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2014 Cities and Municipalities Competitiveness Index: Manual of Operations

Investment Enabling Environment (INVEST) Project

Submitted to

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Office of Economic Development and Governance
U.S. Agency for International Development/Philippines
under Contract No. AID-492-C-11-00005
(Output No. 1.1., Deliverable 1., Component 3)

September 8, 2104

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LIST OF ACRONYMS

CALABARZON	Cavite, Laguna, Batangas, Rizal and Quezon
CMCI	Cities and Municipalities Competitiveness Index
DILG	Department of the Interior and Local Government
DTI	Department of Trade and Industry
GCI	Global Competitiveness Index
INVEST	Investment Enabling Environment Project
JMC	Joint Memorandum Circular
LGPMs	Local Governance Performance Management System
LGU	Local Government Unit
MIMAROPA	Mindoro, Marinduque, Romblon and Palawan
MOA	Memorandum of Agreement
NCC	National Competitiveness Council
NCR	National Capital Region
NEDA	National Economic and Development Authority
OIDCI	Orient Integrated Development Consultants, Inc.
PCCR	Philippine Cities Competitiveness Ranking
PSA	Philippine Statistical Authority
RCC	Regional Competitiveness Committee
SGLG	Seal of Good Local Governance
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos City
USAID	United States Agency for International Development

I. BACKGROUND

For the first time, the National Competitiveness Council (NCC), with assistance from USAID through the Investment Enabling Environment Project (INVEST), adopted a national framework for competitiveness in March 2013 as a guide for enhancing the competitiveness of the Philippines. This framework identified a set of indicators that can be applied in cities and municipalities to measure their level of competitiveness. Through the exercise, local government units (LGUs) can be made aware of the factors that can influence their competitiveness and their economic development. Data for the indicators were collected by the newly created Regional Competitiveness Committees (RCCs), which tapped academic institutions in their respective regions to gather the needed information which the NCC, with assistance from INVEST, consolidated into a Cities and Municipalities Competitiveness Index (CMCI). Based on this index, the NCC did a ranking of 123 cities and 167 first class municipalities, the results of which were presented in the 1st Competitiveness Summit held in July 2013.

The reception to the project was very positive, prompting the NCC to consider doing a second round of ranking in 2014. Hence, INVEST commissioned Dr. Alvin Ang to prepare a manual of operations that can be used by the NCC in collecting data for the 2014 CMCI. For the Project, documenting the processes for computing the CMCI through the manual is critical in sustaining the activity. Complementing the preparation of the manual is extension of technical assistance to the NCC secretariat to enable the staff to compute the index by themselves.

The CMCI Manual of Operations is included as a deliverable under Component 3 of the project (Output No. 1.1. Deliverable 1). Instead of just one manual, INVEST decided to prepare three versions, one for each of the key groups responsible for data collection: (1) the LGUs which are responsible for providing data for most of the indicators in the index (Annex 1); (2) the RCCs which collect and validate the data submitted by the LGUs (Annex 2); (3) the NCC which processes the data from the RCCs and computes the values for the indices (Annex 3). Each of the manuals contains details that describe all the indicators and sub-indicators of competitiveness, their units of measure, sources of data and the computations or formulas for processing the data to. The RCC manual has been distributed to the different RCCs during the 2nd Competitiveness Summit held on August 7, 2014, where the results of the CMCI ranking were announced. The NCC manual will be turned over before the INVEST project ends while the manual for the LGUs will be given to the DILG, the League of Cities and Municipalities and the NCC for dissemination at the appropriate time.

Aside from the manuals, which are being submitted as part of this report, information on the significance of the 2014 CMCI is provided in Section 2, which is followed by recommendations for the 2015 CMCI round.

II. SIGNIFICANCE OF THE 2014 CMCI RANKING

Increased Coverage

The 2014 CMCI exercise was a relatively more competitive round, covering 535 LGUs as against only 285 LGUs included in the 2013 CMCI computations. A total of 136 cities (out of 144) and 399 municipalities (out of 1,490) were ranked by the NCC. Table 1 lists the participating LGUs by region

Table 1. Number of Cities and Municipalities in the 2014 CMCI

REGION	Cities	Municipalities	Total
Cordillera Administrative Region	2	12	14
National Capital Region	13	1	14
I - Ilocos Region	8	32	40
II - Cagayan Valley	4	23	27
III - Central Luzon	14	54	68
IVA- CALABARZON	17	44	61
IVB- MIMAROPA	2	36	38
V - Bicol Region 7	7	42	49
VI - Western Visayas	15	27	42
VII - Central Visayas	16	18	34
VIII- Eastern Visayas	7	7	14
IX - Zamboanga Peninzula	5	10	15
X - Northern Mindanao	9	17	26
XI - Davao Region	6	19	25
XII - SOCCSKSARGEN	5	40	45
XIII- Caraga Region	6	17	23
TOTAL	136	399	535

Source: NCC

Improved Completion Rates

The competitiveness framework that has been adopted by the NCC consists of three pillars: economic dynamism, government efficiency and infrastructure. In the 2013 round of CMCI computations, there were 27 indicators, 72 sub-indicators and 109 data inputs. These numbers increased in the 2014 CMCI as shown in Table 2 below.

Despite the increase in the number of input indicators, the total completion rate, which refers to the total number of data points filled up by the participating LGUs over the total number of data points, improved in 2014 as shown in Table 3.

Table 2. List of Competitiveness Indicators in the 2013 and 2014 CMCI

Pillars	Indicators		Sub-Indicators		Total No. of Inputs	
	2013	2014	2013	2014	2013	2014
Economic Dynamism	9	8	21	33	46	107
Government Efficiency	8	10	33	43	45	104
Infrastructure	10	10	18	61	18	137
TOTAL	27	28	72	137	109	348

Source: NCC

Since non-submission of data can lead to non-ranking and therefore a low score, there was a conscious effort among the RCCs to ensure that the indicators that will be considered are available and that full cooperation of participating LGUs is secured. The completion rate for cities rose to 79 percent in 2014 from 56 percent in 2013 while that for municipalities improved to 68 percent from 50 percent for the same period. Among the three pillars, government efficiency posted the highest percentage of data points filled up by the covered LGUs in 2014 at 85 percent for cities and 74 percent for municipalities. In contrast, the pillar on infrastructure had the highest completion rate in 2013.

**Table 3. Completion Rate in the 2014 CMCI
(In percent)**

Pillars	2013		2014	
	Cities	Municipalities	Cities	Municipalities
Economic Dynamism	52	47	83	69
Government Efficiency	46	40	85	74
Infrastructure	71	63	72	64
Total Completion Rate	56	50	79	68

Source: NCC

Enhanced Capacity of the NCC

A major significance of the 2014 CMCI exercise is the fact that the processing for the 2014 CMCI was conducted by the NCC secretariat based at the Department of Trade and Industry (DTI). In 2013, the computation of the competitive index was done by the INVEST consultant. The DTI assigned 8 personnel to collate, check and validate the results and compute the index, with guidance coming from the INVEST consultant, who provided the structure and the guidelines on how to compute the data and crosschecked the preliminary results. INVEST ensured the sustainability of the project thru the on-the-job training provided by its consultant. Furthermore, the Project also documented the process thru the manual for the NCC that was developed.

Inclusion the CMCI Results in 2014 Seal of Local Governance

When the NCC first embarked on the competitiveness ranking of cities and municipalities in 2012, there was apprehension that few LGUs will be willing to participate in the project. For the exercise to be significant, it was important to engage as many cities and municipalities in the process.

One way of enticing the LGUs to be interested in the process is to incentivize their participation. Hence, the Department of the Interior and Local Government (DILG) has included in their recently launched Seal of Good Local Governance (SGLG) the ranking in the CMCI (should be ranked among the top 50 cities) as one among two criteria under the assessment criterion “business friendliness and competitiveness”, which will be applied to highly urbanized, independent and component cities and all municipalities. The SGLG is a scaled-up Seal of Good Local Governance that requires LGU candidates for the seal to pass three “core” assessment areas (i.e. Good Financial Housekeeping, Disaster Preparedness and Social Protection) and at least one “essential” assessment area (i.e. Business Friendliness and Competitiveness, Peace and Order or Environment Management.¹ Recipients of the SGLG will be eligible to access the Performance Challenge Fund, a support fund to finance local development initiatives as well as other program windows and capacity development assistance from the DILG.

The inclusion of the CMCI ranking of cities and municipalities in the SGLG will hopefully lead to greater interest by the LGUs to participate in the next rounds of CMCI in the future.

Summary of Results

Table 2 shows the top ten competitive cities and municipalities in 2014.

Table 4. Top Ten Most Competitive Cities and Municipalities in 2014

Rank	Cities	Municipalities
1	Makati, NCR	Daet, Camarines Norte
2	Cagayan de Oro, Misamis Oriental	General Trias, Cavite
3	Naga City, Camarines Sur	Kalibo, Aklan
4	Davao City, Davao del Sur	Carmona, Cavite
5	Marikina City, NCR	Nabunturan, Compostela Valley
6	Iloilo City, Iloilo	Lubao, Pampanga
7	Cebu City, Cebu	Isulan, Sultan Kudarat
8	Manila, NCR	Polomolok, South Cotabato
9	Valenzuela, NCR	Manolo Fortich, Bukidnon
10	Paranaque, NCR	Taytay, Rizal

Source: NCC

The NCC also recognized the LGUs that topped in the three core pillars of competitiveness as shown in Tables 3 and 4 below.

¹ DILG has coined the term “3 plus 1” principle to describe the assessment procedures for the SGLG.

Table 5. Top Ranking Cities in the Three Core Pillars of Competitiveness

Rank	Economic Dynamism	Government Efficiency	Infrastructure
1	Paranaque, NCR	Naga, Camarines Sur	Davao City, Davao
2	Makati, NCR	Iloilo City, Iloilo	Cagayan de Oro, Misamis Oriental
3	Manila, NCR	Angeles City, Pampanga	Marikina, NCR
4	Naga, Camarines Sur	Makati, NCR	Makati, NCR
5	General Santos City, General Santos	Cagayan de Oro, Misamis Oriental	Cebu City, Cebu
6	Mandaluyong, NCR	Tagbilaran, Bohol	Quezon City, NCR
7	Valenzuela, NCR	San Fernando, Pampanga	Iloilo City, Iloilo
8	Caloocan, NCR	La Carlota, Negros Occ	Angeles City, Pampanga
9	Cagayan de Oro, Misamis Oriental	Baguio City, Benguet	Pasay, NCR
10	Cebu City, Cebu	Laoag City, Ilocos Norte	Manila, NCR

Source: NCC

Table 6. Top Ranking Municipalities in the Three Core Pillars of Competitiveness

Rank	Economic Dynamism	Government Efficiency	Infrastructure
1	Tanza, Cavite	Kalibo, Aklan	Daet, Camarines Norte
2	General Trias, Cavite	Tupi, S. Cotabato	Rodriguez, Rizal
3	San Pedro, Laguna	San Mateo, Isabela	Paniqui, Tarlac
4	Carmona, Cavite	Molave, Zamboanga del Sur	Argao, Cebu
5	Taytay, Rizal	Nabunturan, Compostela Valley	Nabunturan, Compostela Valley
6	Polomolok, S. Cotabato	Midsayap, N. Cotabato	Taytay, Rizal
7	Sta. Maria, Bulacan	San Luis, Aurora	General Trias, Cavite
8	Cuyapo, Nueva Ecija	Odiangan, Romblon	Donsol, Sorsogon
9	Pinamalayan, Oriental Mindoro	Carmona, Cavite	Manolo Fortich, Bukidnon
10	Puerto Galera, Or. Mindoro	Sablayan, Occidental Mindoro	Silang, Cavite

Source: NCC

III. SUSTAINABILITY OF THE COMPETITIVENESS RANKING PROJECT

Due to the success of the two rounds of CMCI computations, the NCC plans to do a third round in 2015. Similar to competitiveness surveys conducted globally, the NCC may wish to consider institutionalizing the project and further refining the methodology. Specific recommendations are presented below.

Involvement of the National Economic and Development Authority and the Philippine Statistical Authority

The Director-General of the National Economic and Development Authority (NEDA), in his keynote speech during the 2nd Competitiveness Summit, committed to join forces with DTI, through the NCC, and the Philippine Statistical Authority (PSA) “to create methodologies and formulate policies to institutionalize regular data gathering and reporting of local competitiveness.” He clearly articulated the importance of generating locally-generated indicators and indices that can be used to monitor the status of the governance reform agenda of the government. As Chair of the PSA, he committed to “developing governance indicators and ***annually generate the same*** for use in the next development planning cycle.”

These pronouncements of the NEDA Director-General reinforced earlier commitment of NEDA to assist the NCC in institutionalizing the CMCI Project. A Memorandum of Agreement (MOA) that will formulate a framework for the institutionalization of the CMCI has, in fact, been drafted by the NCC (refer to Annex 4). The MOA identified the following responsibilities for the PSA in the 2015 CMCI round:

- a. Provide guidance to ensure the reliability and sustainability of the CMCI’s data collection process from available secondary data sourced from censuses, surveys and administrative based data systems of government agencies;
- b. Assist in data analysis and validation of results in coordination with the RCCs;
- c. Provide guidance in the design of the framework to institutionalize local competitiveness data/indicators and link/synchronize these with other data collection efforts at the national and sub-national levels; and
- d. Serve as resource persons in capacity-building training programs for NCC partners on data gathering, processing and validation.

In addition, to the above, the NCC may wish to institutionalize the participation of the PSA in the RCCs for the former to be able to undertake the above functions, specially function (b) above. Related to this, the NCC may also consider organizing a CMCI Inter-agency Committee at the national level, composed of DTI, DILG, NEDA, PSA, members of the academe and the private sector in order to implement functions (a), (c) and (d) above. This committee will exercise oversight responsibility over the CMCI.

In addition to addressing the institutional aspects of the Project, the NCC should also consider two important areas - refining the methodology for the CMCI and improving the capacity at the LGUs and RCCs to undertake statistical data collection and analysis. Part of the objective of the INVEST project in assisting the NCC to develop a competitiveness framework is not only to have a comparative assessment of competitiveness across LGUs for use of NGAs but also to increase the capacity of LGUs to analyze the information/data that can be used in making the local economic environment more business-friendly. The PSA, which has regional and local

presence, has the capacity to conduct trainings that will improve the quality of data collection and analysis by LGUs. This is critical in ensuring the quality of the data that is inputted in the CMCI. The PSA, with its newly approved, organizational set-up, should also devote more resources at strengthening the Regional Statistical Coordination Committees under the Regional Development Councils to undertake more capacity building activities so that local data can better feed into national level economic analysis.

