando T. Aldaba (2014). Toward Competitive and Innovative ASEAN SMEs: Philippine SME Policy Index 2012. 11 Project Completion Report of IFC’s DB Plus Phil Project number 553125, October 2014.

11 Project Completion Report of IFC’s DB Plus Phil Project number 553125, October 2014.

12 USAID (2014) “Investment Enabling Environment (INVEST) Project”, final report.

There have also been reforms at the city level. Within Metro Manila, a number of cities introduced business registration and licensing reforms, which helped cut red tape and improve business registration. Quezon City, in particular, has streamlined the business registration process to only three steps. Other cities--Batangas, Cagayan de Oro and Iloilo--also modernized its business registration and permit renewal system. As a result, in Batangas, for instance, registering a new business now takes only 2 steps and two hours

to complete, as opposed to 17 steps before (Box 3.2). This example also illustrates that despite only directly controlling 3 steps of business registration of 16, city governments have a very important role to play in streamlining registration procedure. While national reforms would be required to fix a number of business environment issues, simply replicating local best practices across all cities can deliver substantial improvements.

Box 2. Good Practices in Business Registration: The Case of Batangas, CDO, Iloilo and Quezon City

In collaboration with the USAID, the city of Batangas, CDO and Iloilo streamlined its business registration and business permitting process. In Batangas, for instance, the steps needed to receive a new business permit were cut from 17 in 2012 to only 2 in 2014 (see the Table below).

Comparison of Baseline and Streamlined BPLS for Applications for New Business Permits in Partner Cities, 2012-2014

BPLS INDICATORS	BATANGAS			ILOILO			CAGAYAN DE ORO		
	BASELINE (2012)	2013	2014	BASELINE (2012)	2013	2014	BASELINE (2012)	2013	2014
Steps	17	3	2	27	18	4	17	5	3
Forms	11	1	0	8	2	1	10	5	1
Signatories	22 (manual)	2	2 (digitized)	27	4	1	27	7	4 (digitized)
Required Documents	7	3	0	6	5	5	14	7	5
Elapsed/Processing Time	Around 11 days	3 hours, 21 mins	1 hour, 30 mins	About 2-3 days	17 days	Walk in: 1 hour	19 days	Less than 1 hour	30 mins - 1 hour

Another project supported by the IFC/World Bank Group, helped Quezon City to reduce the registration process 3 steps: application, assessment and payment. The basic documents needed for the new business include DTI / SEC Registration, Barangay Clearance and Locational Clearance. QC opened a one-stop shop, where all the regulatory departments are located. In other cities in Metro Manila, including Pasig City and Taguig, business registration continues to require 6 steps.

Source: USAID 2013 and the World Bank

2.2 Improving Infrastructure, Land Management and Access to Markets to Support Growth

Access to international markets and trade connectivity in the Philippines is weak. In the 2016 Doing Business report, the Philippines' is ranked only in the 95th place in the world in trading across borders, behind most regional peers. Bilateral trade costs are also high: the Philippines' trade costs with Indonesia are almost twice as high as costs between Indonesia and Malaysia. In trade with China, the key regional trade partner, export costs in the Philippines are 20 to 40 percent higher than in the region.¹³ Corruption adds to the costs of exports.¹⁴ The Philippines also fares the worst on overall logistics performance and shipping connectivity.¹⁵ Anecdotal evidence suggests that internal shipping costs can be so prohibitive, that it is often cheaper to send cargo from Davao to Singapore than to Manila. This leads to fragmentation of internal markets and complicates development of local supply chains.

Telecommunication services, especially the Internet, are expensive and difficult to access even in major cities. The 2010 study of broadband quality has ranked Philippines digital infrastructure in the bottom ten among 80 countries. The cost of the Internet in Cebu, for instance, is more than 30 times higher than in Vietnam (Table 2). It costs 15,000 pesos or more than \$300 to secure a slow and unreliable 5MB Internet connection in the PEZA economic zone in Pampanga.¹⁶ Telephone services are similarly expensive. The high costs and poor connectivity result from an oligopolistic structure of the telecom sector, where two major players control most of the market and the backbone infrastructure. The potential entrance of a third market player has already encouraged two incumbent players to cut prices and improve service, but much more needs to be done.

Table 2. Cost of the Internet Connection in Selected Cities and Countries

CITY/COUNTRY	COST OF THE INTERNET CONNECTION PER MBPS, IN US\$
Manila	25-45
Cebu	70
The Philippines	20.35
Indonesia	16.83
Malaysia	10.29
Vietnam	2.25
USA	0.35-2.0

Source: Miradilla-Santos, M.G. (2014) Competition Issues in the Philippines Telecommunications Sector

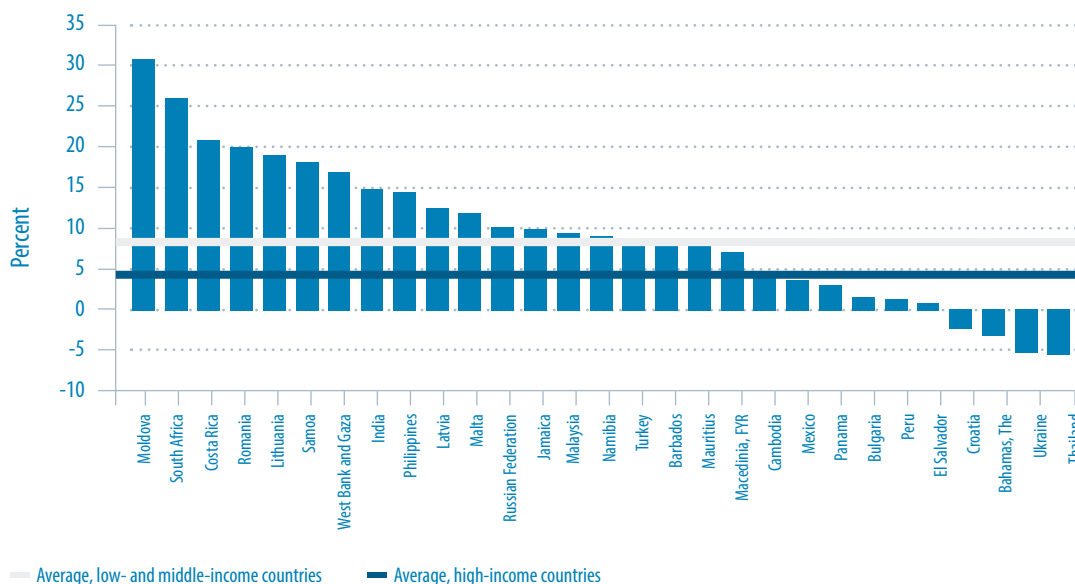
¹³ Based on World Bank (2016). "Export Transaction Costs in the Philippines", Special Focus 2, The Philippines Economic Update, October 2015.

¹⁴ In 2014, the Export Development Council (EDC) conducted a survey on the cost of exporting and found that many exporters have to pay grease money to facilitate faster transactions.

¹⁵ Based on the World Bank's Logistics Performance Index (LPI) and the Liner Shipping Connectivity Index (LSCI).

¹⁶ World Bank interviews with firms in the Pampanga Economic Zone.

Figure 2. Change in ICT Intensity of Employment, 2002-12



Note: ICT intensity of employment is based on an index between 0 (no use of technology at work) and 19 (most of technology at work), averaged by occupation and weighted by employment. Source: WDR 2016

Poor access to the internet undermines firm productivity and job creation. There is large international evidence that poor Internet access undermines firm growth, productivity and job creation.¹⁷ In the Philippines, as a result of poor Internet connectivity, growth in e-commerce has been slow: only 20 percent of retail firms sell online.¹⁸ Internet-driven expansion of digital technologies is important for employment: since 2000, the ICT intensity of employment has increased by 15 percent in the Philippines, above the average for low and middle income economies (Figure 2).

Cheap and accessible Internet will be key to promoting further growth of the city-based BPO sector. Over the last decade, thanks to the universal use of English and relatively high quality of human capital, the Philippines has become a global hub for BPO. Its share of the global BPO market more than doubled from 5 percent in 2006 to 11 percent in

2013. At the same time, employment grew from zero in early 2000s to one million employees today (Box 3). All jobs are based in urban areas, especially in Metro Manila, but also in secondary cities such as Cebu (120,000 in 2015) and Davao (more than 20,000 workers in 2013), Ilollo (40,000) and are rapidly starting to move to smaller cities and towns. BPO jobs are well paid: in 2012, an average salary in the BPO sector amounted to almost \$9,000, three times higher than the country's GDP per capita. However, 85 percent of the BPO revenues are generated by low-value added, routine jobs, mostly servicing call centers, which are susceptible to automation. To move to more high-value added, nonroutine and nonvoice jobs it will require a substantial upgrading of the telecommunications infrastructure to lower costs, improve quality and ensure reliability, alongside substantial investment in skills development programs to meet growing demands of the industry.

¹⁷ World Bank (2016). "World Development Report 2016. Digital Dividends", p. 79.
¹⁸ Ibid. Data for firms with at least 5 employees.

Box 3. BPO and Jobs in the Philippines: Opportunities and Challenges from Technological Change

The information technology (IT) and BPO industry in the Philippines has been a driver of economic growth and job creation in the last decade having grown at an average of 24 percent annually. Direct employment reached 1 million full-time employees in August 2014 from virtually zero in 1999, accounting for around 2.3 percent of the country's total employment. The industry has a robust voice sector (primarily call centers), accounting for 64 percent of the industry's revenue. Health care information management employment grew by 47 percent from 2012 to 2013. IT outsourcing revenues also grew by 52 percent from 2012 to 2013, while knowledge process outsourcing grew by 18 percent. Earnings and skill requirements vary across these sectors. Industry-specific jobs tend to be higher skilled than those that cut across industries (such as human resources business processing), as they require more technical knowledge.