Within DTI-NCC, there are already capacities developed in implementing the index. The NCC staff has been trained to use the formulas and can be trusted to implement the next round on their own. Nonetheless, they should be guided properly on the indicators and their weights if they need to be changed. This is an area that the PSA can assist.

In the long term, the PSA should consider institutionalizing the CMCI and including it in the System of Designated Statistics following Executive Order 392, which would ensure regular collection of data, as committed by the NEDA Director General.

Strengthened Coordination with the DILG

Since many of the data for the CMCI is generated by the LGUs, the DILG should also be engaged in this process. Based on the first two rounds, the completion rate for filling up the data can still be improved by encouraging the LGUs to generate the statistics needed for the indicator system. Furthermore, the CMCI uses data from DILG's Local Government Performance Management System (LGPMS) and spark.biz, a portal developed by DILG thru the Local Government Academy that can be used by the NCC to gather data for the CMCI. Coordination between the DILG and NCC will also facilitate the implementation of the SGLG since the CMCI rankings have been identified as an assessment criterion in the Seal. The NCC has drafted a MOA with the DILG to deepen its engagement with the agency in implementing the CMCI (refer to Annex 5).

The mechanisms have been set in place to institutionalize the annual conduct of the CMCI. The manuals produced by INVEST that documented the operationalization of the data collection for the CMCI will come in handy in upcoming next round of competitiveness ranking in 2015. It is up to the NCC, in coordination with the other government agencies like NEDA, the PSA and the DILG, to bring the Project to a higher level, in time for the ASEAN Integration in 2015.

ANNEX 1. 2014 CMCI Manual of Operations for the Local Government Units



Cities and Municipalities Competitiveness Index: Manual of Operations for the Local Government Units

August 2014

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LIST OF ACRONYMS

ADB	Asian Development Bank
AIM	Asian Institute of Management
BIR	Bureau of Internal Revenue
BPLO	Business Permits and Licensing Office
BPLS	Business Permits and Licensing System
BSP	Bangko Sentral ng Pilipinas
CBMS	Community Based Monitoring System
CCED	City Cluster Economic Development
CDA	Cooperative Development Authority
CEDOS	Chief Economic Development Society
CLUP	Comprehensive Land Use Plan
CMCI	Cities and Municipalities Competitiveness Index
COL	Cost of Living
CPDO	City Planning and Development Office
DB	Doing Business
DEPED	Department of Education
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOST	Department of Science and Technology
DOH	Department of Health
DOLE	Department of Labor and Employment
DOT	Department of Tourism
DPWH	Department of Public Works and Highways
DRRMC	Disaster Risk Reduction and Management Council
DRRMP	Disaster Risk Reduction and Management Plan
DTI	Department of Trade and Industry
EXCELL	Excellence in Local Governance Awards
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GR	Gross Sales
ICT	Information and Communications Technology
IFC	International Finance Corporation
INVEST	Investment Enabling Environment Project
IMD	International Institute for Management Development
IPA	Investment Priority Area
IPU	Investments Promotions Unit
IRA	Internal Revenue Allocation
JMC	Joint Memorandum Circular
LFS	Labor Force Survey
LGC	Local Government Code
LGPMS	Local Governance Performance Management System
LGSP-LED	Local Governance Support Program for Local Economic Development
LGU	Local Government Unit
LIIC	Local Investment Incentives Code
M/CTO	Municipal/City Treasurer's Office
MOA	Memorandum of Agreement
MPDO	Municipal Planning and Development Office
NCC	National Competitiveness Council
NTC	National Telecommunications Commission
NWPC	National Wages and Productivity Council
NSO	National Statistics Office
OIDCI	Orient Integrated Development Consultants, Inc.

OBO	Office of the Building Official
PCCI	Philippine Chamber of Commerce and Industry
PCCR	Philippine Cities Competitiveness Ranking
PMA	Philippine Medical Association
PNP	Philippine National Police
PSA	Philippine Statistical Authority
RCC	Regional Competitiveness Committee
SEC	Securities and Exchange Commission
SGH	Seal of Good Housekeeping
USAID	United States Agency for International Development
WEF	World Economic Forum

I. INTRODUCTION

For a developing economy like the Philippines, it is crucial to identify specific indicators of development and competitiveness at the local level. Such an indicator system can pinpoint the benefits and connections of the outcomes of the global rankings to local government units (LGUs). It will identify the economic strengths and weaknesses of LGUs. It also allows local level comparisons, which could help lagging localities to focus on gaps and trigger catch-ups. Cities and large municipalities, in particular, are to benefit from such comparisons as they are considered centers of economic activity and because they generate investments and resources for cluster areas around them, and for the provinces where they are located.

The development of a framework of local competitiveness was one of the key links in connecting global competitiveness to the LGUs. With the assistance of the United States Agency for International Development (USAID) through the Investment Enabling Environment Project (INVEST), the NCC through the Regional Competitiveness developed a framework to help LGUs assess their level of competitiveness and develop reforms.

One of the key components of the framework is the identification of a set of competitiveness indicators that can be applied at the city and municipal levels. This manual is intended to guide the Local Government Units (LGUs) in gathering data for determining the competitiveness ranking of cities and municipalities. The final set of indicators included in the manual was agreed on in various meetings of the NCC with the RCCs. This manual is divided into four (4) sections, following the introduction. The framework for competitiveness is discussed in the second section, which is followed by a description of the indicators in the third section. The institutional mechanism for computing the indicators is found in the last section.

II. THE FRAMEWORK FOR LOCAL COMPETITIVENESS

A. Definition of Competitiveness

A number of global surveys on competitiveness use the framework developed by Michael Porter, which is also being adopted in this manual. Porter's definition of competitiveness focused on the idea of productivity. Productivity is defined as output per unit of input. Effectively, it attempts to measure how many final products can be produced using a limited number of inputs. For example, palay output is determined by the size of the land, fertilizers, labor of the farmer, tractor or farm animal used. Productivity of palay output is seen as the number of cabans of palay harvested based on the different inputs used. The more productive output is the one that used less inputs. In terms of services, a public transportation like a jeepney can also provide productivity. Its productivity is the number of passengers per trip based on the liter of diesel consumed and the labor of the driver. Productivity can also be measured based on time. For instance, if one is considering hiring an experienced sewer of t-shirts, the best indicator is the number of t-shirts produced per hour. The more output, the more productive is the worker. Thus, productivity is synonymous to efficiency allowing us to accomplish more with less. Productivity also requires that efficient outputs can command value in the local up to the global marketplace. Hence, the t-shirts and the sacks of palay are of quality and can be sold in any market.

With these examples, we can now use Porter's definition of competitiveness. He defined competitiveness as based **on location** and **is essentially the productivity** that companies located there can achieve (Porter, 2004). He explains location as a country's underlying source of its resources and productivity as how the country uses it. Using the same lens towards a micro perspective, local competitiveness is how a city or a municipality knows its resources and how it uses these to improve its standard of living. Improving productivity allows firms, cities, municipalities and countries to improve their standards of living and thereby give prosperity to its citizens.

Furthermore, it is important to note that the productivity being mentioned here is one that *allows sustainable prosperity* over time. Ketel (2006) commenting on Porter added that the crucial aspect of prosperity is the understanding of a "created" and an "inherited" prosperity. Inherited prosperity is one that is based on limited natural resources flowing into financial assets such as the vast oil fields of the Middle East. For purposes of this manual, prosperity is based on activity that *creates value* by providing products and services at prices higher than their cost of production." The focus therefore is on "created" prosperity. Under this context, the proposed framework described below focuses on developing essential aspects of a locality based on its existing natural and physical conditions, the human, physical, financial and natural resources it possesses, the systems under which it operates and how the interplay of all such factors lead to value creation that ultimately contribute to its sustainable productivity. This is critical because Porter's definition encompasses all sectors of society. According to him, "almost everything matters for competitiveness – schools, roads, financial markets, the consumers." He also cautioned that to make all of these work for competitiveness, people and culture must also catch up with the mindset. Hence, improving competitiveness takes time.

B. Framework for Local Competitiveness

Taking off from this contextual definition of competitiveness, we developed a framework that considers the processes involved in making productivity work better across cities and municipalities in the Philippines. There is a tacit recognition that this productivity is not automatic but relies heavily on the institutions of Philippine society. The framework for local competitiveness as developed is based on an analysis of the most common factors that determine competitiveness among the different global and local indicator systems that are currently being used (refer to Annex 1 for the list). Specifically, the framework considered the common factors found among the surveys conducted globally and nationally. For instance, three global surveys - the Doing Business Survey of the International Finance Corporation (IFC), the Global Competitiveness Index prepared annually by the World Economic Forum (WEF), the

IMD's Competitiveness Survey - were examined to determine common factors that were relevant to the Philippines (Figure 1). Four local surveys were also studied – the Philippine Cities Competitiveness Ranking Project (PCCRP) of the Asian Institute of Management (AIM), the NCC's internally generated factors, Regional Competitiveness Factors, and Asian Development Bank's (ADB) CCED (Figure 2).

To construct the country's own local competitiveness framework, the guidelines in developing indicators from the Chief Economic Development Society - UK (CEDOS, 2011), the Local Government Economic Indicators Framework – New Zealand (BERL, 2010) and the POLICOM Local Economic Strength Ranking (2012) were adapted. The FEEE Principle, i.e., Few in Number, Easy to Collect, Easy to Understand, and Effective Measures of Performances, was also considered.

Figure 1.
Convergence of Factors (Global)

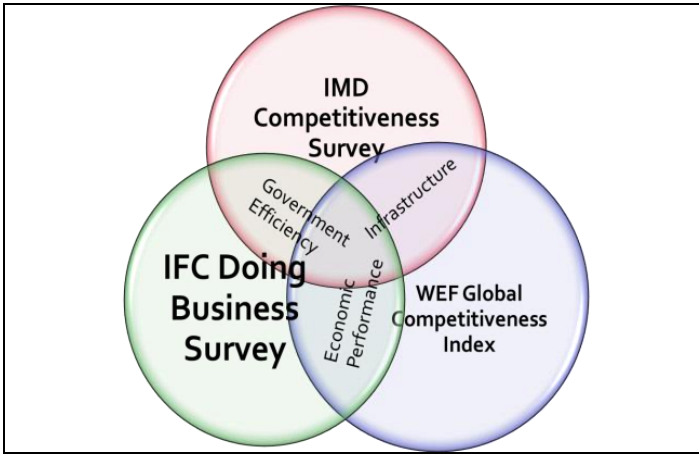
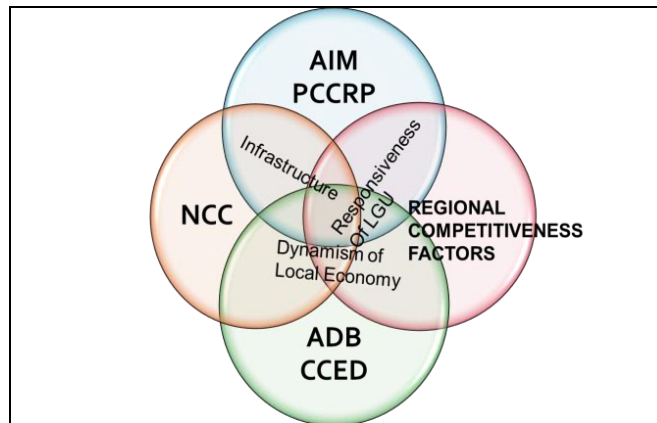


Figure 2.
Convergence of Factors (Sub-National)



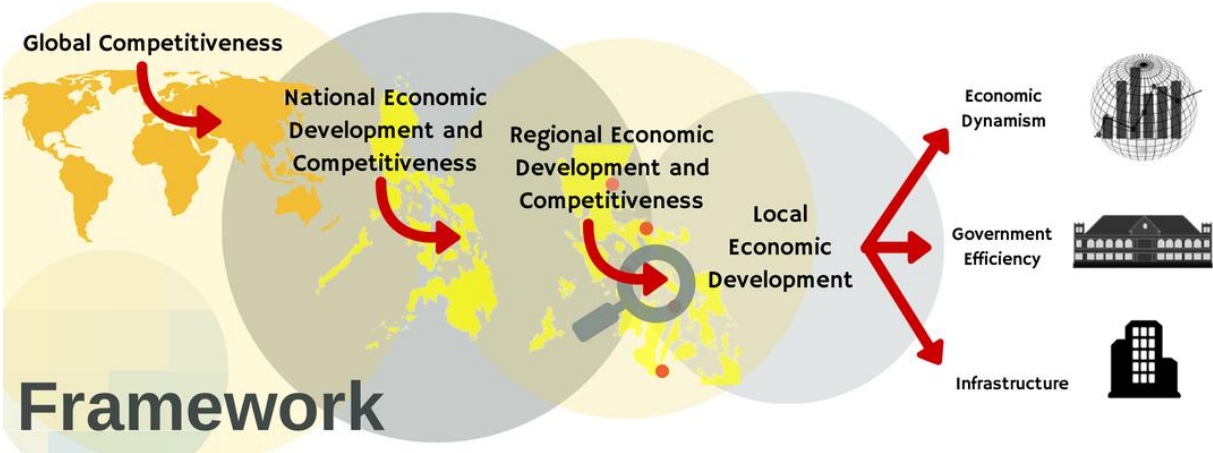
The convergence among the different competitive surveys and reports led to three (3) core and convergent pillars: **Economic Dynamism, Government Efficiency and Infrastructure.**

1. Economic dynamism is usually associated with activities that create stable expansion of businesses and industries and higher employment. This is the concrete representation of productivity as it matches the output of the local economy with the local resources. Conceptually, it is the combination of the entrepreneurial spirit and the financial institutions that will channel dynamism (Edmund Phelps). It is recognized that localities are the centers of economic activities. Therefore, business expansion and job creation are easily observable in local settings.
2. Government efficiency refers to the quality and reliability of government services and government support for effective and sustainable productive expansion. Conceptually, this factor looks at government as an institution that is generally not corrupt; able to protect and enforce contracts; apply moderate and reasonable taxation and is able to regulate proactively (La Porta et al, 1999). This represents the people and culture factor that Porter alluded to in understanding the process of competitiveness and making locations productive.
3. Infrastructure, which refers to the physical building blocks that connect, expand and sustain a locality and its surroundings to enable the provision of goods and services. It involves basic inputs of production such as energy, water; interconnection of production such as transportation, roads and communications; sustenance of production such as waste, disaster preparedness, environmental sustainability and human capital formation infrastructure. This represents the idea of making productivity sustainable over time.