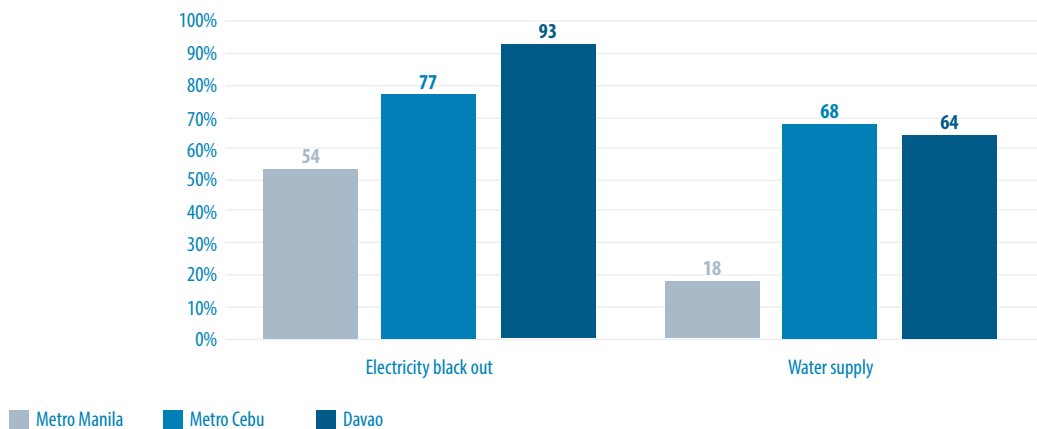
In 2012, average annual compensation per employee in the industry was around US\$8,849, with the highest average compensation in software development (US\$17,383). It was US\$8,301 for contact centers and US\$7,687 for other BPOs. High-skilled, high-paid occupations—as are most research and development-related jobs in knowledge process outsourcing (such as market research and medical transcription), IT outsourcing (such as software and application maintenance), engineering services (such as engineering design and digital mapping), and creative processes (such as art production and game testing and support)—are intensive in non-routine cognitive and interpersonal tasks. Middle-skilled occupations are intensive in routine cognitive tasks, mostly in non-voice BPO (such as back-office finance and accounting or human resources), but can also include many of the jobs in voice business processing (such as customer service and technical support).

Source: World Bank (2016). World Development Report. Digital Dividends. P. 109, and Capili, Miro. 2015. "The BPO Industry in the Philippines: An Overview." Background paper for the World Development Report 2016, World Bank, Washington, DC

Access to water and electricity is expensive and unreliable. More than half of businesses in Metro Manila from a sample report having experienced systematic power blackouts.¹⁹ The situation is even worse in Cebu and Davao: in Davao,

practically all surveyed firms experienced blackouts (Figure 3). Electricity is also expensive, undermining competitiveness.²⁰ Water supply is also a challenge for secondary cities, although less so for Metro Manila.

Figure 3. Percentage of Companies that Experienced Either Electricity Black Out or Water Supply Problems

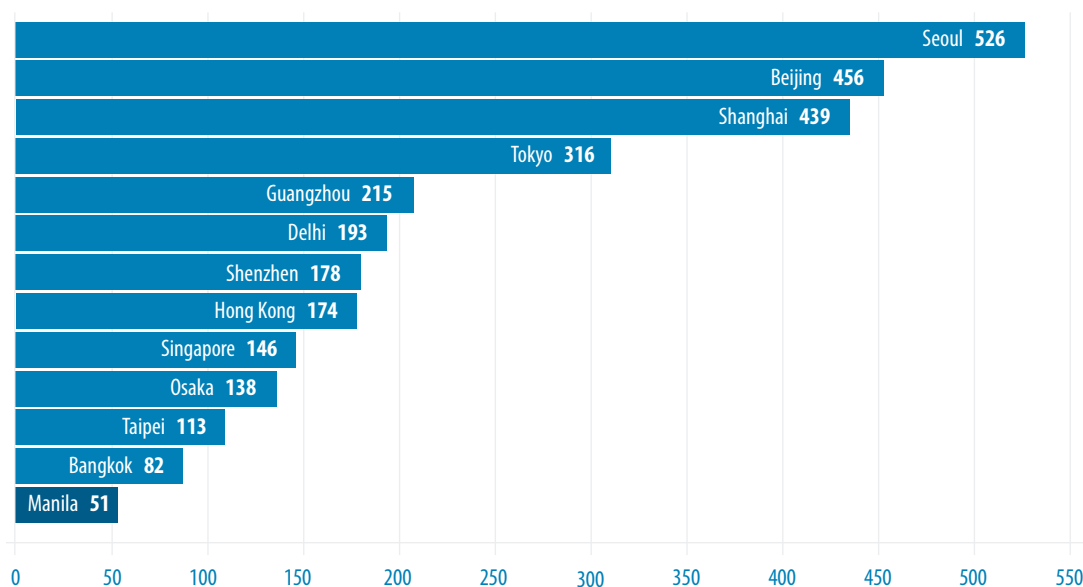


Source: The World Bank

¹⁹ The World Bank surveyed almost 100 firms in Metro Manila, Cebu and Davao. The online questionnaire is available at <http://goo.gl/forms/odPr2GsKiFdwbsVvk1>

²⁰ <http://www.philstar.com/business/2013/10/07/1242233/phl-power-rates-among-highest-asia>

Figure 4. Metro Manila Rail Transit Network Compared to Other Asian Cities



Source: Boquet Y (2013) Battling Congestion in Manila: The EDSA Problem

Major cities are crippled by traffic problems. Metro Manila's public transport is the least developed among peer cities (Figure 4). This is a result of many years of underinvestment and the overall weakness of the Department of Transportation and Communication. Policies to reduce congestion have been ineffective: the car number coding scheme in Metro Manila has little effect on traffic.²¹ Highway truck bans in Manila and Cebu have made access to port difficult for manufacturing firms, and have contributed to declining throughput volumes in Manila port.²²

Commutes in Manila are longer than in other cities in the region. According to the Numbeo Quality of Life index, the

average car commute in Manila is 58 minutes long. This is similar to Jakarta and longer than Bangkok both of which are also notorious for bad traffic, while commutes in Taipei and Kuala Lumpur are half as long.²³ However, anecdotal evidence suggests that commute times can be much longer: for instance, driving from Quezon City to Makati during the morning and afternoon rush hour often takes more than 2 hours. Cities have taken measures to lower the commute times, through for instance, producing more reliable maps and monitoring traffic congestion (Box 4), but the impact so far has been limited.

²¹ Rey Gamboa, B. (2015) "Is Metro Manila traffic headache unsolvable?," The Philippine Star.

²² Based on business interviews in Metro Manila and Metro Cebu cities

²³ <http://www.numbeo.com/traffic/>

Box 4. Good Practice in Using ICT to Improve Urban Transport: Cases of Manila and Cebu

Urban transport is a complex system where newly cheap information unlocks possibilities for greater efficiency. A good starting point is with the most basic foundation of planning: of the 25 largest low- and lower-middle-income cities, 92 percent do not have complete maps of their transit networks. Compiling these maps used to be time-consuming and expensive.

Recently, though, Manila developed and applied a mobile phone-based application to survey and map routes, using an open-source data standard. The map powers a consumer trip-planning app and is being used by city planners to reduce redundant routes and plan a new mass transit corridor.

Cebu, in turn, was able to ingest real-time taxi data to generate speed and congestion maps for the entire city. This reduced the time to analyze travel time for a bus corridor from two weeks to two seconds.

Source: World Bank's "World Development Report 2016".



The national land information system is underdeveloped and prone to fraud. Information about land ownership, location, boundaries, and land values are not systematically available and is often incorrect. As a result, fraud abounds, which has also led to land ownership conflicts. All title disputes must go to the courts, and this has resulted in delays and abuse. These issues deter investors and complicate implementation of investment projects.

LGUs do not coordinate management of land, which deters investors. The constituent cities in Metro Manila do not coordinate their land use and investor attraction policies, which result in inefficient use of land resources and failure to build business clusters across administrative boundaries. Marikina, for example, is aiming to rebuild its shoe-making cluster, based on strong traditions in the industry, access to skills locally and growing demand for high quality garments in the Philippines. However, the city does not have industrial land that could attract large investors and has failed to agree an access to industrial land in the neighboring cities, undermining the growth prospects of the cluster.

2.3 Low Demand for Innovation and Skill Mismatch

R&D, technology absorption and innovation drive productivity. There is a large economic literature, which shows that innovation and R&D are one of the main sources of productivity, economic growth, quality of life and environmental sustainability. Innovation is critical for developed countries to sustain productivity growth, while technology transfer is key for developing economies to catch up with developed countries.²⁴ Innovation can increase the quality of life in developing countries by improving access to preventive health care, financial services and information.

It can also help make growth more inclusive by reducing information asymmetries in the markets, helping indigent producers to better respond to changing market prices and introducing new, more productive technologies, especially in agriculture. Finally, given the vulnerability of many developing countries such as the Philippines to natural disasters and climate change, innovation can help mitigate risks by sharing information, promoting green competitiveness and developing new, anti-fragile agricultural production.

Box 5. What is Innovation? The Role of Governments

Innovation can be defined as a process of transforming an idea or invention into a new good or a service that creates value to customers and helps resolve existing problems. Innovation involves product (good or service), process, marketing and organizational innovation. Each of the four types of innovation can be divided into innovation new to the firm or new to the market or a society called technology absorption; or innovation new to the world, which represents innovation in the most explicit sense. New-to-the-world innovation shifts a notional technological frontier outward, while absorption moves a firm closer to the frontier. Most innovation requires spending on research and development (R&D), but can also occur without it. Innovation is thus a broader concept than R&D only.

Governments play a key role in supporting innovation. The government's main role is to reduce market failure resulting from the divergence in private and social returns on innovation: private investors tend to underinvest in innovation because they receive only a small portion of the benefits of a new product or service, while the society at large appropriates the rest of value added through imitation. As a result, spending on R&D and innovation is lower than socially optimal.²⁵ The government can also help firms mitigate other market failures such as on coordination failures, threshold effects or knowledge spillovers.²⁶ The state can also drive innovation directly by funding critical technologies such as the Internet, GPS and other general purpose technologies and taking the lead in adopting new technologies.²⁷

Source: Own definition based on <http://www.businessdictionary.com/definition/innovation.html#ixzz3JFwrvvGT> and OECD/Eurostat (2005) "Oslo Manual – Guidelines for Collecting and Interpreting Innovation Data", OECD, Paris. From: <http://www.oecd.org/sti/inno/2367580.pdf>

²⁴ World Bank (2010) "Innovation Policy: A Guide for Developing Countries" for a useful summary of the literature; World Bank/OECD (2014) Innovation and Growth: Chasing a Moving Frontier; World Bank (2008) Global Economic Prospects. Technology Diffusion in the Developing World" for a useful summary.

²⁵ For a summary of the theoretical and empirical literature, see, for instance, Hall, Bronwyn H. and Lerner, Josh. (2009). "The Financing of R&D and Innovation". NBER Working Paper No. w1532. September.

²⁶ World Bank (2008) Global Economic Prospects.