These core or common priority pillars need to be linked to the sub-national, national and global indicator systems so that they can contribute to overall national competitiveness within the global perspective. Thus, an integrated framework interconnects the local up to the global levels of competitiveness and development as can be seen in Figure 3.

This now serves as the core local economic development and competitiveness framework. It implies aggregation, consultative policy-making and a common agenda for development by both national and local governments.

Figure 3.
National Economic Development and Competitiveness Framework



III. LIST OF INDICATORS OF COMPETITIVENESS

Each pillar of competitiveness also has contributory indicators that, in turn, are the basis of the sub-indicators that will be collected and used as basis for ranking cities and municipalities in the country. The justification and explanation of each pillar and its corresponding sub-indicators are described below.

**Table 1.
List of Sub-Indicators for the Indicators of Economic Dynamism**

Indicators	Sub-Indicator/s
1. Size of the Local Economy	Gross sales
	Total number of business registrations
	Total capitalization of newly registered businesses
	Total number of occupancy permits approved
2. Growth of the Local Economy and Investment	Growth of gross sales
	Growth in the total number of business registrations
	Growth in the capitalization of new businesses
	Growth in the number of occupancy permits approved
3. Capacity to Generate Employment	Number of declared employees for new business applications
	Number of declared employees for business renewals
4. Cost of Living	Local inflation rate
5. Cost of Doing Business	Cost of electricity
	Cost of water
	Price of diesel
	Daily minimum wage
	Cost of land in a central business district
	Cost of rent
6. Financial Deepening	Number of banks and financial institutions
7. Productivity	Local productivity
8. Presence of Business and Professional Organizations	Number of LGU recognized / registered business groups
	Number of Other Business Organizations

Table 2 below contains the sub-indicators under each of the indicators for government efficiency. There are 18 sub-indicators under these indicators.

Table 2.
List of Sub-Indicators for the Indicators of Government Efficiency

Indicator/s	Sub-Indicator/s
1. Capacity of health services	Capacity of Public Health Services
	Capacity of Private Health Services
2. Capacity of schools	Capacity of Public Schools
	Capacity of Private Schools
3. Security	Police to Population Ratio
4. Business registration efficiency	Registration for New Business
	Registration for Renewal of Business Permits
	Registration for Building Permits
	Registration for Occupancy Permits
5. Investment Promotions Unit	Presence of an Investment Promotions Unit
6. Compliance to National Directives	Presence of a Comprehensive Land Use Plan
	Presence of a Disaster Risk Reduction and Management Plan
7. Ratio of LGU collected tax to total LGU revenue collection	Business Tax to Total LGU revenue collection
	Real Property Tax to Total LGU revenue collection
8. Transparency score in the Local Government Performance Management System (LGPMS)	Transparency score in the Local Government Performance Management System (LGPMS)
9. Economic Governance score in the LGPMS	Economic Governance score in the LGPMS
10. Most competitive LGU awardee	Number of DILG awards garnered from past year
	Other Awards given by credible government and non-government institutions

Table 3 below contains the indicators under each of the sub-factor for infrastructure. There are 20 sub-indicators for the indicators on infrastructure.

Table 3.
List of Sub-Indicators for the Indicators of Infrastructure

Indicator/s	Sub-Indicator/s
1. Existing road network	Road Density
2. Distance of city/municipal hall to major ports	Distance to Operating Airport
	Distance to Bus Terminal
	Distance to Seaport
3. Number of Department of Tourism (DOT) – accredited tourist accommodations	Number of DOT-accredited establishments
	Number of rooms available in each of the available type of accommodation
4. Availability of basic utilities	Average hours of availability per day
	Number of days of interruption per year
5. Annual Investments in infrastructure by the LGU	Total Investment in infrastructure in the LGU budget
6. Connection to Information and Communication Technology (ICT)	Number of cable providers
	Number of internet providers
	Number of cellular/telephone providers
7, Number of public transport vehicles	Number of public transport vehicles
8. Health infrastructure	Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities
	Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities
9. Education infrastructure	Number of public sector-run schools and classrooms
	Number of private sector-operated schools and classrooms
10. Number of automated teller machines	Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located
	Number of off-site ATMs where ATM machines are set up on a stand-alone basis

IV. DESCRIPTION, COLLECTION AND PROCESSING OF INDICATORS

This chapter contains the details needed to collect the data for the indicators, e.g. description of the indicator, the unit of measure, the source of data, the level of detail, the period covered and the computations or processing required to be done for each of the indicators.

A. Economic Dynamism

Competitiveness is usually associated with robust growth of economies. But expansion of economies is the result of a confluence of factors. As explained in earlier chapters, there are 8 major sub-factors of economic dynamism and a total of 19 indicators included in the competitiveness framework.

1. Size of the Local Economy

As described in the previous chapter, the size of the economy approximates the level of economic activity in the LGU, which, at the national level, is measured by gross domestic production. At the local level, the proxies for local economic activity include gross sales, which can be a measure of local production, the number of business registrants and total capitalization of newly registered business enterprises, which indicates the level of new investment in the locality.

**Table 4.
Detailed Indicators for Size of the Local Economy**

A. Gross Sales	
Description	This indicator is a proxy for the level of production in the LGU. It usually refers to the income (at invoice values) received for goods and services over some period of time (www.thefreedictionary.com). The data is usually collected from all businesses renewing their business permits, which are required to declare their gross sales when they submit their business renewal form every January. Gross sales is usually the basis for computing the business tax for establishments in cities and municipalities nationwide. The level of gross sales is positively correlated with economic activity, i.e. the higher the gross sales, the more dynamic the economy is.
Unit of Measurement	Philippine Pesos
Source of Data	Municipal/City Treasurer's Office (M/CTO) of the local government. Note that the business (or Mayor's Permit) application form of cities and municipalities contains a field on gross sales
Level of Detail	Annual totals for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	The gross sales (GR) of each business registrant in the locality is aggregated or summed, i.e. $GR_1 + GR_2 + \dots + GR_N = \text{Total GR}$
B. Total Number of Business Registrations	
Description	This indicator measures the number of "active" establishments in a locality. The more establishments registered with the local government, the higher is the potential of the locality to produce goods and services. Before they can

	operate, all businesses in the Philippines have to apply for a business or Mayor's permit, which is renewed every year.
Unit of Measurement	Number of businesses registered with the LGU
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO)
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - No. of approved business permits for new business applications - No. of approved business renewals
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required	Data for approved business applications for new and renewals for a given year should be added, i.e. <p> $BAn + BAr = BA_t$ where BAn – number of new business applications BAr - number of business renewals BA_t - total business registrants </p>
C. Total Capitalization of New Businesses	
Description	This indicator is a proxy for new investment in the locality. Capitalization is usually defined as the aggregate valuation of a company based on its current share price and the total number of outstanding stocks. The higher the capitalization recorded, the greater is the potential for production and job creation. Only new business applicants are required to provide data on capitalization.
Unit of Measurement	Philippine Pesos
Source of Data	M/CTO of the LGU
Level of Detail	Annual totals for the period covered for
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Compute for total capitalization which is the sum of the capitalization of all new business registrants for a given year, e.g. $CAP_1 + CAP_2 + \dots + CAP_N = CAP_T$ <p> where CAP 1 – refers to the capitalization of business registrant 1 CAP N - refers to the capitalization of the nth business registrant CAP_T - refers to total capitalization for all business registrants </p>
D. Number of Occupancy Permits Approved	
Description	This indicator is a proxy for measuring construction activities in a locality, which in turn, also approximates investment activities. Construction is a component of gross domestic capital formation, which in the national income accounts, can be roughly interpreted as investment. An occupancy permit is usually issued by the local government's Office of the Building Official (OBO), which certifies that a business complies with national and local standards of safety and security and is fit to operate. Usually this permit triggers the application for a business permit, which is required before a firm can operate a new business.
Unit of Measurement	Number of approved/issued occupancy permits
Source of Data	Office of Building Official (OBO) and City or Municipal Engineer's Office
Level of Detail	Annual totals for period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	Sum all the occupancy permits issued by the LGU for a given year

2. Growth of the Local Economy and Investment

The dynamism of the local economy can also be gauged by the rate of expansion of production activities, number of establishments and investment in the area. Hence, the growth of the proxy indicators for local production described in #1 above can be an approximation of economic expansion in the LGU. At the national level, this indicator is similar to the growth of gross domestic production.

Table 5.
Detailed Indicators for Growth of the Local Economy and Investment

A. Growth of Gross Sales	
Description	This indicator is a proxy for the growth of local production of goods. The higher the growth of the gross sales, the faster the expansion of the local economy.
Unit of Measurement	Percentage
Source of Data	(M/CTO)
Period Covered	Growth rate of gross sales for two periods: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	Using data on gross sales from Section 1.A above, compute the growth rate for a given year. The sample formulas for 2012 and 2013 is shown below: <ul style="list-style-type: none"> - Growth rate of gross sales for 2012 using the following formula: $\frac{\text{Gross Sales in 2012} - \text{Gross Sales in 2011}}{\text{Gross Sales in 2011}} \times 100$ - Growth of gross sales for 2013 using the following formula: $\frac{\text{Gross Sales in 2013} - \text{Gross Sales in 2012}}{\text{Gross Sales in 2012}} \times 100$
B. Growth in Total Number of Business Registrations	
Description	This indicator is a proxy for the growth of active establishments or firms in the locality. Since firms are responsible for producing goods and services, the growth in the number of operating local establishments augurs well for higher production expansion.
Unit of Measurement	Percentage
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO).
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - Growth in the number of approved new business permits - Growth of number of approved business renewals - Growth of the total number of business applications
Period Covered	Growth rate in the number of business registrations for two periods: (1) 2012-2013 (for consideration in the ranking); (2) 2011-2012, Jan-March, 2013 & 2014 (for entry into the database)
Processing Required	Using the data from Section 1.B above, compute for: <ul style="list-style-type: none"> - Growth rate in the total number of business registrations for 2012 given the following formula: $\frac{\text{No. of Bus. Reg. (2012)} - \text{No. of Bus. Reg. (2011)}}{\text{No. of Bus. Reg. (2011)}} \times 100$ - Growth rate in the total number of business registrations for 2013, given the following formula: $\frac{\text{No. of Bus. Reg. (2013)} - \text{No. of Bus. Reg. (2012)}}{\text{No. of Bus. Reg. (2012)}} \times 100$
C. Growth of Total Capitalization of New Businesses	
Description	This indicator measures investment expansion in the local economy, since capitalization is a proxy for investment as shown in 1.C above. High growth in capitalization, which is usually collected from new business applicants

	implies greater potential for increased production in the future and higher economic activity in the LGU.
Unit of Measurement	Percentage
Source of Data	M/CTO
Level of Detail	Annual growth rates for the period covered
Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	Using data from Section 1.C above, compute for the simple growth rate – Growth rate in total capitalization for 2012 given the following formula: $\frac{\text{Total Capitalization (2012)} - \text{Total Capitalization (2011)}}{\text{Total Capitalization (2011)}} \times 100$ <ul style="list-style-type: none"> - Growth rate in the total number of business registrations for 2013, given the following formula: $\frac{\text{Total Capitalization (2013)} - \text{Total Capitalization (2012)}}{\text{Total Capitalization}_{2012}} \times 100$
D. Growth in the Number of Occupancy Permits Approved	
Description	This indicator measures the expansion in construction activities in the locality, which as indicated in 1.D above, is another measurement of local physical expansion. Similar to the implications of higher growth in capitalization of new firms, the growth in the number of approved occupancy permits implies a potential increase in the production of goods and services in the LGU as these permits may later be translated in business activities in the future.
Unit of Measurement	Percentage
Source of Data	OBO of the LGU
Level of Detail	Annual growth rates for period covered
Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	Using data from Section 1.D above, compute for the simple growth rate as follows: <ul style="list-style-type: none"> - Growth rate in total number of approved occupancy permits in 2012 given the following formula: $\frac{\text{No. of Occ. Permits (2012)} - \text{No. of Occ. Permits (2011)}}{\text{No. of Occ. Permits}_{(2011)}} \times 100$ - Growth rate in the total number of approved occupancy permits in 2013, given the following formula: <ul style="list-style-type: none"> - $\frac{\text{No. of Occ. Permits (2013)} - \text{No. of Occ. Permits (2012)}}{\text{No. of Occ. Permits}_{2012}} \times 100$

3. Capacity to Generate Employment

The level of employment is an indicator of an economy's performance. Usually a robust economy, which produces goods and services at a fast pace, will require people at factories and service establishments. Hence, the demand for jobs in an LGU can be gauged from a locality's employment level.

**Table 6.
Detailed Indicators for Employment**

A. Number of Employed	
Description	The Philippine Statistical Authority (PSA)/National Statistics Office (NSO) follows the definition of “employed persons” stipulated by the International Labor Organization, which is “comprising of all persons above a specific age who during a specified brief period, either one week or one day, were in paid employment (i.e. at work receiving some salary or payment in cash or kind) or self-employed.” This indicator measures local employment and job absorption.
Unit of Measurement	Number/item count
Source of Data	BPLO or the M/CTO where data will come from the application form which has a field on “number of employed”. The form is submitted by businesses to the BPLO.
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - No. of declared employees for new business applications (En) - No. of declared employees for business renewals (Er)
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required	Compute for total employment for a given year, i.e. $En + Er = TE$ where En - refers to the number of employees in new businesses Er - refers to the number of employees in business renewals TE - Total employment

4. Cost of Living

Cost of living (COL) is usually defined as “ the basic **cost** of the food, clothing, shelter, and fuel necessary to maintain life, especially at a standard regarded as basic or minimal.” The COL is a usual measurement that allows comparison of expenses of basic commodities across locations. An investor may opt to go to place with low prices of goods and services since it may imply lower costs of production. Lower cost of goods and services may also mean adequate basic resources, since cost of goods is a function of supply and demand conditions. Generally, places with low cost of living may be more attractive, though across locations, higher cost of living is observed in highly urbanized areas compared to lower-income classed LGUs.