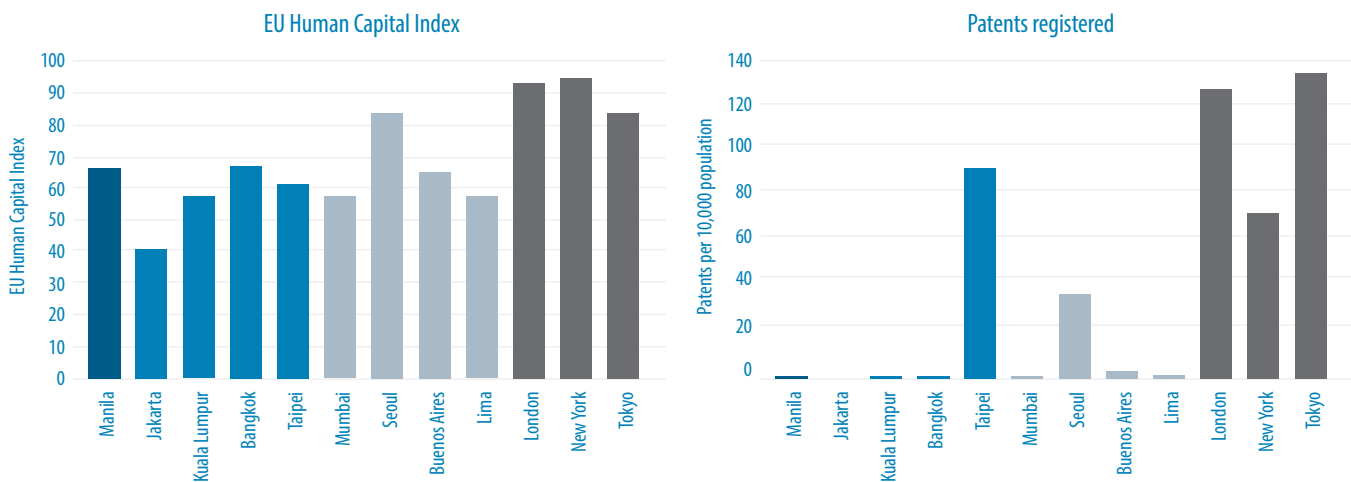
²⁷ Mazzucato, Mariana (2013) The Entrepreneurial State: Debunking Public vs. Private Sector, Anthem Press.

Cities are the hubs of innovative activity. Most of the global innovation activity takes place in cities. This is because they provide the key elements of the innovation ecosystem, including people, knowledge, infrastructure, economic assets and the enabling environment. Given the falling costs of ICT and easier access to IT skills, including for the unskilled, young and unemployed, cities in less developed countries can leverage human capital to create innovation communities that generate growth and create jobs.

Filipino cities have high potential to foster innovative activity. High level of human capital, a well-established

university system, and vibrant BPO industry indicate that larger cities in the country have the talent and the basic infrastructure required for innovation to happen. However, in practice, Filipino cities underperform in innovation. Metro Manila, Cebu and Davao have been unable to leverage the substantial human capital potential to enhance innovation (Figure 5) and are struggling to create a thriving community of young, innovative firm start-ups. This seems to be driven by the combined negative impact of poor business environment, lack of access to early-stage finance and weak access to domestic and global markets.

Figure 5. Contrast Between Strong Performance of the Metro Manila on Human Capital, and Poor Innovation Outcomes



Source: EU Human Capital Index, Science's Global Urban Competitiveness Report (GUCR) (2012)

Figure 6. R&D Expenditure, % of GDP, 2011-12, Versus TFP Growth 2002-12

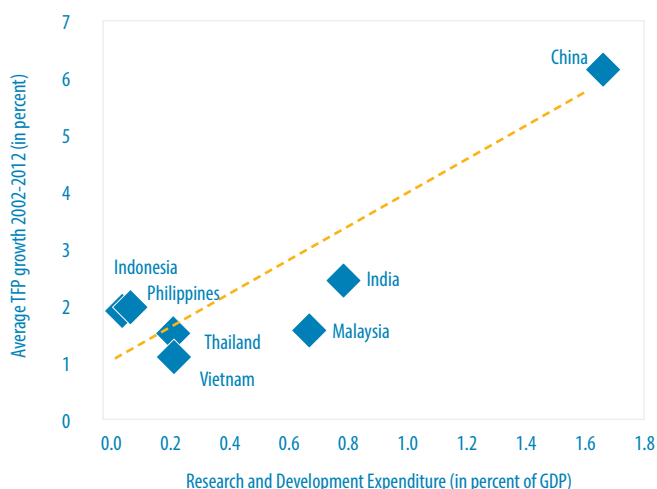
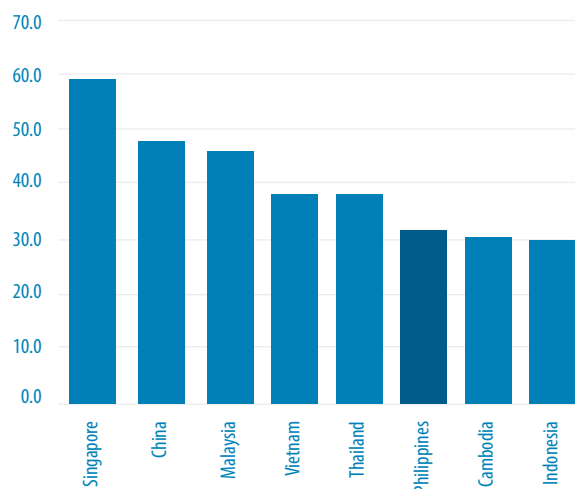


Figure 7. Global Innovation Index Score, 2015



Source: Rahul Anand, Kevin C. Cheng, Sidra Rehman, and Longmei Zhang. 2014. "Potential Growth in Emerging Asia". IMF Working Paper WP/14/2, January; The Global Innovation Index 2015 Effective Innovation Policies for Development.

Innovation is weak also at the national level, undermining prospects for sustained long-term growth. The Philippines spends only 0.1 percent of GDP on R&D, behind all regional peers with the exception of Indonesia. It is also behind others in innovation inputs and outputs, as measured by, for instance, the Global Innovation Index (Figure .7).²⁸ Finally, it lags peers in research outputs, patents and intellectual property rights. In line with international experience, over time a growing share of productivity growth will need to be driven by innovation.²⁹

The impact of increased innovation on the Filipino firms would likely be substantial. Evidence from a survey of firms

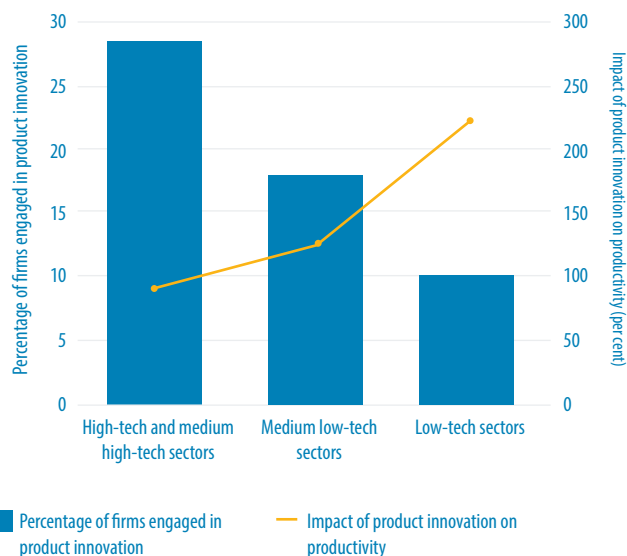
in Europe and Central Asia suggests that innovation in firms that innovate the least and that are in traditional sectors such as food processing, is likely to more than double labor productivity. (Figure 8). Given the low economic complexity of the Philippines' production structure and exports (Figure 9) and their low productivity, it is likely that innovation can have a strong impact on firm productivity, especially in the cities, which host the majority of companies. Given the country's level of development and the still significant distance to the global technological frontier, highest returns are likely to result from technology absorption, i.e. innovation new to the firm and the country ("imitative innovation") rather than innovation new to the world ("frontier innovation").³⁰

²⁸ The Global Innovation Index focuses on five pillars that encourage innovation: institutions, human capital and research, infrastructure, market sophistication, and business sophistication. Two additional pillars capture actual evidence of innovation outputs: knowledge and technology outputs and creative outputs, <https://www.globalinnovationindex.org/content/page/framework/>

²⁹ OECD (2015). The Future of Productivity; Rahul Anand, Kevin C. Cheng, Sidra Rehman, and Longmei Zhang. 2014. "Potential Growth in Emerging Asia". IMF Working Paper WP/14/2,

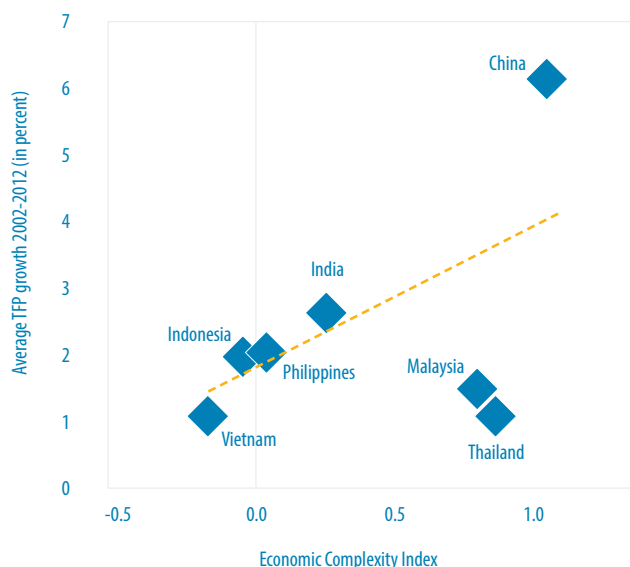
³⁰ World Bank (2008) *ibid*; IMF (2016) Fiscal Monitor. Fiscal policy for innovation.