**Table 7.
Detailed Indicators for Cost of Living**

A. Local Inflation Rate	
Description	This indicator measures the stability of prices and local cost of living. The inflation rate, as officially defined by the Philippine Statistical Authority (PSA), is the annual or year-on-year change in the consumer price index, which in turn, is composed of the average prices of a fixed basket of goods and services commonly purchased by households relative to a base year. Since the PSA does not compute for municipal or city level inflation rates, the local inflation rate will be based on the changes in the price level <i>in the province where locality is located</i> .
Unit of Measurement	Rate
Source of Data	Databank and Information Service Division of PSA at the provincial level
Level of Detail	Annual rate for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

5. Cost of Doing Business

Investors are usually attracted to areas with low prices of critical inputs to production. For purposes of computing for the competitiveness index, there are six cost components included in the sub-factor on the cost of doing business, i.e. water, electricity, petroleum, rent, land and labor.

Table 8.
Detailed Indicators for Cost of Doing Business

A. Cost of Electricity	
Description	Electricity is usually supplied throughout the country by electric cooperatives which set the rates according to types of consumers. Power is a major cost component of production.
Unit of Measurement	Philippine peso per kilowatt hour
Sources of Data	Local electric cooperative
Level of Detail	Average annual price of electricity for two types of customers: (1) commercial users; and (2) industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
B. Cost of Water	
Description	Water is a major cost component of production, the rates of which are classified according to type of users.
Unit of Measurement	Philippine peso per cubic meter
Sources of Data	Local service provider
Level of Detail	Average annual price of water for two types of customers: (1) commercial users; (2) and industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
C. Price of Diesel	
Description	The price of diesel per liter is a proxy for the cost of petroleum, which is an important component of production cost. The price to be used for this indicator is that prevailing on Dec 31 of period covered.
Unit of Measurement	Philippine peso per liter
Sources of Data	Biggest gasoline station in the locality
Level of Detail	Price of diesel prevailing on December 31 of the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
D. Daily Minimum Wage Rate	
Description	This indicator is a proxy for the cost of labor in the locality. The Regional Tripartite Wages and Productivity Board usually prescribes the minimum wage rates for all private enterprise workers in the region, which should not be lower than the statutory minimum wage rates. The minimum wage rate prevailing in the region where the LGU is located will be the relevant data for this indicator.
Unit of Measurement	Philippine pesos (PhP) per day

Sources of Data	<ul style="list-style-type: none"> - Regional Minimum Wages: National Wages and Productivity Council (NWPC) website (http://www.nwpc.dole.gov.ph) which contains a section on daily minimum wage rates per region. - Wages by sector: Regional offices of the Department of Labor and Employment (DOLE)
Level of Detail	<p>Collect data for two categories of workers :</p> <p>(1)Agricultural which is divided into:</p> <ul style="list-style-type: none"> -plantation -non-plantation <p>(2) Non-agricultural which is divided into:</p> <ul style="list-style-type: none"> -establishments with more than 10 workers -establishments with 10 workers or below
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
E. Cost of Land in a Central Business District	
Description	The cost of acquiring land is a major consideration of investors. The most common source of data on cost of land is the zonal valuation of the Bureau of Internal Revenue (BIR), which in most cases is below market values. However, what is important is to try to get the market values, which may be the average purchased value of a piece of land in the central business district in the LGU.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker; local banks
Level of Detail	Annual average cost of land for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
F. Cost of Rent	
Description	Some business firms rent office space. This indicator tries to capture the cost of renting commercial space in a locality, which can be measured by the average rental rate per square meter for commercial /office space.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker
Level of Detail	Annual values for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

6. Financial Deepening

The number financial institutions operating in a locality is usually a good measure of financial deepening. Progressive LGUs in highly urbanized areas will have more banks and financial institutions than the secondary or lower classed LGUs. Hence the more financial institutions in different forms are available in a locality, the more liquid and financially facilitative business activities will be.

Table 9.
Detailed Indicators for Financial Deepening

A. Number of Banks and Financial Institutions	
Description	The <i>Bangko Sentral ng Pilipinas</i> (BSP) classifies financial institutions into 2 categories: (1) the broad category of banks constituting the Philippine banking system which is composed of universal and commercial banks, thrift banks, rural and cooperative banks; (2) non-banks with quasi banking functions such as financial cooperatives, savings and loan associations, pawnshops, microfinance institutions. The definition of these institutions is found in Annex 1.
Unit of Measurement	Number/item count
Source of Data	There are several sources of data for this indicator: <ul style="list-style-type: none"> - <i>Bangko Sentral ng Pilipinas</i> (BSP) – for most of the data on banks and non-bank financial institutions - BPLO to get data from the business permit application form, i.e. the field on “lines of activity” which can be used in getting the number of financial institutions by type; - Cooperative Development Authority (CDA) – - Local groups on financial institutions like the local branches of the Banking Association of the Philippines, Rural Banks Association of the Philippines
Level of Detail	Data should be disaggregated as follows: <ul style="list-style-type: none"> - Banks by type (i.e. Commercial, Universal, Rural, Thrift and Savings Bank) - Financial Cooperatives - Saving and Loans Associations - Pawnshop - Money Changers/foreign exchange dealers - Remittance Centers - Microfinance Institutions
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Sum the total number of financial institutions, by type per year

7. Productivity

As seen in chapter 2, productivity of firms in a locality is an important aspect of competitiveness. According to the latest Global Competitiveness Report 2012-2013, “The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to sustain growth.”

Table 10.
Detailed Indicators for Productivity

A. Gross Sales over Total Employment	
Description	In the context of an LGU, productivity can be defined broadly by considering total production in the local economy, which is measured by total sales, with the total number of employed in the locality. High productivity is associated generally with a robust local economy. This indicator measures the efficiency of local production, potential wage and profit increase.
Unit of Measurement	Ratio
Source of Data	- Gross sales - from Section A.1.A above

	- Total employment – from Section A.3.A
Level of Detail	Annual ratios for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Compute the ratio using the following formula for the years covered (example formula is for 2011): $\frac{\text{Gross Sales (2011)}}{\text{Total Employment (2011)}} = \text{Productivity Ratio for 2011}$

8. Presence of Business and Professional Organizations

In economics, it is often said that the private sector is the driver of economic growth. Following this, it is important to harness private sector organizations, especially the business groups, to support the LGUs' efforts at enhancing their competitiveness. The presence of organized business groups is positively correlated with the potential of an area to improve its competitiveness.

Table 11.
Detailed Indicators for Presence of Business and Professional Organizations

A. Number of Business Groups	
Description	Business groups refer to organized business groups in the locality that have legal personalities and are accredited in the locality. Operationally, these pertain to: (1) organizations that are registered with the Securities and Exchange Commission (SEC) and are members of nationally accredited business organizations like the Philippine Chamber of Commerce and Industry (PCCI); or (b) business groups that are accredited by the LGU.
Unit of Measurement	Number/item count
Source of Data	There are two categories of business groups for which data should be collected: <ul style="list-style-type: none"> - LGU-accredited business groups – LGU's Planning Development Office - Other Business Organizations - Records of business associations such as the Philippine Chamber of Commerce and Industry (PCCI) at national and regional levels.
Level of Detail	Two levels of business groups: (1) LGU recognized; and (2) Other business groups
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Add the total number of business for the years covered using the following formula: $LB + OB = TB$ where LB – refers to LGU-accredited organizations OB - refers to other business groups TB – refers to total business groups

B. Government Efficiency

Investors are attracted to areas, which foster a business-friendly environment. Local governments play a critical role in ensuring that policies are conducive to attract investment. Citing the Global Competitiveness Report 2012-2013 again, "Government attitudes toward markets and freedoms and the

Level of Detail	There are two sets of indicators that should be collected: <ul style="list-style-type: none"> - Public sector secondary education indicators divided into: * number of students * number of teachers - Private sector secondary education indicators divided into: * number of students * number of teachers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	Add the following data for the public sector for each year as follows: No. of students (2011) + No. of teachers (2011) = Total education indicator for the Public Sector (2011) 1. Add the data for the private sector for each year as follows: No. of students (2011) + No. of teachers (2011) = Total education indicator for the Private Sector (2011) 2. The summation of public and private sector education indicators: Total education indicators in Public Sector (2011) + Total education indicators in the Private Sector (2011) = Total (2011)
3. Security	
Description	Local governments have the basic responsibility to maintain peace and order in a community. For this indicator, the metric is the number of police in the locality.
Unit of Measurement	Number/ actual count
Source of Data	Philippine National Police Regional Office ; Local PNP
Level of Detail	Number of policemen for the years indicated
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

The next two – business registration efficiency and investment promotions unit – highlight the obligation of local government to provide a conducive business environment and attract investments. This implies putting in place efficient business permitting processes that grant permits and licenses at the shortest possible time and with reasonable documentary requirements from business applicants. At the same time, LGUs that set up investment promotion offices reflect their seriousness in taking care of investor interests and are favorably looked upon by investors.

Table 12.
Detailed Indicators for Government Efficiency (continued)

4. Business Registration Efficiency	
Description	This indicator measures the speed and effectiveness of LGUs' business registration processes. The efficiency of LGUs in processing business-related activities is assessed from two aspects: number of procedures or steps and processing time. Shorter steps and processing time implies less cost in doing business with the LGU and hence, an enticement for investors. These two criteria for efficiency are applied to four types of permits that are processed by cities and municipalities in the Philippines: (1) Mayor's Permit for new businesses; (2) renewals of business permits; (3) building permits; and d) occupancy permits.
Unit of Measurement	<ul style="list-style-type: none"> - Steps/Procedures: Number/item count - Processing time: in number of days (Note: For transactions that

	can be completed in less than a day, input number of minutes/480 (e.g. 15 minutes = 15/480; 2 hours and 30 minutes = 150/480)
Source of Data	<ul style="list-style-type: none"> - BPLO of LGU for data on steps and processing time for new business applications and business renewals; and - Office of Building Official or Engineering Office for data on steps and processing time for building and occupancy permits
Level of Detail	<p>There are four categories of permits where data on steps and processing time should be collected:</p> <ul style="list-style-type: none"> - Mayor's Permit for new business applications - Business renewals - Building permits - Occupancy permits
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
5. Presence of an Investment Promotions Unit	
Description	This indicator signifies the seriousness of the LGU to attract investments. The formulation of the Local Investment Incentives Code (LIIC), which the DILG and the Board of Investments are promoting, contains a section that mandates the creation of an Investment Promotions Center or Unit (IPU) to carry out the objectives of the LIIC. The LIIC is a document that articulates the local government investment policies and programs, Investment Priority Areas (IPAs), local incentives (fiscal or non-fiscal) available to domestic and foreign investors and the mechanics for availing them. In line with this intent of the government, this indicator measures the level of compliance by LGUs to the setting up of Investments Promotions Unit (IPU) or Center. This indicator will be measured based on physical evidence and observation.
Unit of Measurement	Input of YES = 1 or NO = 0 to the four types if information specified below
Source of Data	Planning and Development Office of LGU
Level of Detail	<p>There are four types of information that will be collected:</p> <ul style="list-style-type: none"> - Presence of the Local Investment Incentives Code - Presence of the equivalent of an Investment Promotions Unit, - Presence of staff manning the IPU; and - Presence of local executive order or ordinance that mandates the implementation of the LIIC or the setting up of an IPU
Period Covered	One year – 2013
Processing Required	<ol style="list-style-type: none"> 1. Check the presence of the four types of information stated above and assign (1) if present and (0) is absent; 2. Add the total or sum after doing step 1. If all components are present in the LGU, then the LGU get a composite score of 4.

The responsiveness of LGUs is also assessed in relation to compliance to national directives. Locational preferences and decisions of investors at the local level are influenced by zonal classifications, which in turn are dependent on the LGUs' Comprehensive Land Use Plan (CLUP). Hence, Local Chief Executives, who are forward looking, will usually be up-to-date in revising their CLUP, which is required to be done every ten years. With the adverse impact of climate change these days, which can destroy localities, the revision of CLUPs has become more important and so with the need to formulate Disaster Risk Reduction and Management Plans (DRRMP).

Table 12.
Detailed Indicators for Government Efficiency (continued)

6. Compliance to National Directives

A. Presence of a Comprehensive Land Use Plan (CLUP)	
Description	The CLUP is a planning document prepared by LGUs to rationalize the allocation and proper use of land resources. It projects public and private land uses in accordance with the future spatial organization of economic and social activities. Under the LGC of 1991 and other pertinent laws, all LGUs are mandated to continue to prepare/revise/update their comprehensive land use plan which shall be enacted through a zoning ordinance.
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU; Engineer's office of the LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the CLUP; - Presence of an office that implements the CLUP (usually the Planning and Development Office), - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the CLUP
Period Covered	2013
Processing Required	1. Check the presence of the four types of information stated above and assign (1) if present and (0) is absent; 2. Add the total or sum after doing step 1. If all components are present in the LGU, then the LGU get a composite score of 4.
B. Presence of a Disaster Risk Reduction and Management Plan (DRRMP)	
Description	LGUs are required by Republic Act 10121 to prepare their local disaster risk reduction and management plan (DRRMP).
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the DRRMP; - Presence of an office that implements the DRRMP; - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the DRRMP
Period Covered	One year – 2013
Processing Required	1. Check the presence of the four types of information stated above and assign (1) if present and (0) is absent; 2. Add the total or sum after doing step 1. If all components are present in the LGU, then the LGU get a composite score of 4

Revenue generation, especially from LGU's own resources, is an indicator of the capacity of the local government to implement investment-related programs and projects. Most LGUs depend heavily on Internal Revenue Allocation (IRA); hence the Department of Finance (DOF) recognizes LGUs that are least dependent on IRA and can generate resources from its own set of taxes and fees. Consistent with this stance of the government, the capacity to generate resources is assessed based on the share of own-source revenues to the LGUs' total revenue collection. LGUs with high own-source revenue shares are associated with better fiscal management.

Table 12.
Detailed Indicators for Government Efficiency (continued)

7. Ratio of LGU Collected Tax to Total LGU Revenues	
Description	While LGUs have various sources of income, this indicator measures the resources that the LGUs can generate real property and business taxes, which are the two largest sources of local revenues.
Unit of Measurement	- Values in Philippine pesos (PhP) for the actual tax collected; - Ratio/Percent for the share of local taxes to total revenues
Source of Data	Visit www.blgf.gov.ph where data can be culled from the statement of income and expenditures of cities and municipalities
Level of Detail	Annual totals and ratios for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Compute the ratio using the formula below for the years considered: $\frac{(LBT + RET)}{LTR} \times 100 = \text{Share of Own-Source Revenues in \%}$ where LBT – refers to total value of business taxes (LBT) RET – refers to real estate tax (RET) LTR - refers to total revenues

Good governance promotes economic growth and is a critical ingredient to attracting investors in a given locality. Good governance, however, requires transparency and accountability in public services. These two principles are included in DILG’s LGU performance monitoring and management system called Local Government Performance Management System.