Figure 8. Innovation Can Have the Biggest Impact on Low Innovation-Intensive Firms



Source: EBRD (2014). Transition Report. Chapter 2 "Innovation and Firm Productivity". Chart 2.3; Rahul Anand, Kevin C. Cheng, Sidra Rehman, and Longmei Zhang. 2014. "Potential Growth in Emerging Asia". IMF Working Paper WP/14/2;

Figure 9. Economic Complexity of the Filipino Production and Exports is Low

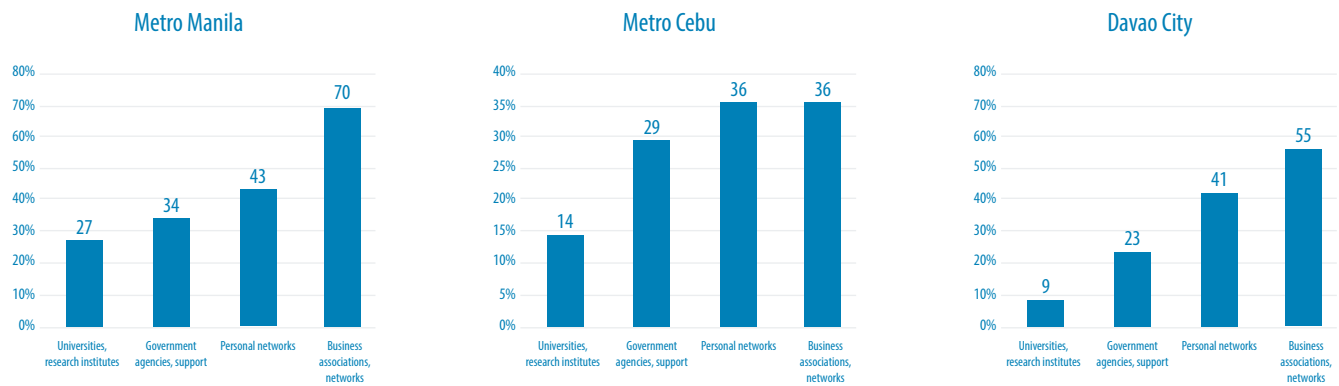


Source: EBRD (2014). Transition Report. Chapter 2 "Innovation and Firm Productivity". Chart 2.3; Rahul Anand, Kevin C. Cheng, Sidra Rehman, and Longmei Zhang. 2014. "Potential Growth in Emerging Asia". IMF Working Paper WP/14/2;



Weak collaboration between business and science is one the reasons for weak innovation at the city and national level. The university system seems to lack incentives for academics to focus on research, especially commercially oriented, and produce high quality outputs. The on-line survey of business has found that in all of the major cities businesses rely on personal networks and business associations as sources of information required for innovation, but rarely reach out to academic institutions. (Figure 10) Most universities have little to do with the private sector. The public financing for research lacks volume, clear priorities and critical mass. There are also weaknesses in protection of intellectual property rights, startup environment and strength of social capital. As a result, research outcomes are insignificant and cooperation with the private sector is negligible.

Figure 10. Key Sources of Information for Business Innovation



Source: The World Bank

Access to high-risk finance is also limited. High-risk capital helps to finance start-ups, nascent technologies and new business models. Business angels, seed funds and venture capital funds are one of the key driving factors of the success of Silicon Valley and other leading innovation ecosystems in the world. However, high-risk financing in the Philippines is largely missing. While there are no official data, anecdotal evidence suggests that there are only a few venture capital funds in the country, with a total annual investment of less than \$20 million dollars, a negligible fraction of the country's total banking sector assets and the country's nominal GDP of more than \$330 billion in 2015.



Box 6. Assessment of the Philippines’s Research Capacity and Innovation Ecosystem

In 2014, USAID-funded project assessed the quality of the university research and innovation ecosystem based on a survey of stakeholders. It found that there has been an ongoing progress in improving the research ecosystem, but also that there were substantial weaknesses that needed to be addressed for the innovation support system to function efficiently and produce results.

Specifically, assessed across six pillars of the report’s definition of an innovation ecosystem, the Philippines does relatively well on general education and human development, but is weak across the remaining five pillars, including intellectual property rights, startup environment and social capital (see Figure below).

FACTOR	SUPPLY	DEMAND	ENABLING ENVIRONMENT
Education and Human Capital Development			
Research and Knowledge Creation			
Transfer of Know-How between Universities and Industries (Extension)			
Intellectual Property: Protection, Licensing and Commercialization			
Startup and Spin-off Companies			
Collaboration: Knowledge Sharing, Trust, Social Capital			



Source: World Bank’s “World Development Report 2016”.

Public support system for innovation seems to be fragmented and lacks critical mass of skills and resources. The Philippine government supports innovation mostly through fiscal incentives (reduced tax rates, tax deductions and income tax holidays) and grant programs offered by a myriad of public institutions.³¹ Currently there are 28 institutions providing innovation support programs.³² Yet,

the system seems fragmented, without a critical mass and grossly underfunded. For instance, the largest R&D program managed by DOST had a budget of only around \$30 million in 2009, raising questions about its impact; an R&D budget of another governmental agency, DOH, amounted to only \$0.6 million.³³

31 There are many institutions involved in innovation policy: for instance, the Presidential Coordinating Council for Research and Development founded in 2007 coordinates work of DA, DBM, DOE, DENR, DFA, DOH, DND, NEDA, DTI, CHED, CICT, NAST and NRCP.

32 DTI (2015) Programs and Services for Micro, Small and Medium Enterprises. <https://drive.google.com/file/d/0B0iIL7KAK3i5MUETWDNRmNrSEk/view>

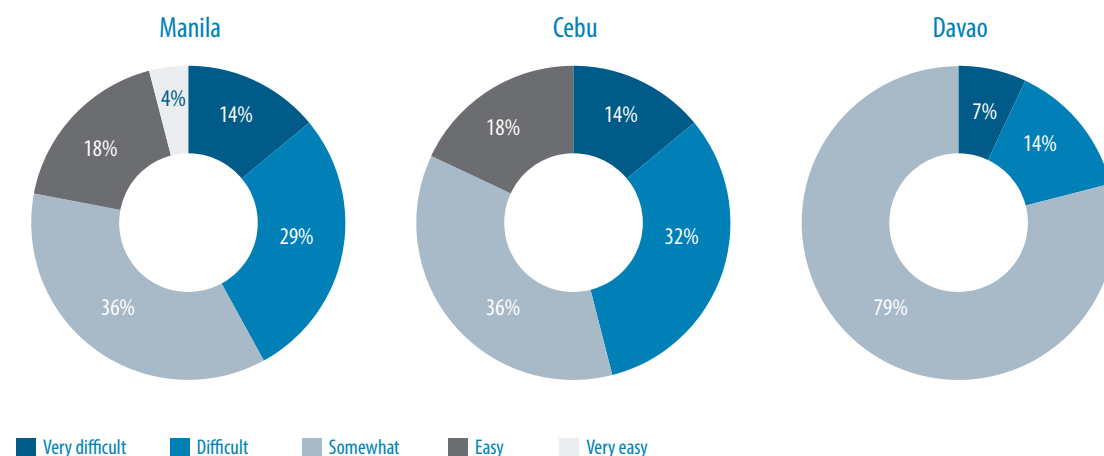
33 Estrella Alabastro, “R&D in the Philippines: Issues and Recommendations”, Powerpoint presentation.

There is also little policy prioritization and coordination. Each government agency seems to have its own R&D policy, priorities and instruments and be focused basic science rather than enterprise innovation. There is also no framework for impact evaluation, including of the effects of the substantial tax expenditures resulting from tax breaks and tax privileges. Finally, there seems to be a low level of awareness among the policy makers of the critical importance of innovation for long-term growth: the government's last innovation strategy dates back to 2007.

Despite relatively high educational attainment, there is also a mismatch of skills. The Philippines has a well-developed educational system, which produces substantial numbers of

high quality graduates. However, almost half of companies surveyed by the Bank across the three largest cities report difficulties in finding quality workforce, suggesting a mismatch between graduates' skills and the needs of the business community (Figure 11). The survey results and anecdotal evidence confirms that the skills mismatch can be observed in all major cities, even though specific issues and skills shortages vary.³⁴ This finding is corroborated by other studies³⁵. The country also produces relatively few graduates in science, technology, engineering and mathematics (STEM) and there are particular shortages in subjects critical for innovation, including IT. Finally, despite several support programs, the large Filipino diaspora is hardly leveraged for technology transfer, knowledge sharing and global networks.

Figure 11. Share of Firms Identifying Problems with Finding Quality Workforce



Source: The World Bank

³⁴ Refer to the full background paper on city competitiveness for further details.

³⁵ World Bank (2010) Philippines Skills Report: Skills for the Labor Market in the Philippines.

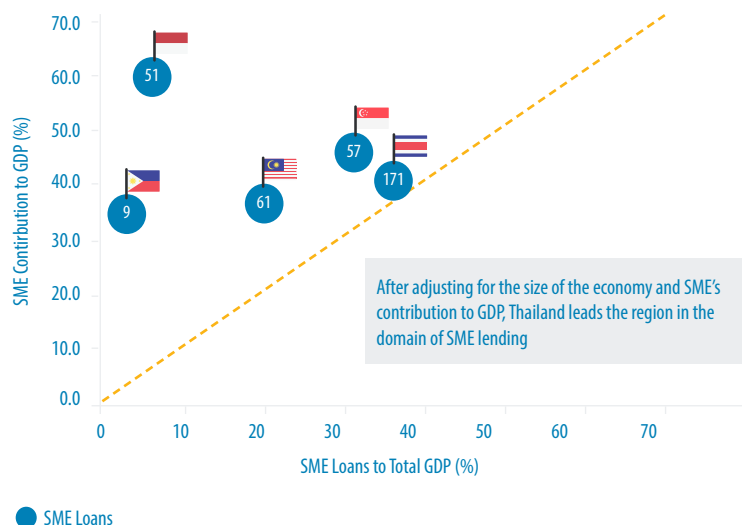
2.4 Limited Access to Finance and Business Support

Access to finance is key to economic growth and development. There is large literature that highlights the casual relationship between access to finance and growth.³⁶ Poor access to finance weighs especially heavily on MSMEs, preventing the majority of micro and small rural enterprises from growing.³⁷ Because MSMEs often lack acceptable forms of collateral and transparent accounting practices, they are considered too risky for lending. Cities often lack leverage to improve the banking and financial system, however they can run small grant programs and help businesses with accessing information about their financing options. Cities can also play an important role in providing other targeted forms of business support.

The banking sector in the Philippines is stable, profitable and well capitalized. This creates an important base for private sector growth. The Filipino banks have high capital ratios, high ROE and comfortable liquidity.³⁸

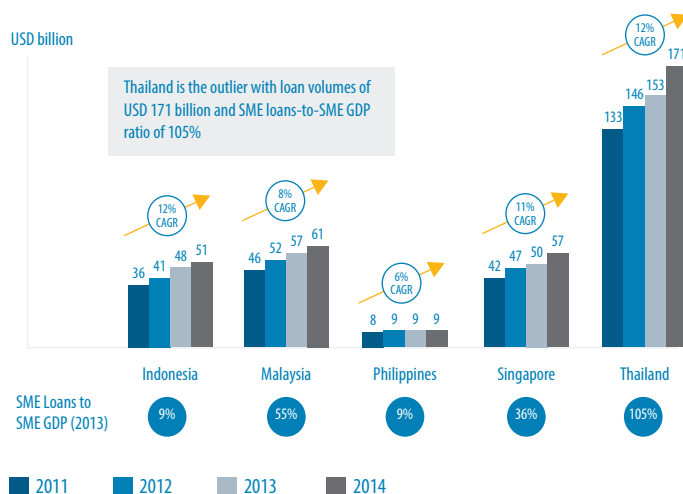
But banks hardly lend to MSMEs. Lending to MSMEs represented only 3 percent of GDP in 2013, behind all regional peers. In Thailand, the regional leader, SME financing represented 34 percent of GDP. SME lending in the Philippines also grew slower during 2011-2014 than in the region, increasing by only 6 percent a year. In Thailand, it increased at a pace twice as fast. (Figures 12 and 13)

Figure 12. SME Loans to GDP and Contribution to GDP, 2014



Source: Deloitte (2015) "Digital banking for small and medium-sized enterprises: Improving access to finance for the underserved".