Table 12.
Detailed Indicators for Government Efficiency (continued)

8. Transparency Score in Local Government Performance Management System (LGPMS)	
Description	Transparency covers openness and accessibility of information and LGU processes. The indicator to be used is the summary of the LGUs’ score on the presence of a public information office, communications media and accessibility of public documents. The program area in the LGPMS where data can be accessed is “valuing fundamentals of governance.”
Unit of Measurement	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: http://www.blgs.gov.ph/lgpms2
Level of Detail	LGU Score for years covered
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required	None
9. Economic Governance Score in the LGPMS	
Description	The economic governance score in the PGPMS covers the LGUs’ perception of how they support the local business environment through their services. The indicator to be used is the summary of the LGUs’ score on the quality of civil applications system to business sector, processing time of building permits, quality of direct support services to business enterprises and industry. The program area in the LGPMS where data can be accessed is “economic governance – entrepreneurship, business and industry promotion.”
Unit of Measurement	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: www.blgs.gov.ph/lgpmsv2

Level of Detail	Separate score for each indicator
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required	None

Giving of awards to local governments to recognize good performance has been an accepted practice by both National Government agencies like the DILG and private sector organizations like the Philippine Chamber of Commerce and Industry. These awards systems have been an excellent motivator for LGUs. Hence, the number of awards especially those that promote competitiveness is a good indicator of good performance of LGUs.

Table 12.
Detailed Indicators for Government Efficiency (continued)

10. Most Competitive LGU Awardee	
Description	This considers the efforts of LGUs to improve its performance based on the following recognized awards: (a) <i>Galing Pook</i> ; (b) Seal of Good Housekeeping; (c) <i>Pamana ng Lahi</i> ; (d) eGov Awards for LGUs; (e) PCCI's Most Business-Friendly LGU Award; (f) Excellence in Local Governance Awards (EXCELL); (g) Outstanding LGUs in Streamlining BPLS. Other national, regional and international awards given by credible sources are also recognized.
Unit of Measurement	Number/Item count
Source of Data	<ul style="list-style-type: none"> - Office of the Mayor for the listing of awards (other awards not covered by the regional DILG must be based on certification) - Regional Offices of the DILG for the DILG awards (e.g. Seal of Good Local Governance)
Level of Detail	The awards are grouped into: <ul style="list-style-type: none"> - DILG accredited awards; - Other awards conferred by credible institution at the regional, national and international levels
Period Covered	2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required	Summation of the total DILG accredited awards and other awards

C. Infrastructure

The presence of infrastructure facilities is often a major consideration in investors' decision to locate in an area. The World Economic Report 2012-2013 aptly explains the important role of infrastructure in the competitiveness discussions, "Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop in a particular instance. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways." In the Philippine competitiveness index, ten indicators of infrastructure are highlighted.

The adequacy of basic infrastructure facilitates the operations of businessmen and is therefore an important determinant of competitiveness. Basic infrastructure covers the road network, the

distance of the LGU to different entry points, the number of tourist accommodations, availability of basic utilities and LGU investments in infrastructure.

**Table 13.
Detailed Indicators for Infrastructure**

1. Existing Road Network	
Description	This indicator measures interconnectivity and the level of mobility in the locality. The road network is estimated by getting the total length of roads in the locality (including bridges) as a proportion of the LGU's total land area.
Unit of Measurement	- Road network in square kilometers - Ratio to get the proportion of the road network to the land area
Source of Data	- CLUP- for information of the overall infrastructure network of an LGU - LGU Engineering Office - for information on roads completed based on the Annual Investment Plan - DPWH – for data on national roads traversing the LGU.
Level of Detail	The road network is divided in terms of the following types of road: (1) asphalt; (2) gravel; (3) concrete; and (4) unpaved.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	The road network (in sq. km.) can be added by type of road $\frac{Ar + Gr + Cr + Ur}{LA}$ LA = ratio of road network to land area where AR – refers to asphalt roads GR - refers to roads made of gravel CR - refers to concrete roads UR - refers to unpaved roads LA - refers to land area
2. Distance of City/Municipal Hall to Ports	
Description	This indicator provides guidance on how near the center of government is to its entry points, such as airports, bus terminals and seaports. The less travel time from the port of entry to the city hall, the more convenient for the businessmen/investors.
Unit of Measurement	Distance in kilometers
Source of Data	- LGU Engineering Office - DPWH
Level of Detail	Three types of data should be collected: - Distance from the airport to the city/municipal hall - Distance from the bus terminal to the city/municipal hall - Distance from the seaport to the city/municipal hall
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Total distance from the city hall is computed as follows: Km Distance from the airport + KM Distance from the bus terminal + KM Distance from the seaport = Total Distance
3. Number of Department of Tourism (DOT) – Accredited Tourist Accommodations	
Description	This indicator focuses on the available facilities in the LGU for accommodations based on the existing Department of Tourism accreditation standards and the corresponding number of rooms in each of the facilities.

Unit of Measurement	Number/Item count
Source of Data	- DOT (regional) - for data on accredited tourist establishments -C/MPDO
Level of Detail	Two levels of data are required: - number of DOT-accredited establishments by type of accommodations, i.e. hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house; - Number of rooms available in each of the available type of accommodation for each type of accommodations, i.e. (1) hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house
Period Covered	Three years: (1) 2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required	None
4. Availability of Basic Utilities	
Description	Power and water are two critical inputs for businesses and ordinary citizens. Businesses need consistency of and regularity of water and electricity services. Continuous availability of these utilities is a key element of competitiveness.
Unit of Measurement	Number of hours per day [Note: 1-hour interruption is already considered 1 day since these services are expected to be provided 24 hours/7 days a week.
Source of Data	- Local Electric Cooperative - hours of availability of power and power interruption - Local Water Utility - hours of availability of water and water interruption
Level of Detail	For electricity and water, get the : - Average hours of availability per day; and - Number of days of interruption per year
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	None
5. LGU Investment in Infrastructure	
Description	This indicator represents the actual resources allocated by the LGU for its infrastructure needs. LGUs with a high share of investment investments will get a higher ranking compared to those with lower shares.
Unit of Measurement	- In Philippine Peso (PhP) for the value of investment infrastructure; - In percentage for the share of infrastructure investment/budget to total budget
Source of Data	C/MPDO and the C/MTO
Level of Detail	The indicators needed for a given year are: - total investments in infrastructure; and - total LGU budget
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	Compute the ratio as follows for the covered years (example is for 2011): $\frac{\text{LGU Infrastructure Budget (2011)}}{\text{Total LGU budget}} \times 100 = \% \text{ Share of Infra Budget}$

In the current digital age, the use of technology can lead to increased productivity, greater efficiency, connectivity and accessibility, which are factors that can enhance competitiveness of a locality. It is therefore important to get the information and communications technology (ICT) readiness of LGUs. The more households are connected, the broader is the market for potential investors. This can also lead to improvements in efficiency for services and product delivery. Complementing the use of technology is the importance of greater mobility that facilitates travel and transport of goods and services. Hence, two indicators have been included in the competitiveness index to measure technological readiness/advancement and the level of mobility of LGUs – the number of internet and telephone providers - and the availability of public transport vehicles.

**Table 13.
Detailed Indicators for Infrastructure (continued)**

6. Connection to Information and Communication Technology (ICT)	
Description	This indicator reflects the ICT readiness of a locality, which is measured by the availability of major telecommunication facilities in the locality. The telecommunications infrastructure is composed of cable, internet, cellular facilities.
Unit of Measurement	Number/Item
Source of Data	- Telecommunications companies - National Telecommunications Commission
Level of Detail	The indicators to be collected are as follows: - number of cable providers; - number of internet providers; and - number of cellular/telephone providers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
7. Number of Public Transportation Vehicles	
Description	This indicator represents the mobility of the local population. Public transportation includes all types of motorized vehicles duly recognized by the LGU.
Unit of Measurement	Number/Item count
Source of Data	- Land Transportation Office – for data on the number of buses, passenger vans, jeepneys, taxis - Philippine Ports Authority –for data on ships and fast craft - Local Transport Associations – data will depend on the nature of the association, e.g. jeepney associations - C/MPDO – for data on tricycles
Level of Detail	The available type of transportation are as follows: (1) buses; (2) passenger vans; (3) jeepneys; (4) tricycles; (5) taxis; (6) ship; (7) Fast craft; and (8) passenger bancas
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	The number of vehicles under each type of transportation should be added to get the total number of available transportation in the locality.

The quality of the workforce, which is an important factor in productivity and competitiveness, is partly dependent on the availability of health and education services in the locality. The latter, in turn, depends on the manpower in these sectors as well the available related infrastructure. In the case of education, both the lack of teachers and schoolrooms have been the excuse for the

deterioration in literacy rate. The importance of manpower in health and education has been addressed in the component on government efficiency in earlier sections (sub-factor on basic government services), the corresponding social infrastructure requirements are addressed in this sub-factor.

**Table 13.
Detailed Indicators for Infrastructure (continued)**

8. Health Infrastructure	
Description	This indicator measures the availability of facilities for health maintenance and emergencies. A healthy workforce is conducive to higher productivity. Specifically, the availability of health infrastructure is gauged by getting the number of health facilities, including bed capacities, operated by the public and private sectors. Health facilities are classified into (a) clinics, (b) diagnostic centers; and (c) hospitals
Unit of Measurement	Number/Item count
Source of Data	LGU Health Office, Regional DOH
Level of Detail	The following data are required: <ul style="list-style-type: none"> - Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals; - Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals;
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
9. Education Infrastructure	
Description	This indicator represents the availability of facilities for basic education in a locality, since an educated workforce is conducive to higher productivity. The availability of health infrastructure is measured using the number of schools which are run by both the public and private sectors, including the number of classrooms.
Unit of Measurement	Number/Item count
Source of Data	<ul style="list-style-type: none"> - DepEd Division Office - DepEd Regional Office
Level of Detail	Two levels of data: <ul style="list-style-type: none"> - Number of public sector-run schools and classrooms; - Number of private sector-operated schools and classrooms.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

As stated earlier, the number of financial institutions, which is a measure of financial deepening is highly correlated with a robust local economy. It facilitates the mobilization of financial resources for use in the production of goods and services. The simplest measurement of financial development in an area would be the number of automated teller machines.

Table 13.
Detailed Indicators for Infrastructure (continued)

10. Number of Automated Teller Machines (ATMs)	
Description	This indicator represents both the ICT capacity and financial liquidity/development in the locality. ATMs also represent stable electronic connection in the LGU.
Unit of Measurement	Number/Item
Source of Data	Local banks, physical counting
Level of Detail	Two sets of data: <ul style="list-style-type: none"> - Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located - Number of off-site ATMs where ATM machines are set up on a stand-alone basis (e.g. ATMs located in malls or commercial establishments)
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	To get the total number of ATMS: No. of On-Site ATMs + No. of Off-Site ATMs = Total No. of ATMs

V. PROPOSED MECHANISMS FOR DATA GATHERING

The process of computing the competitiveness rankings, the institutional responsibilities and the timetable of activities are described in this chapter.

A. Proposed Process for Data Gathering

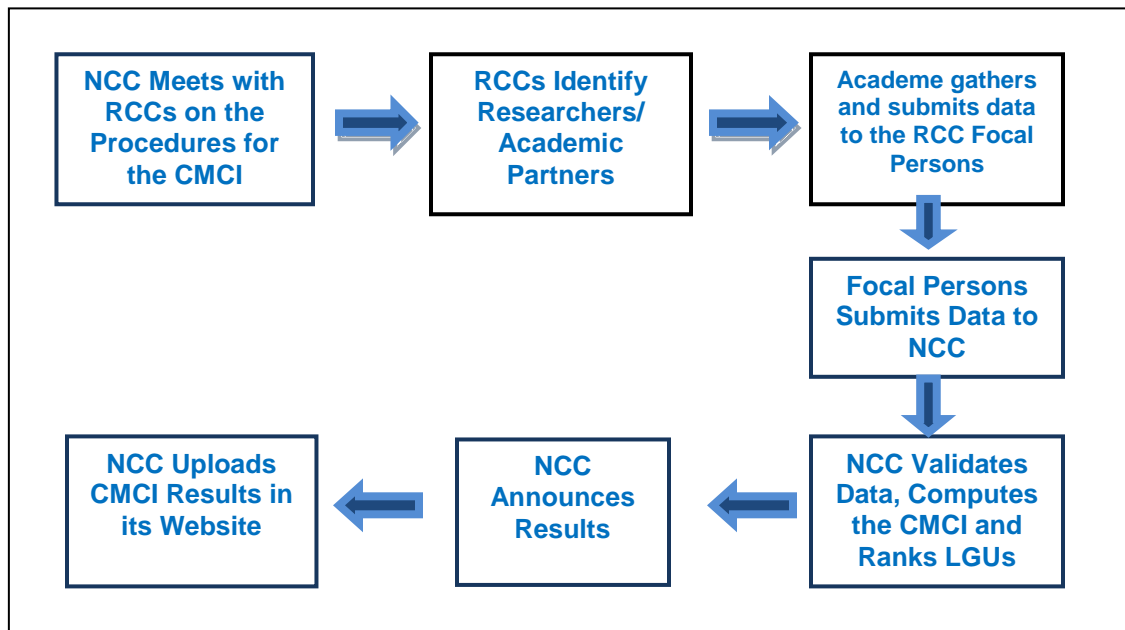
The key institutions that are critical for the data gathering and computation of the competitiveness rankings are the NCC, the RCCs and the local research institution.

Figure 4 summarizes the typical process that leads to the ranking of cities and municipalities according to competitiveness. The NCC will use the RCC mechanisms to start the data gathering process. Specifically, the NCC through its NCC-RCC meetings will provide instructions and guidance on the data gathering process, the data to be included in the index, and the timelines. For this year, NCC identified the target LGUs per region – all cities and first class municipalities, although RCCs may add LGUs other than the target. To facilitate and consolidate the data from LGUs to the RCC level, the RCCs have been instructed by NCC to appoint a focal person who may come from the research partner institution or committee tasked to undertake the data gathering. The key role of the focal person is to ensure the quality of the data gathered from the LGUs. Only data submitted by the RCC focal person will be considered by the NCC for the rankings. The NCC, in turn, will also assign a partner focal person to work with specific RCC focal persons.