Figure 13. SME Loans Growth Rate 2011-2014, CAGR in %



Source: Deloitte (2015) "Digital banking for small and medium-sized enterprises: Improving access to finance for the underserved".

36 For a useful summary of literature, see, for instance, Demirgüç-Kunt, Asli and Levine, Ross (2008). "Financial Sector Policies, and Long-Run Growth". World Bank Policy Research Working Paper Series.
37 See, for instance, Stein, Peer; Ardic, Oya Pinar; Hommes, Martin. 2013. Closing the credit gap for formal and informal micro, small, and medium enterprises. Washington, DC : International Finance Corporation.
38 Llanto, G. M. 2015. Financial Inclusion, Education, and Regulation in the Philippines. ADBI Working Paper 541. Tokyo: Asian Development Bank Institute, SME finance forum. <http://www.smefinanceforum.org/data-sites/ifc-enterprise-finance-gap>

The largest banks are wary of lending to MSMEs. Among the largest and most-established banks, loans to micro and small enterprises represented only 4 percent of their overall lending portfolio. The predominant part of the lending is channeled to low-risk large domestic and international companies. Many large banks do not meet the legal target for the MSMEs portfolio to represent at least 8 percent of the loan portfolio. The share of MSMEs lending is much higher among the cooperative banks, amounting to 23 percent of the portfolio, but the cooperative banks are much smaller and limited in their capacity to ramp up lending.³⁹ There is also a need to reform the existing guarantee instruments to refocus it on providing guarantees to micro and small enterprises.

Limitations in bank supervision framework and lack of adequate bankruptcy and debt resolution framework undermine credit growth for SMEs. Lack of legal protections for bank supervisors and an inadequate bank resolution framework result in an overly conservative stance of the regulators in setting guidelines for credit operations. The bankruptcy process is slow (it takes around 6 years to complete a bankruptcy case), bankruptcy administration costs are high (38 percent of assets), and expected creditor recoveries are at around 21.4 cents to a dollar. Despite the 2013 revision of the bankruptcy framework⁴⁰, bankruptcy procedures continue to be so inefficient that creditors hardly ever use it. These factors make SME financing risky in the Philippines.

Lack of comprehensive credit information system add to limited supply of credit. The scope, accessibility, and quality of credit information through public or private bureaus in

the Philippines is limited.⁴¹ Significant legal reforms have recently been implemented but their impact will depend on the quality of implementation.⁴² Financial sector groups within the banking industry have set up their own private credit bureaus, but they have a limited capacity to share data across different banking groups and data are generally only for negative credit performance records. The fragmented nature of the credit information industry prevents lenders from obtaining reliable and complete credit history on existing and potential borrowers.

There are also deficiencies in registration of collateral. Registration of both movable and immovable (land and property) collateral legal framework and registration system also pose a significant obstacle. Registration of moveable collateral is time-consuming and costly and financial institutions often cannot verify if a particular collateral is registered because various Registry of Deeds offices are not centralized. Land registration and titling are fragmented into different registries, making debtor searches and financing difficult, and property rights insecure (see Policy Note on Land Administration Management).

The national-level system of public support for SMEs is grossly fragmented. There are more than 60 national-level institutions mandated to support SME development, including more than 30 institutions supporting technology and production, 10 institutions supporting SME marketing, and more than 10 supporting regulations and incentives.⁴³ In addition, there is a newly established nationwide network of Go Negosyo centers, which aim to help SMEs by (i) informing about business registration, (ii) providing business advisory services on product development and investment promotion,

39 Deloitte (2015) "Digital banking for small and medium-sized enterprises: Improving access to finance for the underserved".

40 An up-to-date bankruptcy framework, Republic Act 10142 "Financial Rehabilitation and Insolvency Act," which aimed for a faster and more orderly rehabilitation or liquidation of financially distressed companies and individuals was passed in 2010 and implemented in 2013.

41 Deloitte (2015) "Digital banking for small and medium-sized enterprises: Improving access to finance for the underserved".

42 Credit Information Corporation established by Republic Act 9510, also known as the "Credit Information System Act," passed in 2008 began operations in 2015

43 <https://drive.google.com/file/d/0B0iL7KAK3i5MUeTWDNRemNrSEk/view>

market linkages and access to technology, financing, and management training, (iii) and serving as a support sharing facility and a one-stop shop for MSME services.⁴⁴

Cities also provide business support services, but their impact is not clear. Quezon City, Pasig and Davao City all have agencies and departments responsible for various types of business support provision (Table 3). Many of them seem to

respond to the real needs of the SMEs (see Box 3.7). However, the program budgets are small, the penetration of services among SMEs is low, and the awareness about the support programs is weak, as confirmed by focus group discussions with the private sector. Given the lack of monitoring and evaluation frameworks, it is not clear how effective the services are and whether city level offer complements the national support system or duplicates it.

Table 3. Business Support Services at the National Level and in Selected Cities

THEMATIC SUPPORT	NATIONAL LEVEL SUPPORT	LOCAL LEVEL SUPPORT		
	PUBLIC AND PRIVATE INSTITUTIONS ⁴⁵	QUEZON CITY	PASIG CITY	DAVAO CITY
Marketing	12	-	-	1
Regulations / Incentives	14	1	-	-
Institutional Development	12	1	1	1
Finance Program/ Credit Facility ⁴⁶	22	1	1	1
• Micro-financing				
• SME financing				
Microfinance-oriented rural/ cooperative banks ⁴⁷	472	NCR = 75		Davao and Cebu = 1

Source: The World Bank

⁴⁴ By early 2016, 152 Go Negosyo centers were established across the country and serviced more than 30,000 SMEs. Yet, it is not clear yet whether the new centers will be able to materially help MSMEs development.

⁴⁵ List of Institutions/Agencies providing business support. Link: <https://drive.google.com/file/d/0B0iL7KAK3i5MUetWdNRmNrSEK/view>

⁴⁶ Source: Financing Programs for MSMEs, <https://drive.google.com/file/d/0B0iL7KAK3i5bGlwb1V2b2dvS1U/view>

⁴⁷ Micro-finance oriented rural banks (331). Cooperative banks (143). Source: BSP Report 2015. http://www.bsp.gov.ph/downloads/Publications/2015/StatRep_2Sem2015b.pdf

Box 7. Examples of Local Business Support Programs: Quezon City

In 2012, Quezon City created a Business Development and Promotion Office and adopted a Magna Carta for Micro and Small Business Enterprises to provide a wide framework of policy and services support for small businesses in the city. QC also created the Sikap Buhay Entrepreneurship and Cooperative Office (SBECO). The SBECO conducts business trainings and consultations for city's small and medium enterprises, and assists the city in the development of an SME Roadmap to guide the SME's plans for growth and expansion.

SBECO manages an entrepreneurship and micro-finance program known as the Puhunan Pangkabuhayan ng Sikap Buhay (PPSB), which is a non-collateral interest loan facility for small entrepreneurs in partnership with several cooperatives. The program has a budget of around 5 million USD a year and over the last 11 years it has supported more than 64,000 entrepreneurs. SBECO partners with Go Negosyo centers to provide additional trainings for micro entrepreneurs. While the headline loan repayment rate of 95% seems impressive, the effectiveness of the program and its impact is not clear.

Source: World Bank interviews with the city, <http://quezoncity.gov.ph/index.php/news/61/446-puhunan-pangkabuhayan>

2.5 Inefficient Economic Planning, Unclear Mandate and Weak Governance

City level actors can play a decisive role in promoting competitiveness. Global experience shows that cities can improve private sector performance by focusing strategic planning on economic outcomes, striving to improve efficiency in policy implementation. Even if powers of city governments are limited, they can expand their ability to influence growth outcomes through building partnerships with the private sector or collaborating across administrative boundaries.⁴⁸

The Philippines has a relatively decentralized form of governance with significant powers given to LGUs. Highly urbanized cities in the Philippines are a strongly empowered

second tier of government. The cities are the most self-sufficient LGUs when it comes to revenue collection. In 2014, more than half of city budgets came from their own revenue, while other LGUs collected less than a quarter of their budgets and had to rely heavily on the Internal Revenue Allocation (IRA) transfers.⁴⁹ That said, despite substantial revenue independence, the overall city revenues are low in line with the nationwide overall tax intake.⁵⁰ As a result, many city-level economic development programs, with a possible exception of a few most developed cities in Metro Manila, are under-resourced and fail to reach a critical mass to tangibly support the private sector.

⁴⁸ "City Wedge" framework helps understand how cities can improve governance to achieve better economic outcomes. See World Bank, 2015, City Competitiveness.

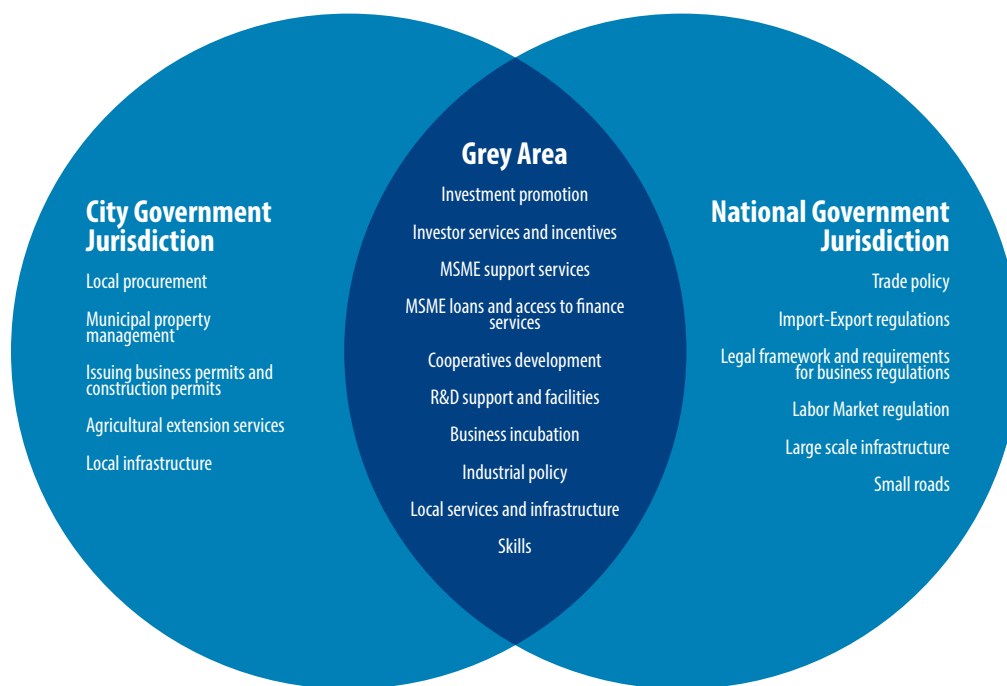
⁴⁹ Source: National Resource Government Institute (2016) Philippines Revenue Sharing, Case Study

⁵⁰ In 2014, the Philippines collected only 13.7% of GDP in tax revenue, as opposed to, for instance, [25%] of GDP in Malaysia.