The data gathering is to be completed within two (2) months.² The RCCs through their focal persons, with the assistance of the regional PSA, will validate the data gathered by the researchers before encoding these for transmission to NCC. The process of validation is expected to be completed in one (1) month after data gathering. The NCC, within one month, will process the data gathered and produce the rankings. The results will then be uploaded to the NCC and the RCC's individual databases.

² The first ranking in 2013 completed the data gathering of participating LGUs for 2 months.

**Figure 4.
Process for Data Gathering for the Competitiveness Ranking**



B. Proposed Institutional Responsibilities

Figure 5 summarizes the specific responsibilities that need to be done by the key stakeholders. The specific institutional responsibilities are detailed below:

National Competitiveness Council

1. Informs the RCCs on the next round of Competitiveness Ranking during December NCC-RCC Meeting;
2. Identifies the LGUs which will participate in the CMCI exercise;
3. Forms the NCC Secretariat Team to serve as NCC Focal Persons;
4. Provides RCCs with the schedule of activities and requests the RCCs to provide the names of the focal persons to be assigned to the project;
5. Prepares the budget and generates the financial resources for the activity; and
6. Provides the RCCs with the Data Capture Sheet and the mechanics for data gathering and encoding.

Regional Competitiveness Committees

1. Convenes the committee to discuss the activities for the Competitiveness Data Gathering;
2. Identifies and engages the LGUs which will participate in the CMCI exercise;
3. Identifies and contracts research partner institutions for data gathering;
4. Identifies and forwards to NCC the name of RCC focal persons;
5. Coordinates with NCC in filling up the data capture sheet and other information required for data gathering;
6. Supervises data gathering and ensures quality of data; and
7. Submits data to NCC.

Local Government Units

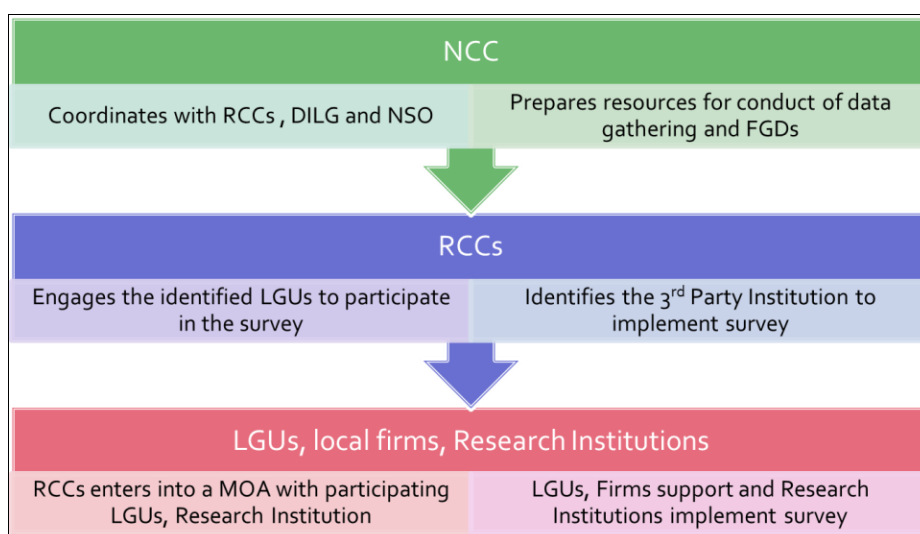
1. Issues a resolution to participate in the CMCI activity;
2. Appoints a person to facilitate data collection by the RCC-contracted institution;
3. Assigns the LGU Department and possibly the persons to coordinate the preparation of the data needed for the competitiveness ranking;

4. Ensures the processing of the data from the Mayor's Permit application form that will be submitted to the RCCs thru the appointed research institutions; and
5. Develops databases that can be used for the competitiveness rankings.

Research Institutions

1. Enters into a Memorandum of Agreement (MOA) with the RCC on the collection of the data for the competitiveness ranking;
2. Identifies the Team Leader to be appointed as the RCC Focal Person and the Team Members who will be responsible for the activity;
3. Undergoes data gathering standardization training;
4. Collects the data to be used in filling up the NCC-mandated standardized data/data capture form;
5. Reports issues on data collection that need resolution; and
6. Provides a summary of the data for the competitiveness ranking activity

**Figure 5.
Institutional Responsibilities**



C. Participation of the Philippine Statistical Authority (PSA)³

The computation of the competitiveness index for cities and municipalities is an important undertaking that will raise the consciousness of LGUs to provide a business-friendly environment that would attract investors. Hence, the NCC is planning to involve the PSA and institutionalize the process within the statistical system.

In the future, the PSA through its regional offices can play a stronger role as member of the RCC to validate the data from the research institutions engaged to do the data gathering. The PSA is expected to eventually develop the process to incorporate the data gathered by the RCCs that can be aggregated up to the national levels.

D. Proposed Schedule of Activities

³ The NCC is discussing with NEDA and PSA the issuance of a Memorandum of Agreement that will define the PSA's role in the RCC in relation to the CMCI activity.

To synchronize the activities in the process, the following indicative schedule that all stakeholders should follow every year is presented in Table 6.

Table 14.
Timeline

ACTIVITIES	SCHEDULE PER YEAR
Identification of Research Partner for Data Gathering and RCC Focal Person	January
Conduct of Data Gathering	March - April
Validation of Results by RCC	May
Data Processing by NCC	June
Presentation of Ranking	July
Publication of Results	August
Review of Results and Audits	October

Annex. Definition of Financial Institutions for the Competitive Ranking

A. Philippine Banks

The **Philippine banking system** is composed of universal and commercial banks, thrift banks, rural and cooperative banks.

1. **Universal and commercial banks** represent the largest single group, resource-wise, of financial institutions in the country. They offer the widest variety of banking services among financial institutions. In addition to the function of an ordinary commercial bank, universal banks are also authorized to engage in underwriting and other functions of investment houses, and to invest in equities of non-allied undertakings.
2. The **thrift banking system** is composed of savings and mortgage banks, private development banks, stock savings and loan associations and microfinance thrift banks. Thrift banks are engaged in accumulating savings of depositors and investing them. They also provide short-term working capital and medium- and long-term financing to businesses engaged in agriculture, services, industry and housing, and diversified financial and allied services, and to their chosen markets and constituencies, especially small- and medium-enterprises and individuals.
3. **Rural and cooperative banks** are the more popular type of banks in the rural communities. Their role is to promote and expand the rural economy in an orderly and effective manner by providing the people in the rural communities with basic financial services. Rural and cooperative banks help farmers through the stages of production, from buying seedlings to marketing of their produce. Rural banks and cooperative banks are differentiated from each other by ownership. While rural banks are privately owned and managed, cooperative banks are organized/owned by cooperatives or federation of cooperatives.

B. Other Financial Institutions

The BSP likewise releases selected statistics on [non banks with quasi-banking functions](#) . This group consists of institutions engaged in the borrowing of funds from 20 or more lenders for the borrower's own account through issuances, endorsement or assignment with recourse or acceptance of deposit substitutes for purposes of relending or purchasing receivables and other obligations.

1. **Financial Cooperatives** - A financial institution that is owned and operated by its members. The goal of a financial cooperative is to act on behalf of a unified group as a traditional banking service. These institutions attempt to differentiate themselves by offering above-average service along with competitive rates in the areas of insurance, lending and investment dealings.

E.g. Credit unions are the most popular form of financial cooperative because they are owned and operated by their members. These financial institutions often pay higher-than-average interest rates and are only accessible to those that have accounts.
2. **Savings and Loans Associations** - Non-stock savings and loan association shall mean a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance;

Association shall refer only to non-stock savings and loan associations organized under the Corporation Code of the Philippines;

Source: *BSP - REPUBLIC ACT NO. 8367- An Act Providing For The Regulation Of The Organization And Operation Of Non-Stock Savings And Loan Associations*

- Pawnshops** - A store which offers loans in exchange for personal property as equivalent collateral. If the loan is repaid in the contractually agreed time frame, the collateral may be repurchased at its initial price plus interest. If the loan cannot be repaid on time, the collateral may be liquidated by the pawnshop through a pawnbroker or second hand dealer through sales to customers.

Pawnshop Definition of BSP - A duly organized and licensed pawnshop has, in general, the power to engage in the business of lending money on the security of personal property within the framework and limitations of PD No. 114 and the following regulations, subject to the regulatory and supervisory powers of the Bangko Sentral ng Pilipinas (BSP).

Form of Organization. A pawnshop may be established as a single proprietorship, a partnership or a corporation. Only Filipino citizens may establish and own a pawnshop organized as a single proprietorship. A pawnshop established as a single proprietorship by non-Filipino owner prior to January 29, 1973 may continue as such during the lifetime of the registered owner.

If a pawnshop is organized as a partnership, at least seventy percent (70%) of its capital shall be owned by Filipino citizens. Pawnshops established as partnerships prior to January 29, 1973, with non-Filipino partners whose aggregate holdings amount to more than thirty percent (30%) of the capital may retain the percentage of their aggregate holdings as of January 29, 1973, and said percentage shall not be increased, but may be reduced, and once reduced shall not be increased thereafter beyond thirty percent (30%) of the capital stock of such pawnshop.

In the case of a pawnshop organized as a corporation, at least seventy percent (70%) of the voting stock therein shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy percent (70%) of the members entitled to vote shall be citizens of the Philippines.

Pawnshops registered as corporations with foreign equity participation in excess of thirty percent (30%) of the voting stock, or members entitled to vote, of the pawnshop may retain the percentage of foreign equity as of January 29, 1973, and said percentage shall not be increased, but may be reduced and once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock, or number of members entitled to vote, of such pawnshop.

4. Money Changer Remittance Centers

Based on Circular No. 471 (S. of 2005)- Qualified persons or non-bank institutions wishing to act as **foreign exchange dealers (FXDs)/money changers (MCS)** and/or **remittance agents (RAs)** are required to register with the BSP. For this purpose, the term MCS, interchangeably referred to as FXDs, shall refer to those regularly engaged in the business of buying and/or selling foreign currencies.

Remittance agents (RAs) refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity. These include money or cash couriers, money transmission agents, remittance companies and the like.

- Microfinance Institutions** - Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance

products to the poor and low-income households and their microenterprises. By definition, it is important to note that Microfinance is NOT subsidized credit, NOT a dole-out, NOT salary or consumption loans, and a cure-all for poverty.

Clients of microfinance - The clients of microfinance are the economically-active, entrepreneurial poor (e-poor). Some examples of these are shopkeepers, ambulant vendors and household based entrepreneurs. These are the clients who have a stable economic activity and will be able to sustain and enhance these if they are provided with even a small amount of readily available funds.

Source: Bangko Sentral ng Pilipinas (BSP) website
<http://www.bsp.gov.ph/banking/bspsup.asp>

ANNEX 2. 2014 CMCI Manual of Operations for the Regional Competitiveness Committees



2014 Cities and Municipalities Competitiveness Index: Manual of Operations for the Regional Competitiveness Committees

August 2014

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LIST OF ACRONYMS

ADB	Asian Development Bank
AIM	Asian Institute of Management
BIR	Bureau of Internal Revenue
BPLO	Business Permits and Licensing Office
BPLS	Business Permits and Licensing System
BSP	Bangko Sentral ng Pilipinas
CBMS	Community Based Monitoring System
CCED	City Cluster Economic Development
CDA	Cooperative Development Authority
CEDOS	Chief Economic Development Society
CLUP	Comprehensive Land Use Plan
CMCI	Cities and Municipalities Competitiveness Index
COL	Cost of Living
CPDO	City Planning and Development Office
DB	Doing Business
DEPED	Department of Education
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOST	Department of Science and Technology
DOH	Department of Health
DOLE	Department of Labor and Employment
DOT	Department of Tourism
DPWH	Department of Public Works and Highways
DRRMC	Disaster Risk Reduction and Management Council
DRRMP	Disaster Risk Reduction and Management Plan
DTI	Department of Trade and Industry
EXCELL	Excellence in Local Governance Awards
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GR	Gross Sales
ICT	Information and Communications Technology
IFC	International Finance Corporation
INVEST	Investment Enabling Environment Project
IMD	International Institute for Management Development
IPA	Investment Priority Area
IPU	Investments Promotions Unit
IRA	Internal Revenue Allocation
JMC	Joint Memorandum Circular
LFS	Labor Force Survey
LGC	Local Government Code
LGPMS	Local Governance Performance Management System
LGSP-LED	Local Governance Support Program for Local Economic Development
LGU	Local Government Unit
LIIC	Local Investment Incentives Code
M/CTO	Municipal/City Treasurer's Office
MOA	Memorandum of Agreement
MPDO	Municipal Planning and Development Office
NCC	National Competitiveness Council
NTC	National Telecommunications Commission
NWPC	National Wages and Productivity Council
NSO	National Statistics Office
OIDCI	Orient Integrated Development Consultants, Inc.

OBO	Office of the Building Official
PCCI	Philippine Chamber of Commerce and Industry
PCCR	Philippine Cities Competitiveness Ranking
PMA	Philippine Medical Association
PNP	Philippine National Police
PSA	Philippine Statistical Authority
RCC	Regional Competitiveness Committee
SEC	Securities and Exchange Commission
SGH	Seal of Good Housekeeping
USAID	United States Agency for International Development
WEF	World Economic Forum

I. INTRODUCTION

For a developing economy like the Philippines, it is crucial to identify specific indicators of development and competitiveness at the local level. Such an indicator system can pinpoint the benefits and connections of the outcomes of the global rankings to local government units (LGUs). It will identify the economic strengths and weaknesses of LGUs. It also allows local level comparisons, which could help lagging localities to focus on gaps and trigger catch-ups. Cities and large municipalities, in particular, are to benefit from such comparisons as they are considered centers of economic activity and because they generate investments and resources for cluster areas around them, and for the provinces where they are located.

Presently, there is no standardized system or mechanism for compiling such local indicators in the Philippines. The economic and development indicator system that generates the national economic data is based on different surveys that consider only samples from localities such as the National Income Accounts and the Labor Force Surveys. There are pockets of local data collections, mostly initiated by local governments for their own use. Thus, there are no area specific estimates for sub-regional performance that can be provided except for regional and national indicators. Because of this, most reports on LGU economic development are dated, one-time undertakings and/or are focused on some aspects, rather than a regular assessment.