A lack of clarity on the economic development functions among government levels undermines efficiency. De jure and de facto regulations do not clearly delineate the role of national and city governments in promoting private sector growth and job creation. There are a large grey zone of functions, which are often duplicated between the city and national government agencies. This issue cuts across many sectors. In the case of economic development, the duplication

in functions include investment promotion, investor services, MSME support services, skills and even industrial policy (Figure 14). For instance, in Davao, investment promotion activities of the local branch of the national Department of Trade and Industry overlap with the functioning of the Davao Investment Board and there is little coordination. There are many other examples across the country.

Figure 14. The Distribution of Economic Development Functions between Local and National Authorities



Source: World Bank based on analysis of local government code and public sector interviews

Cities delivery models for economic development are fragmented. Multiple departments deliver services and projects that contribute to economic development, but lack coordination. (see Box 8) Global best practice suggests that the best results for economic development can be achieved by, inter alia, introducing “transversal management”, when

key economic development targets are translated into objectives for various government departments, lined to budget allocation and coordinated by delivery units. Baltimore CityStat USA⁵¹ and PEMANDU Malaysia⁵² delivery unit offer examples of global best practice.

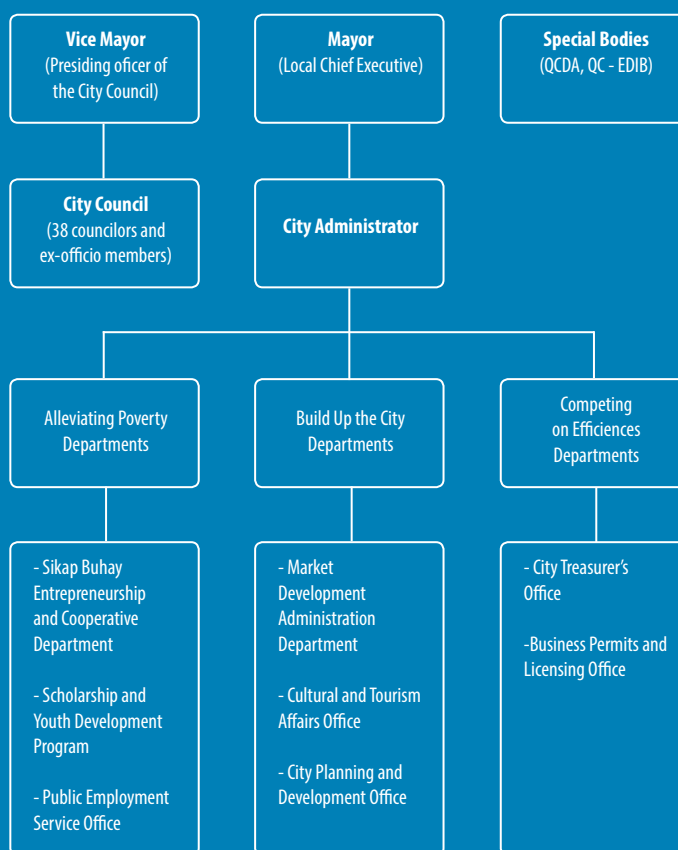
Box 8. Examples of Local Business Support Programs: Quezon City

City hall structure is complex and economic development functions are fragmented. There are 48 departments in the QC city hall, which are broken down into 3 clusters (see figure below). Economic development and business support functions are spread across various branches without obvious means of coordination. Skills development and MSME support are under alleviating poverty departments; economic development planning and tourism promotion is under building up the city branch, and business permitting and incentives implementation is within competing on effectiveness branch. Additional investment promotion and development investment functions are given to special bodies that are not integrated into the governance structure. A 29 people strong LEIPO will also be established soon and will complicate the landscape even further.

The special economic development bodies need better coordination with the rest of the city hall. Quezon City has two special economic development bodies that sit outside the regular city structure and report exclusively to the Mayor. Both of them present interesting innovations in economic government for the Philippines, but it is unclear to what extent their activities will follow key priorities for the city,

Quezon City Development Authority (QCDA), a government-owned and controlled corporation with an authorized capital stock of PhP 1 billion, primarily serves as the enterprise vehicle and investment arm of the city. It will provide the Quezon City government with a vital entity for providing additional investments that will enable the city to generate employment opportunities for its residents focused on proprietary investments.

Economic Development Investment Board (QC-EDIB) was initiated after adoption of the new city investment incentives code in 2013. Its task is to develop policies to enhance the business climate, attract investors and promote existing businesses in the city.



Source: World bank based on review of Quezon City official web site and report documents

51 <http://citistat.baltimorecity.gov/>.

52 Sabel C. Jordan L. (2015) Doing Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program <http://www2.law.columbia.edu/sabel/papers/CS-LSJ--DLB%20Malaysia%20PEMANDU--Final-190115.pdf>

Cities also lack capacity and often willingness to take charge of economic development. Until recently the cities were not required to have an economic development office. Cities still implemented certain economic development projects and offered business support services, but they tended not to have a systematic approach that tied it to core development objectives. In 2010, a new law made it mandatory for cities to establish Local Economic and Investment Promotion Offices (LEIPOs) to plan and coordinate economic and investment promotion policy.⁵³ However, the implementation of the law has been slow: some cities have yet to establish LEIPOs, while in other cities the capacity of the newly established offices is limited.⁵⁴

Finally, corruption remains a major concern at the local government level. In 2012, 68% of respondents of the local government perception survey reported that they thought that their government was corrupt. Around 15% of respondents have experienced corruption, while 66% have heard of it.⁵⁵ Focus group discussions have also confirmed that businesses perceive corruption to be widespread and inimical to their development prospects.

Inefficient Planning for Economic Development

Effective strategic planning is an important element of city competitiveness. Good strategies help cities organize their efforts around key priorities, streamline allocation of resources and galvanize public-private coalitions.⁵⁶ While the strategic planning system in the Philippines has recently

been streamlined and offers an improvement from previous approaches, economic development planning remains ineffective as the new strategic planning model does not encourage prioritization. The approach encourages development of a long list of projects covering each of thematic areas, rather than clear priorities.⁵⁷

Economic development plans do not seem to be the key priority for cities. According to the current structure of local planning documents, Comprehensive Land Use Plan (CLUP) is at the top of the local planning hierarchy, while the Comprehensive Development Plan is of a lower priority (Annex 3). The CDP itself includes a plan for five different sectors, among which only one focuses on economic development. Global best practice suggests various local plans should inform and reinforce each other, rather than exist in a predefined hierarchy.⁵⁸ On many occasions understanding of future trajectory of economic development of the city is required for making land use decisions. For example New York has made a decision to allocate land on Roosevelt Island to a university on the basis of a strategic decision to support development of high-tech economy in the city.⁵⁹

Lack of transparency of planning limits accountability of local governments. The development plans are not published on LGU websites and are difficult to obtain by stakeholders and the local public. As a result, it is difficult for the public to hold government accountable for implementation of programs listed in the plans and for achieving the objectives.

⁵³ Memorandum Circular 2010-113

⁵⁴ USAID (2013) Rapid Training Needs Assessment of LEIPOs of the Cities of Batangas, Iloilo and Cagayan de Oro

⁵⁵ Social Weather Station (2012) Survey on Good Local Governance

⁵⁶ World Bank (2015) "What makes a good city strategy?"

⁵⁷ Bureau of Local Government Development (2008) Rationalizing the Local Planning Process

⁵⁸ World Bank (2006) Local economic development: A Primer. Developing and implementing local economic development strategies and action plans.

⁵⁹ Mulas, V. (2015) New York city: transforming a city into a tech innovation leader

Public-Private Collaboration and the Role of Business Associations

Business associations are well positioned to engage in productive coalitions with the government. Each of the cities analyzed in this report has several active business association, including local chapters of the Philippines Chamber of Commerce, Chinese Philippine Chamber of Commerce and a wide range of sector specific associations, including IBPAP. These associations vary in the level of sophistications and size: most of them have at least several hundred members in each respective city and offer a wide range of services to the members, including trainings, business advice, lobbying and others. In most cases, these associations are independent, self-funded and sufficiently staffed, which puts them in a great position to represent the business community in collaboration with city officials.

There is still much scope for local governments and business communities to collaborate effectively. Business associations in Metro Manila cities seem not be strongly involved in city governance. In most cases of cities around the country, engagement of private sector is limited to consultations, while the private sector representatives maintain a rather negative view of the local government. Metro Cebu is a positive example of engagement of business association in local governance, which is illustrated well by the case of CEDF-IT (Box 9). Level of collaboration between private and public actors appears to be much higher. For instance, Mandaue Chamber of Commerce has played a role in initiating the introduction of Performance Governance System in the city hall (Box 10). In addition, business chambers are now playing a leading role in promoting and lobbying the establishment of Mega Cebu Authority for greater horizontal coordination.

Box 9. Good Practice: Cebu Education Development Foundation for Information Technology: Business Associations Can Play a Pivotal Role

One of the most striking examples is CEDF-IT (Cebu Education Development Foundation for Information Technology). When the association was established Cebu had minimal presence of the IT industry. However the association foresaw the opportunity and invested into improving quality of tertiary IT education, early IT skills development and ensuring job prospects for IT graduates. CEDF-IT played a major role in attracting key international BPO and IT companies to the city over the last 15 years leading to development of a cluster employing 800,000 people in Metro Cebu area. Today CEDF-IT is working to promote innovative entrepreneurship in the city. This example illustrates the extraordinary high potential of private sector institutions as drivers competitiveness improvements.

Box 10. Performance Governance System (PGS) Can Help Address Challenges of Accountability

PGS is a management tool for local governments designed by Institute for Solidarity in Asia (ISA). PGS uses a balanced scorecard methodology to link key development targets of a local government into target indicators for each of the employees and hold them accountable for delivering.