In response to this gap, the National Competitiveness Council advocated for the creation of Regional Competitiveness Committees (RCCs). The RCCs have been tasked to regularly track local competitiveness indicators, formulate programs to improve competitiveness and engage in investment promotion activities to attract investors and create new jobs. Each RCC is composed of members from the public sector, private sector and academe.

The development of a framework of local competitiveness was one of the key links in connecting global competitiveness to the LGUs. With the assistance of the United States Agency for International Development (USAID) through the Investment Enabling Environment Project (INVEST), the NCC through the Regional Competitiveness developed a framework to help LGUs assess their level of competitiveness and develop reforms.

One of the key components of the framework is the identification of a set of competitiveness indicators that can be applied at the city and municipal levels. After a series of meetings with the NCC, RCCs, and INVEST Project, the framework and template of indicators were finalized and distributed to the RCCs for data gathering. The results of the first round of data collection were presented to the public on July 2013 as the Cities and Municipalities Competitiveness Index.

This manual is intended to guide the Regional Competitiveness Committees (RCCs) in gathering data for determining the competitiveness ranking of cities and municipalities for 2014. The final set of indicators included in the manual was agreed on in various meetings of the NCC with the RCCs. This manual, prepared by Dr. Alvin Ang, is divided into four (4) sections, following the introduction. The framework for competitiveness is discussed in the second section, which is followed by a description of the indicators in the third section. The institutional mechanism for computing the indicators is found in the last section.

II. THE FRAMEWORK FOR LOCAL COMPETITIVENESS

A. Definition of Competitiveness

A number of global surveys on competitiveness use the framework developed by Michael Porter, which is also being adopted in this manual. Porter's definition of competitiveness focused on the idea of productivity. Productivity is defined as output per unit of input. Effectively, it attempts to measure how many final products can be produced using a limited number of inputs. For example, palay output is determined by the size of the land, fertilizers, labor of the farmer, tractor or farm animal used. Productivity of palay output is seen as the number of cabans of palay harvested based on the different inputs used. The more productive output is the one that used less inputs. In terms of services, a public transportation like a jeepney can also provide productivity. Its productivity is the number of passengers per trip based on the liter of diesel consumed and the labor of the driver. Productivity can also be measured based on time. For instance, if one is considering hiring an experienced sewer of t-shirts, the best indicator is the number of t-shirts produced per hour. The more output, the more productive is the worker. Thus, productivity is synonymous to efficiency allowing us to accomplish more with less. Productivity also requires that efficient outputs can command value in the local up to the global marketplace. Hence, the t-shirts and the sacks of palay are of quality and can be sold in any market.

With these examples, we can now use Porter's definition of competitiveness. He defined competitiveness as based **on location** and is **essentially the productivity** that companies located there can achieve (Porter, 2004). He explains location as a country's underlying source of its resources and productivity as how the country uses it. Using the same lens towards a micro perspective, local competitiveness is how a city or a municipality knows its resources and how it uses these to improve its standard of living. Improving productivity allows firms, cities, municipalities and countries to improve their standards of living and thereby give prosperity to its citizens.

Furthermore, it is important to note that the productivity being mentioned here is one that *allows sustainable prosperity* over time. Ketel (2006) commenting on Porter added that the crucial aspect of prosperity is the understanding of a "created" and an "inherited" prosperity. Inherited prosperity is one that is based on limited natural resources flowing into financial assets such as the vast oil fields of the Middle East. For purposes of this manual, prosperity is based on activity that *creates value* by providing products and services at prices higher than their cost of production." The focus therefore is on "created" prosperity. Under this context, the proposed framework described below focuses on developing essential aspects of a locality based on its existing natural and physical conditions, the human, physical, financial and natural resources it possesses, the systems under which it operates and how the interplay of all such factors lead to value creation that ultimately contribute to its sustainable productivity. This is critical because Porter's definition encompasses all sectors of society. According to him, "almost everything matters for competitiveness – schools, roads, financial markets, the consumers." He also cautioned that to make all of these work for competitiveness, people and culture must also catch up with the mindset. Hence, improving competitiveness takes time.

B. Framework for Local Competitiveness

Taking off from this contextual definition of competitiveness, we developed a framework that considers the processes involved in making productivity work better across cities and municipalities in the Philippines. There is a tacit recognition that this productivity is not automatic but relies heavily on the institutions of Philippine society. The framework for local competitiveness as developed is based on an analysis of the most common factors that determine competitiveness among the different global and local indicator systems that are currently being used (refer to Annex 1 for the list). Specifically, the framework considered the common factors found among the surveys conducted globally and nationally. For instance, three global surveys - the Doing Business Survey of the International Finance Corporation (IFC), the Global Competitiveness Index prepared annually by the World Economic Forum (WEF), the

IMD's Competitiveness Survey - were examined to determine common factors that were relevant to the Philippines (Figure 1). Four local surveys were also studied – the Philippine Cities Competitiveness Ranking Project (PCCRP) of the Asian Institute of Management (AIM), the NCC's internally generated factors, Regional Competitiveness Factors, and Asian Development Bank's (ADB) CCED (Figure 2).

To construct the country's own local competitiveness framework, the guidelines in developing indicators from the Chief Economic Development Society - UK (CEDOS, 2011), the Local Government Economic Indicators Framework – New Zealand (BERL, 2010) and the POLICOM Local Economic Strength Ranking (2012) were adapted. The FEEE Principle, i.e., Few in Number, Easy to Collect, Easy to Understand, and Effective Measures of Performances, was also considered.

Figure 1.
Convergence of Factors (Global)

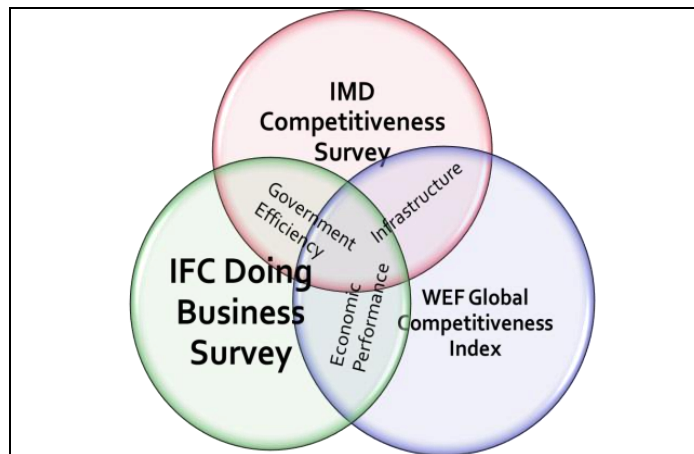
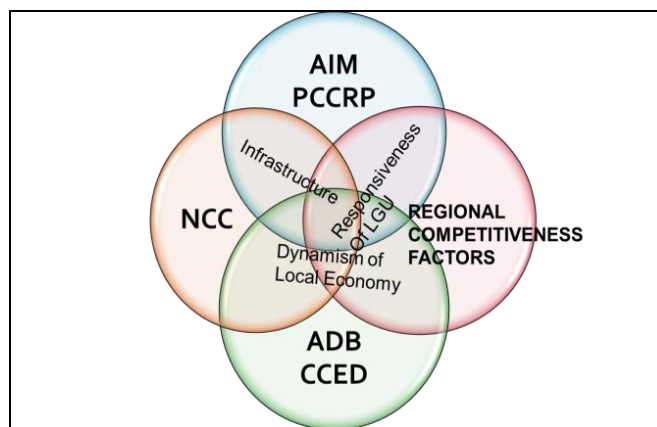


Figure 2.
Convergence of Factors (Sub-National)



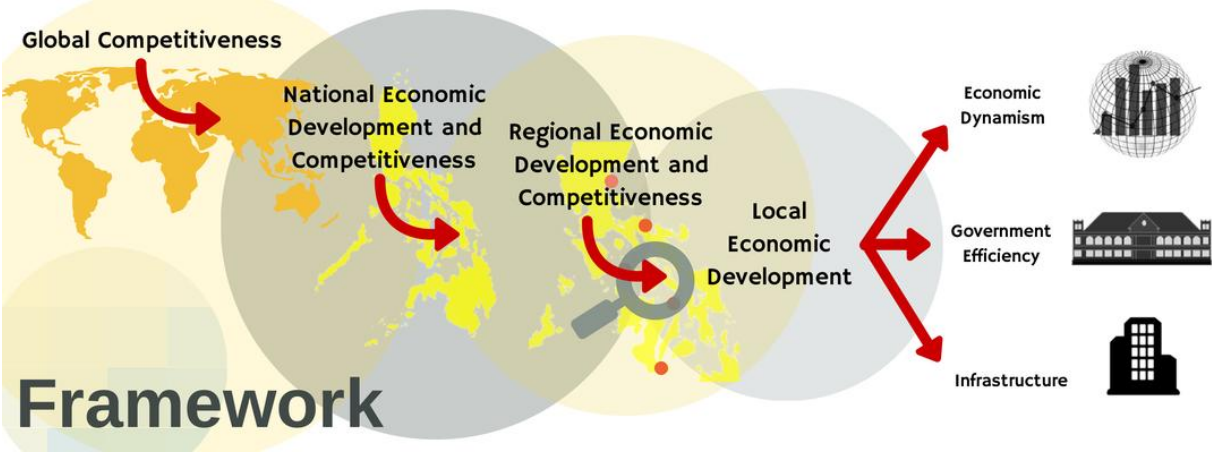
The convergence among the different competitive surveys and reports led to three (3) core and convergent pillars: **Economic Dynamism, Government Efficiency and Infrastructure.**

4. Economic dynamism is usually associated with activities that create stable expansion of businesses and industries and higher employment. This is the concrete representation of productivity as it matches the output of the local economy with the local resources. Conceptually, it is the combination of the entrepreneurial spirit and the financial institutions that will channel dynamism (Edmund Phelps). It is recognized that localities are the centers of economic activities. Therefore, business expansion and job creation are easily observable in local settings.
5. Government efficiency refers to the quality and reliability of government services and government support for effective and sustainable productive expansion. Conceptually, this factor looks at government as an institution that is generally not corrupt; able to protect and enforce contracts; apply moderate and reasonable taxation and is able to regulate proactively (La Porta et al, 1999). This represents the people and culture factor that Porter alluded to in understanding the process of competitiveness and making locations productive.
6. Infrastructure, which refers to the physical building blocks that connect, expand and sustain a locality and its surroundings to enable the provision of goods and services. It involves basic inputs of production such as energy, water; interconnection of production such as transportation, roads and communications; sustenance of production such as waste, disaster preparedness, environmental sustainability and human capital formation infrastructure. This represents the idea of making productivity sustainable over time.

These core or common priority pillars need to be linked to the sub-national, national and global indicator systems so that they can contribute to overall national competitiveness within the global perspective. Thus, an integrated framework interconnects the local up to the global levels of competitiveness and development as can be seen in Figure 3.

This now serves as the core local economic development and competitiveness framework. It implies aggregation, consultative policy-making and a common agenda for development by both national and local governments.

Figure 3.
National Economic Development and Competitiveness Framework



III. LIST OF INDICATORS OF COMPETITIVENESS

Each pillar of competitiveness also has contributory indicators that, in turn, are the basis of the sub-indicators that will be collected and used as basis for ranking cities and municipalities in the country. The justification and explanation of each pillar and its corresponding sub-indicators are described below.

**Table 1.
List of Sub-Indicators for the Indicators of Economic Dynamism**

Indicators	Sub-Indicator/s
1. Size of the Local Economy	Gross sales
	Total number of business registrations
	Total capitalization of newly registered businesses
	Total number of occupancy permits approved
2. Growth of the Local Economy and Investment	Growth of gross sales
	Growth in the total number of business registrations
	Growth in the capitalization of new businesses
	Growth in the number of occupancy permits approved
3. Capacity to Generate Employment	Number of declared employees for new business applications
	Number of declared employees for business renewals
4. Cost of Living	Local inflation rate
5. Cost of Doing Business	Cost of electricity
	Cost of water
	Price of diesel
	Daily minimum wage
	Cost of land in a central business district
	Cost of rent
6. Financial Deepening	Number of banks and financial institutions
7. Productivity	Local productivity
8. Presence of Business and Professional Organizations	Number of LGU recognized / registered business groups
	Number of Other Business Organizations

Table 2 below contains the sub-indicators under each of the indicators for government efficiency. There are 18 sub-indicators under these indicators.

Table 2.
List of Sub-Indicators for the Indicators of Government Efficiency

Indicator/s	Sub-Indicator/s
1. Capacity of health services	Capacity of Public Health Services
	Capacity of Private Health Services
2. Capacity of schools	Capacity of Public Schools
	Capacity of Private Schools
3. Security	Police to Population Ratio
4. Business registration efficiency	Registration for New Business
	Registration for Renewal of Business Permits
	Registration for Building Permits
	Registration for Occupancy Permits
5. Investment Promotions Unit	Presence of an Investment Promotions Unit
6. Compliance to National Directives	Presence of a Comprehensive Land Use Plan
	Presence of a Disaster Risk Reduction and Management Plan
7. Ratio of LGU collected tax to total LGU revenue collection	Business Tax to Total LGU revenue collection
	Real Property Tax to Total LGU revenue collection
8. Transparency score in the Local Government Performance Management System (LGPMS)	Transparency score in the Local Government Performance Management System (LGPMS)
9. Economic Governance score in the LGPMS	Economic Governance score in the LGPMS
10. Most competitive LGU awardee	Number of DILG awards garnered from past year
	Other Awards given by credible government and non-government institutions

Table 3 below contains the indicators under each of the sub-factor for infrastructure. There are 20 sub-indicators for the indicators on infrastructure.