First adopters of the PGS (San Fernando City, Iloilo City and Marikina City) have substantially improved revenue collection and efficiency of service delivery. Iloilo reduced time required for business registration by 86%, and built a healthier economic environment that helped city quadruple its manufacturing output.

Source: Morrel, J (2010) The Performance Governance System in the Philippines: Building the Capacity of Local Institutions; Centre for International Private Enterprise.

Coordination between LGUs and its Effect on Economic Development

Fragmented metropolitan governance undermines productivity. An OECD study has shown that metropolitan areas with fragmented governance structures tend to have lower levels of productivity: For a given population size, a metropolitan area with twice the number of municipalities is associated with around 6% lower productivity.⁶⁰

Government in metropolitan areas in the Philippines is deeply fragmented, limiting the benefits of agglomeration. Metro Manila is a key example of inefficient administrative fragmentation. Across Metro Manila businesses need to abide by different registration requirements and processes in each of the constituent cities, different business support

instruments, different investment strategies and different land management strategies. As a result, costs of scaling business across Manila are high, which creates a disincentive to growth. Additionally, spatial fragmentation of the metro area limits the potential for development of industrial clusters that could become drivers of innovation and productivity growth. Without a common economic development and investment promotion strategy, cities in Metro Manila often compete against each other for attracting businesses by offering costly tax incentives and discounts on land prices.

While the five broad constraints discussed in this chapter apply to most of the cities in the country, the conditions of each city are intrinsically unique. Table 4 shows the expert’s judgment of the main constraints to private sector development in the three selected cities.

Table 4. “Traffic Light Signal” Overview of Key Constraints in Major Metropolitan Areas of the Philippines

	GOVERNANCE FOR ECONOMIC DEVELOPMENT			LOCAL INSTITUTIONS AND REGULATIONS	LOCAL INSTITUTIONS AND REGULATIONS INFRASTRUCTURE AND LAND			INNOVATION AND SKILLS		ACCESS TO FINANCE AND BUSINESS SUPPORT	
	GOVERNMENT EFFICIENCY	PUBLIC-PRIVATE COLLABORATION	CROSS-BOUNDARY COLLABORATION		TRANSPORT	ELECTRICITY AND WATER	LAND	SKILLS	INNOVATION SYSTEM	ACCESS TO FINANC	BUSINESS SUPPORT SERVICES
Metro Manila	Yellow	Red	Yellow	Yellow	Red	Green	Yellow	Yellow	Red	Green	Yellow
Metro Cebu	Yellow	Green	Yellow	Yellow	Red	Green	Yellow	Yellow	Yellow	Green	Yellow
Davao City	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Yellow

Source: The World Bank

60 OECD (2015) The Metropolitan Century. Understanding Urbanization and Its Consequences.

3. Recommendations

While a number of issues discussed in this chapter are already being addressed through multiple reforms, the persistence of the problems indicates that more needs to be done both at local and national level to improve the business environment, access to land and markets and upgrading of infrastructure, strengthening innovation systems and addressing skills mismatch, improving access to finance and business support services, and strengthening local institutions for economic development. In this report the recommendations focus on areas which are most likely to offer quick results in terms of improving city competitiveness and where cities themselves have a very important role to play as they are less dependent national reforms. These include improving the business regulatory environment, strengthening business support and innovation, and reforming institutions for economic development. But before offering detailed recommendations in each of these areas it is important to stress three key conditions for promoting city competitiveness in the Philippines.

Local economic development efforts should aim to leverage competitive advantages of cities. While discussion of sectoral compositions of city economies is outside of the scope of this report, it is critically important that local economic development efforts should be informed by understanding of the structure of the city economy, the trend of structural transition and the core competitive advantages of the city. Filipino cities reveal clear patterns of economic



specialization. Metro Manila seems to have a comparative advantage in advanced business services, including in financial, professional and ICT services. In particular, the BPO sector (“administrative and support services”) has been growing at a fast pace in the recent years and now accounts for more than a third of formal employment. Manila could maximize spillovers by moving up the value chain in the BPO industry to provide more and better jobs, especially in high value added services such as accounting, reporting and remote process management. The same applies to Metro Cebu (and specifically Cebu City) where BPO is one of the two sectors of specialization, which in 2015 accounted for 120,000 jobs. Private sector reforms would also help promote manufacturing in Metro Cebu and help new competitive sectors to emerge in Davao, which does not seem to have a clear industrial specialization.⁶¹

61 Metro Cebu refers to Cebu City, Mandaue City and Lapu-Lapu City; Cebu City refers to Cebu City LGU and Davao City refers to Davao City LGU. Metropolitan areas are used as a unit of analysis in this report. Oxford Economics data used for descriptive statistics and international benchmarking only includes Cebu City, and excludes Mandaue and Lapu-Lapu. For structural analysis of Metro Cebu, PSBI data aggregated from firm level for all three LGUs is used. While the PSBI sample of firms is not representative at the LGU level, it is still the best approximation. However the three LGUs considered combined account for 75% of jobs in the Central Visayas region, for which sampling is representative, which limits the possible margin of error.



Involvement of the private sector can ensure much more effective and fast competitiveness reforms in cities. Examples from Philippines and elsewhere around the world show that private sector can play a critical role in boosting local competitiveness. Private associations can provide training to entrepreneurs and potential employees, attract investors to the city, provide services to entrepreneurs and start-ups, lobby national government on behalf of the city. The well-organized private sector associations in Filipino cities have all that it takes to complement and even drive the reform efforts of local governments. The critical element is overcoming animosity between public and private actors, identifying shared goals for city development and coordinating efforts.

National government should strengthen incentives for local governments to promote economic growth. While there are many examples of successful reforms to improve the business environment address skills challenges or increase

transparency of local government, only a limited number of cities around the country have followed the good practices. This raises questions about the political economy of the process and the possible lack of incentives. This may be due to the short, 3-year electoral cycle, insufficient public pressure driven by a relatively weak civil society as well as large political and economic rents resulting from sustaining the status quo. National authorities should apply tools available to them to push and incentivizes local authorities. The immediate actions may include strengthen national indexes and designations. The introduction of private sector respondents would strengthen the existing Cities and Municipalities Competitiveness Index, while the profile of the national “Seal of Good Local Governance (SGLG)” would be enhanced by increasing the rewards for the best performing cities from 3 million peso to, for instance, 100 million peso. In the longer term following measures should be considered: introducing further revenue sharing from growth of national business taxes, requirements of greater transparency through publication of strategic plans and progress reports, and possibly extension of political cycle.

Improving the Business Environment

There are a number of ways through which cities can improve the business environment. Domestic and international examples suggest that cities have a key role to play in optimizing the processing of business permits, streamlining inspections, improving access to information about business regulations and enhancing communication with the private sector. The Philippine cities could learn from best practices developed by other cities in the country and abroad. (see Box 11)

Box 11. Business Registration Reform Options: International Best Practice

There is a wide range of business registration reform options that are available for countries seeking to improve their business registration systems. These include:

1. Standardizing incorporation documents. Without standardized registration documents and clear guidance on how to complete them, the registration process can be discretionary, cumbersome, and costly and result in high rejection rates. In Estonia in 2006, processing time at the registry fell from 15 days to 1 with the introduction of standardized documents. Approximately 65 countries now have standardized incorporation forms.
2. Reducing or eliminating minimum capital requirements. Minimum capital requirements generally do not achieve any of their underlying objectives. Far from being beneficial, some studies find that minimum capital requirements have counterproductive effects on entrepreneurship. Consequently, since 2005, 57 economies have reduced or eliminated this requirement.
3. Making the registration process transparent and accountable. The easier it is to access information about a regulation, the easier it will be to comply with the regulation. In more than 90 percent of high-income economies, fee schedules can be obtained from agency websites, notice boards, and brochures.
4. Integrating registration systems and introducing unique identification. In most countries, in addition to registering with the business registration authority as a business entity, an entrepreneur must also obtain tax and VAT registrations from the tax administration, social security or pension authority, or municipal authority. A number of countries have therefore moved toward integrated registration systems that allow entrepreneurs to complete one application form for all authorities and introduced a unique identification denomination (UID), which is then used for all transactions with the authorities.
5. Creating a one-stop shop. The one-stop shop (OSS) provides a single interface for business start-ups, a mechanism that has gained popularity in many economies. Today about 83 economies around the world have some kind of OSS for business registration, including 53 economies that established or improved their OSS in the past eight years.
6. Introducing ICT. Today, 110 economies use information and communication technology (ICT) for business registration services ranging from online name search to online business registration, annual returns filing, and electronic transmission. Use of ICT makes the registration system faster and more cost-effective, it also enhances data integrity, information security, transparency of the registration services.

SOURCE: World Bank (2013) "Reforming Business Registration. A Toolkit for Practitioners".

At the National Level

Further simplify business registration, licensing and business permit renewal. Reform areas include (i) standardizing requirements and procedures, (ii) reducing or abolishing the paid-in minimum capital requirement, (iii) making the

use of notaries and lawyers optional for company startups, (iv) moving toward a fixed registration fee that covers only administrative costs, and (v) removing antiquated mandatory practices of having the BIR stamp the company's invoice and account books. International good practice has also favored disassociating business tax collection from business permit renewal.

Introduce a simplified tax regime for micro enterprises. The tax exemptions offered by the Barangay Business Enterprise 2003 Act provide a foundation from which to further simplify the tax regime including such measures as replacing the value-added tax (VAT), percentage tax, and income tax with a single business tax on turnover and offering a simplified system of accounting and reporting. Introducing online tax filing and payments would also help to streamline the process.⁶²

At the City Level

Improve the efficiency of BPOs and strengthen e-government. City-level business and property registration procedures can be streamlined by adopting one-stop shops for business registration and renewal, (following the examples of, for instance, Quezon City and Cagayan de Oro) and gradually introducing a comprehensive online system. In addition, training staff, expanding performance-based incentives, and introducing on-line applications and payments can all improve the capacity of BPOs as can posting updated information about registration requirements, cost and processing time online. Many of these measures can be achieved by fully implementing the Philippine Business Registry (PBR) and linking all cities to it. The local governments should aim to implement the recommendations developed by the BPLS project of DILG and DTI. One way for DILG to improve incentives it is by linking compliance with BPLS monitoring indicators with access to the Performance Challenge Fund for LGUs.

Coordinate regulatory requirements and processes across metropolitan areas. In the long run the Department of Interior and Local government (DILG) should aim to develop the BPLS into a single nationwide approach to business registration and licensing. It should lobby for changes in national legislation whenever necessary would allow for a more coordinated and consistent regulatory environment. In the medium run coordination of regulatory environments within metropolitan areas should be made a priority. Metropolitan development authorities (after they are established and empowered) should harmonize requirements for business registration, construction permitting and property registration in metro areas (primarily Metro Manila and Metro Cebu) so that business permits issued by one of the LGUs within a metro area allows for operation across the metro area. For example, opening a second shop in a different LGU within a metro area should be a matter of a one-step process. There is also an opportunity to harmonize local business tax rates across metro areas and for DILG to work with BIR to create a system for LGU business tax revenue sharing within the metro area that would allow for such simplified regime.

Strengthening Innovation Systems and Business Support

Cities have a big role to play in enhancing innovation and harmonizing business support. International evidence suggests that in some instances locally provided services are more accessible for businesses and can help address specific needs of firms, however national programs can be more efficient at providing basic services due to scale

⁶² For good practices on paying taxes, see <http://www.doingbusiness.org/data/exploretopics/paying-taxes/good-practices>

effects. Cities can also play an important role of helping businesses navigate and access services that are provided by national agencies. The challenge is in striking the right balance between national and local provision to maximize accessibility and effectiveness.⁶³ The cities can help develop the community of entrepreneurs, strengthen access to high-risk finance and improve collaboration between universities in city-level business. They can also use procurement to support innovative startups and SMEs.⁶⁴

At the National Level

Consolidate the business support system and introduce a monitoring and evaluation framework to track its effectiveness. The government should consider establishing a flagship entrepreneurship agency, which would consolidate most or all of the national level support programs managed by multiple agencies. It should continue to expand the network of Go Negosyo centers as one stop shops for business support, but upgrade the scope and quality of services available to enterprises. Finally, DTI should develop a robust M&E framework to improve government's ability to evaluate effectiveness of support.

Expand incentives for collaboration between universities and business. Measures include the recently announced Commission on Higher Education (CHED)'s secondment program between science and the business community, strengthening the role of cooperation with business in the funding algorithms for public universities, and increasing funding for applied, commercial research.

At the City Level

Leverage national support programs and introduce additional programs to address specific local needs. Cities can leverage the Negosyo center as a single point of access to national and local support programs. By focusing on informing local firms about national government's support programs, providing small grants to prepare and submit applications for funding to these programs ("grants for grants"), and adding extra funding to national grants obtained by local firms, cities can avoid the cost of duplicating national-level programs. Additional programs should only be developed to address specific local needs, for which national programs are not available.

Expand technology infrastructure, networking, and access to high-risk finance. By creating networking spaces, accelerators, incubators and shared services facilities to leverage the large pool of qualified labor, cities can spur innovative startups and expand technology absorption. Upgrading skills and attracting talents through skill bootcamps, "rapid trainings", mentorship programs, collaboration with universities and attraction of diaspora, as well as strengthening access to high-risk finance by supporting business angels and co-financing seed and VC funds can all serve to promote entrepreneurship. Additional support and conditional co-funding to cities for such initiatives might be available from such agencies as DTI. (See Box 12 for an example of comprehensive innovation support at city level)

⁶³ Centre for Cities (2013) Support for Growing Businesses, London

⁶⁴ Mulas et al. (2015) argue that "coding and hardware skills that previously took years to learn can now be taught in weeks"; Mulas, Victor; Minges, Michael; Applebaum, Hallie Rocklin. 2015. Boosting tech innovation ecosystems in cities: a framework for growth and sustainability of urban tech innovation ecosystems. Washington, D.C.: World Bank Group.

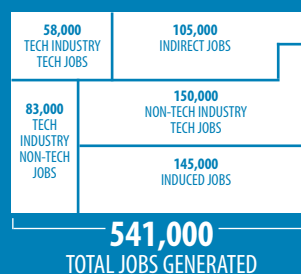
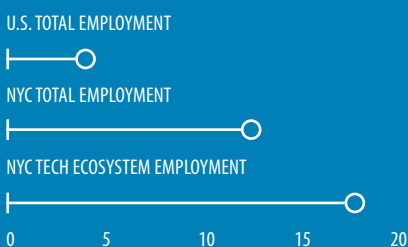
Box 12. Developing Ecosystem for Startups: The Case of New York

New York is an example of a global city and a financial center that has developed a thriving digital technology entrepreneurship ecosystem, now the second-largest tech startup ecosystem in the United States (after Silicon Valley) with US\$ 4.5 billion venture capital investment in startups in 2014. The ecosystem created over 2,200 tech companies, US\$ 18.1 billion in successful startup exits, and 50,000 jobs (around one percent of the city’s workforce) in the startups and ten times more in the supporting industries (Figure X).

The City of New York government has been heavily involved in the development of the ecosystem that has underpinned this growth. It has deliberately taken an ecosystem approach to address four main areas of weakness: (i) lack of technology-specialized talent, (ii) insufficient sources of seed capital for startups, (iii) lack of physical space for entrepreneurs, and (iv) a limited and uncoordinated community of tech-led innovators and entrepreneurs. In addressing all of these areas its philosophy has been to act as an enabler and to build the market (Table 7).

EMPLOYMENT GENERATED IN NEW YORK CITY BY THE TECH STARTUP ECOSYSTEM (2003-13)

PERCENT GROWTH IN EMPLOYMENT
2003 - 2013



Comparison of Baseline and Streamlined BPLS for Applications for New Business Permits in Partner Cities, 2012-2014

KEY GAPS		TARGETED POLICIES	
Lack of tech talent	City universities did not produce engineers and technical graduates	STEM Education and Tech Campus	Introduce STEM academies, and Cornell-Technion Innovation Institute
Lack of seed capital	Seed capital funds did not invest in NYC companies	NYC Seed Fund	Seed Capital fund to invest in NYC based tech startups
Lack of affordable space	Office space too expensive for startups	Network of Incubators	Network of co-working spaces with accelerators and network of mentors
Small and disorganized tech community	Tech community was small and atomized	Competitions and Promotions	Open Data and Big App Competitions, promotion Campaigns for building role models, support of Mayor to community

Source: Mulas, Victor; Minges, Michael; Applebaum, Hallie Rocklin. 2015. Boosting tech innovation ecosystems in cities: a framework for growth and sustainability of urban tech innovation ecosystems. Washington, D.C. : World Bank Group.

Use procurement to support innovative startups and SMEs. Cities can use annual procurement budgets to support the growth of city-level innovation and entrepreneurship by expanding the importance of technology in procurement specifications and expanding the use of firm size limits in procurement tenders. They could also experiment with pre-commercial procurement to fund new ideas and technologies and organize competitions for the most technology intensive and efficient solutions to city-level problems.

Strengthening Local Institutions for Economic Development

At the National Level

Promote metropolitan governance. “UK city deals” is a model which encourages city councils to work together more effectively provides an example of combining prescriptive measures with incentives for collaboration that the national government (DILG) could apply to promote collaboration between neighboring LGUs. Additionally, by supporting bottom up collaboration initiatives, like the Mega Cebu Metropolitan Development Agency, the national government can help promote better metropolitan governance.

Modify the structure of the local planning system and guidelines for LGUs to give priority to economic development targets. The CLUP and CDP should have equal weight in LGUs planning. Local economic development targets should become top priority in the CDP along with social development and poverty reduction targets. Guidelines for development of effective plans should focus on introducing best proactive practices: detailed analytics, prioritization, SMART goals and clear M&E frameworks.

At the City Level

Strengthen the LEIPOs. LEIPOs should be given more power and capacity to identify economic development priorities and programs and coordinate activities of various departments.

Facilitate systematic dialogue with the private sector. Cities can leverage the global best practice in conducting public-private dialogue to engage in a systematic policy-oriented, transparent and inclusive dialogue with business associations.⁶⁵ Box 13 below shows best practice examples of structuring local governance to promote cross departmental thinking and engage private sector for improving private sector growth.

⁶⁵ World Bank (2015) Public Private Dialog for City Competitiveness. Washington DC: The World Bank.

Box 13. Organizing for Economic Development

Cities around the world have used various institutional structures to develop economic development strategies, pursue a competitiveness agenda, engage private sector in policy delivery and facilitate successful implementation.

Economic Development Agencies

Economic development agencies (DAs) can be defined as, “legal, non-profit structures, generally owned by the public and private entities of the territory”.⁶⁶ DAs are usually given a range of clearly defined functions that may include branding and international promotion; investment attraction and retention; business start-ups and growth; human capital development; real estate, urban and infrastructural development; social or green development initiatives and others. DAs are accountable to a group of actors that is broader than the city government. DAs help establish economic development at the key objective for the city and attract private sector talent and knowhow to carrying out economic development functions. Economic development agencies have proven themselves efficient at delivering transformative change. Barcelona Activa (the economic development agency of Barcelona Municipality) helps set up over 700 companies employing over 1500 a year. New York Economic Development Corporation activities have facilitated \$22.9 million of private investment in 2008 alone.⁶⁷

Delivery Units

Delivery Units (DUs) are implementation structures established at the center of government in order to drive improvements in performance. DUs have a mandate to use the authority of the chief executive—the center of government—to lead “the political and technical coordination of government actions, strategic planning, monitoring of performance and implementation, and communication of the government’s decisions and achievements.”⁶⁸ Such units usually do not have a narrowly defined focus, rather they are given authority to deliver on a set of priority targets or indicators. DUs help design clear responsibility and accountability structures, and link different public sector interventions to the key development priorities through transparent monitoring and evaluation and improved coordination. DUs have a potential to drive innovation and efficiency improvements in policy implementation. Baltimore’s CitiStat has changed the performance paradigm in the city governance by introducing clearer performance objective, a robust monitoring system and a performance based budgeting system.

Public-Private Boards for Economic Development

Public-private boards serve as a platform for information sharing and consultation, but depending on the context they can have a strong influence in defining development priorities and implementation.⁶⁹ Additionally public-private boards can help surpass the geographic or functional limitations of typical local government agencies. Experience of Local Enterprise Partnerships in the UK reveals that while this units can be very efficient at leading and coordinating local economic development efforts, in other cases they can fail lack of clearly defined purpose, shortage of resources and leadership.⁷⁰

Source: Gashi, D., Atkinson, J (2015) Guide to implementation of city competitiveness interventions. Background paper to World Bank (2015) Competitive Cities for Jobs and Growth: What? Who? & How?

⁶⁶ Clark et. al., Organizing Local Economic Development, 2010:28.

⁶⁷ Ibid.

⁶⁸ Shostak et. al., When Might the Introduction of a Delivery Unit Be the Right Intervention, 2014: 3; Watkins, Center of Government Reforms, 2014: 1.

⁶⁹ OECD, Governing the City: Policy Highlights, 2015: 4.

⁷⁰ Bolton T. (2011) Sink of Swim? What next for local enterprise partnerships?, Centre for Cities, London

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