**Table 3.
List of Sub-Indicators for the Indicators of Infrastructure**

Indicator/s	Sub-Indicator/s
1. Existing road network	Road Density
2. Distance of city/municipal hall to major ports	Distance to Operating Airport
	Distance to Bus Terminal
	Distance to Seaport
3. Number of Department of Tourism (DOT) – accredited tourist accommodations	Number of DOT-accredited establishments
	Number of rooms available in each of the available type of accommodation
4. Availability of basic utilities	Average hours of availability per day
	Number of days of interruption per year
5. Annual Investments in infrastructure by the LGU	Total Investment in infrastructure in the LGU budget
6. Connection to Information and Communication Technology (ICT)	Number of cable providers
	Number of internet providers
	Number of cellular/telephone providers
7. Number of public transport vehicles	Number of public transport vehicles
8. Health infrastructure	Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities
	Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities
9. Education infrastructure	Number of public sector-run schools and classrooms
	Number of private sector-operated schools and classrooms
10. Number of automated teller machines	Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located
	Number of off-site ATMs where ATM machines are set up on a stand-alone basis

IV. DESCRIPTION, COLLECTION AND PROCESSING OF INDICATORS

This chapter contains the details needed to collect the data for the indicators, e.g. description of the indicator, the unit of measure, the source of data, the level of detail, the period covered and the computations or processing required to be done for each of the indicators.

A. Economic Dynamism

Competitiveness is usually associated with robust growth of economies. But expansion of economies is the result of a confluence of factors. As explained in earlier chapters, there are 8 major sub-factors of economic dynamism and a total of 19 indicators included in the competitiveness framework.

9. Size of the Local Economy

As described in the previous chapter, the size of the economy approximates the level of economic activity in the LGU, which, at the national level, is measured by gross domestic production. At the local level, the proxies for local economic activity include gross sales, which can be a measure of local production, the number of business registrants and total capitalization of newly registered business enterprises, which indicates the level of new investment in the locality.

Table 4.
Detailed Indicators for Size of the Local Economy

A. Gross Sales	
Description	This indicator is a proxy for the level of production in the LGU. It usually refers to the income (at invoice values) received for goods and services over some period of time (www.thefreedictionary.com). The data is usually collected from all businesses renewing their business permits, which are required to declare their gross sales when they submit their business renewal form every January. Gross sales is usually the basis for computing the business tax for establishments in cities and municipalities nationwide. The level of gross sales is positively correlated with economic activity, i.e. the higher the gross sales, the more dynamic the economy is.
Unit of Measurement	Philippine Pesos
Source of Data	Municipal/City Treasurer's Office (M/CTO) of the local government. Note that the business (or Mayor's Permit) application form of cities and municipalities contains a field on gross sales
Level of Detail	Annual totals for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	The gross sales (GR) of each business registrant in the locality is aggregated or summed, i.e. GR1+GR2+...+GRN= Total GR
B. Total Number of Business Registrations	
Description	This indicator measures the number of "active" establishments in a locality. The more establishments registered with the local government, the higher is the potential of the locality to produce goods and services. Before they can operate, all businesses in the Philippines have to apply for a business or Mayor's permit, which is

	renewed every year.
Unit of Measurement	Number of businesses registered with the LGU
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO)
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - No. of approved business permits for new business applications - No. of approved business renewals
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required	None
C. Total Capitalization of New Businesses	
Description	This indicator is a proxy for new investment in the locality. Capitalization is usually defined as the aggregate valuation of a company based on its current share price and the total number of outstanding stocks. The higher the capitalization recorded, the greater is the potential for production and job creation. Only new business applicants are required to provide data on capitalization.
Unit of Measurement	Philippine Pesos
Source of Data	M/CTO of the LGU
Level of Detail	Annual totals for the period covered for
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	Compute for total capitalization which is the sum of the capitalization of all new business registrants for a given year, e.g. $CAP1 + CAP2 + \dots + CAPN = CAPT$ where CAP 1 – refers to the capitalization of business registrant 1 CAP N - refers to the capitalization of the nth business registrant CAPT - refers to total capitalization for all business registrants
D. Number of Occupancy Permits Approved	
Description	This indicator is a proxy for measuring construction activities in a locality, which in turn, also approximates investment activities. Construction is a component of gross domestic capital formation, which in the national income accounts, can be roughly interpreted as investment. An occupancy permit is usually issued by the local government's Office of the Building Official (OBO), which certifies that a business complies with national and local standards of safety and security and is fit to operate. Usually this permit triggers the application for a business permit, which is required before a firm can operate a new business.
Unit of Measurement	Number of approved/issued occupancy permits
Source of Data	Office of Building Official (OBO) and City or Municipal Engineer's Office
Level of Detail	Annual totals for period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	Sum all the occupancy permits issued by the LGU for a given year

10. Growth of the Local Economy and Investment

The dynamism of the local economy can also be gauged by the rate of expansion of production activities, number of establishments and investment in the area. Hence, the growth of the proxy indicators for local production described in #1 above can be an approximation of economic expansion in the LGU. At the national level, this indicator is similar to the growth of gross domestic production.

Table 5.
Detailed Indicators for Growth of the Local Economy and Investment

A. Growth of Gross Sales	
Description	This indicator is a proxy for the growth of local production of goods. The higher the growth of the gross sales, the faster the expansion of the local economy.
Unit of Measurement	Percentage
Source of Data	(M/CTO)
Period Covered	Growth rate of gross sales for two periods: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	None; Growth in sales computed by NCC
B. Growth in Total Number of Business Registrations	
Description	This indicator is a proxy for the growth of active establishments or firms in the locality. Since firms are responsible for producing goods and services, the growth in the number of operating local establishments augurs well for higher production expansion.
Unit of Measurement	Percentage
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO).
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - Growth in the number of approved new business permits - Growth of number of approved business renewals - Growth of the total number of business applications
Period Covered	Growth rate in the number of business registrations for two periods: (1) 2012-2013 (for consideration in the ranking); (2) 2011-2012, Jan-March, 2013 & 2014 (for entry into the database)
Processing Required	None; Growth in total number of business registrations is computed by NCC
C. Growth of Total Capitalization of New Businesses	
Description	This indicator measures investment expansion in the local economy, since capitalization is a proxy for investment as shown in 1.C above. High growth in capitalization, which is usually collected from new business applicants implies greater potential for increased production in the future and higher economic activity in the LGU.
Unit of Measurement	Percentage
Source of Data	M/CTO
Level of Detail	Annual growth rates for the period covered
Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	None; Growth in total capitalization of new businesses is computed by NCC
D. Growth in the Number of Occupancy Permits Approved	
Description	This indicator measures the expansion in construction activities in the locality, which as indicated in 1.D above, is another measurement of local physical expansion. Similar to the implications of higher growth in capitalization of new firms, the growth in the number of approved occupancy permits implies a potential increase in the production of goods and services in the LGU as these permits may later be translated in business activities in the future.
Unit of Measurement	Percentage
Source of Data	OBO of the LGU
Level of Detail	Annual growth rates for period covered

Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required	None; Growth in total number of occupancy permits is computed by NCC

11. Capacity to Generate Employment

The level of employment is an indicator of an economy's performance. Usually a robust economy, which produces goods and services at a fast pace, will require people at factories and service establishments. Hence, the demand for jobs in an LGU can be gauged from a locality's employment level.

Table 6.
Detailed Indicators for Employment

A. Number of Employed	
Description	The Philippine Statistical Authority (PSA)/National Statistics Office (NSO) follows the definition of "employed persons" stipulated by the International Labor Organization, which is "comprising of all persons above a specific age who during a specified brief period, either one week or one day, were in paid employment (i.e. at work receiving some salary or payment in cash or kind) or self-employed." This indicator measures local employment and job absorption.
Unit of Measurement	Number/item count
Source of Data	BPLO or the M/CTO where data will come from the application form which has a field on "number of employed". The form is submitted by businesses to the BPLO.
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - No. of declared employees for new business applications (En) - No. of declared employees for business renewals (Er)
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required	None

12. Cost of Living

Cost of living (COL) is usually defined as " the basic **cost** of the food, clothing, shelter, and fuel necessary to maintain life, especially at a standard regarded as basic or minimal." The COL is a usual measurement that allows comparison of expenses of basic commodities across locations. An investor may opt to go to place with low prices of goods and services since it may imply lower costs of production. Lower cost of goods and services may also mean adequate basic resources, since cost of goods is a function of supply and demand conditions. Generally, places with low cost of living may be more attractive, though across locations, higher cost of living is observed in highly urbanized areas compared to lower-income classed LGUs.

Table 7.
Detailed Indicators for Cost of Living

A. Local Inflation Rate	
Description	This indicator measures the stability of prices and local cost of living. The inflation rate, as officially defined by the Philippine Statistical Authority (PSA), is the annual or year-on-year change in the consumer price index, which in turn, is composed of the average prices of a fixed basket of goods and services commonly purchased by households relative to a base year. Since the PSA does not compute for municipal or city level inflation rates, the local

	inflation rate will be based on the changes in the price level <i>in the province where locality is located</i> .
Unit of Measurement	Rate
Source of Data	Databank and Information Service Division of PSA at the provincial level
Level of Detail	Annual rate for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

13. Cost of Doing Business

Investors are usually attracted to areas with low prices of critical inputs to production. For purposes of computing for the competitiveness index, there are six cost components included in the sub-factor on the cost of doing business, i.e. water, electricity, petroleum, rent, land and labor.

Table 8.
Detailed Indicators for Cost of Doing Business

A. Cost of Electricity	
Description	Electricity is usually supplied throughout the country by electric cooperatives which set the rates according to types of consumers. Power is a major cost component of production.
Unit of Measurement	Philippine peso per kilowatt hour
Sources of Data	Local electric cooperative
Level of Detail	Average annual price of electricity for two types of customers: (1) commercial users; and (2) industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
B. Cost of Water	
Description	Water is a major cost component of production, the rates of which are classified according to type of users.
Unit of Measurement	Philippine peso per cubic meter
Sources of Data	Local service provider
Level of Detail	Average annual price of water for two types of customers: (1) commercial users; (2) and industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
C. Price of Diesel	
Description	The price of diesel per liter is a proxy for the cost of petroleum, which is an important component of production cost. The price to be used for this indicator is that prevailing on Dec 31 of period covered.
Unit of Measurement	Philippine peso per liter
Sources of Data	Biggest gasoline station in the locality
Level of Detail	Price of diesel prevailing on December 31 of the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
D. Daily Minimum Wage Rate	

Description	This indicator is a proxy for the cost of labor in the locality. The Regional Tripartite Wages and Productivity Board usually prescribes the minimum wage rates for all private enterprise workers in the region, which should not be lower than the statutory minimum wage rates. The minimum wage rate prevailing in the region where the LGU is located will be the relevant data for this indicator.
Unit of Measurement	Philippine pesos (PhP) per day
Sources of Data	<ul style="list-style-type: none"> - Regional Minimum Wages: National Wages and Productivity Council (NWPC) website (http://www.nwpc.dole.gov.ph) which contains a section on daily minimum wage rates per region. - Wages by sector: Regional offices of the Department of Labor and Employment (DOLE)
Level of Detail	<p>Collect data for two categories of workers :</p> <p>(1)Agricultural which is divided into:</p> <ul style="list-style-type: none"> -plantation -non-plantation <p>(2)Non-agricultural which is divided into:</p> <ul style="list-style-type: none"> -establishments with more than 10 workers -establishments with 10 workers or below
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
E. Cost of Land in a Central Business District	
Description	The cost of acquiring land is a major consideration of investors. The most common source of data on cost of land is the zonal valuation of the Bureau of Internal Revenue (BIR), which in most cases is below market values. However, what is important is to try to get the market values, which may be the average purchased value of a piece of land in the central business district in the LGU.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker; local banks
Level of Detail	Annual average cost of land for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
F. Cost of Rent	
Description	Some business firms rent office space. This indicator tries to capture the cost of renting commercial space in a locality, which can be measured by the average rental rate per square meter for commercial /office space.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker
Level of Detail	Annual values for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

14. Financial Deepening

The number financial institutions operating in a locality is usually a good measure of financial deepening. Progressive LGUs in highly urbanized areas will have more banks and financial institutions than the

secondary or lower classed LGUs. Hence the more financial institutions in different forms are available in a locality, the more liquid and financially facilitative business activities will be.

Table 9.
Detailed Indicators for Financial Deepening

A. Number of Banks and Financial Institutions	
Description	The <i>Bangko Sentral ng Pilipinas</i> (BSP) classifies financial institutions into 2 categories: (1) the broad category of banks constituting the Philippine banking system which is composed of universal and commercial banks, thrift banks, rural and cooperative banks; (2) non-banks with quasi banking functions such as financial cooperatives, savings and loan associations, pawnshops, microfinance institutions. The definition of these institutions is found in Annex 1.
Unit of Measurement	Number/item count
Source of Data	There are several sources of data for this indicator: <ul style="list-style-type: none"> - <i>Bangko Sentral ng Pilipinas</i> (BSP) – for most of the data on banks and non-bank financial institutions - BPLO to get data from the business permit application form, i.e. the field on “lines of activity” which can be used in getting the number of financial institutions by type; - Cooperative Development Authority (CDA) – - Local groups on financial institutions like the local branches of the Banking Association of the Philippines, Rural Banks Association of the Philippines
Level of Detail	Data should be disaggregated as follows: <ul style="list-style-type: none"> - Banks by type (i.e. Commercial, Universal, Rural, Thrift and Savings Bank) - Financial Cooperatives - Saving and Loans Associations - Pawnshop - Money Changers/foreign exchange dealers - Remittance Centers - Microfinance Institutions
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

15. Productivity

As seen in chapter 2, productivity of firms in a locality is an important aspect of competitiveness. According to the latest Global Competitiveness Report 2012-2013, “The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to sustain growth.”

**Table 10.
Detailed Indicators for Productivity**

A. Gross Sales over Total Employment	
Description	In the context of an LGU, productivity can be defined broadly by considering total production in the local economy, which is measured by total sales, with the total number of employed in the locality. High productivity is associated generally with a robust local economy. This indicator measures the efficiency of local production, potential wage and profit increase.
Unit of Measurement	Ratio
Source of Data	- Gross sales - from Section A.1.A above - Total employment – from Section A.3.A
Level of Detail	Annual ratios for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None: NCC computes for local productivity

16. Presence of Business and Professional Organizations

In economics, it is often said that the private sector is the driver of economic growth. Following this, it is important to harness private sector organizations, especially the business groups, to support the LGUs' efforts at enhancing their competitiveness. The presence of organized business groups is positively correlated with the potential of an area to improve its competitiveness.

**Table 11.
Detailed Indicators for Presence of Business and Professional Organizations**

A. Number of Business Groups	
Description	Business groups refer to organized business groups in the locality that have legal personalities and are accredited in the locality. Operationally, these pertain to: (1) organizations that are registered with the Securities and Exchange Commission (SEC) and are members of nationally accredited business organizations like the Philippine Chamber of Commerce and Industry (PCCI); or (b) business groups that are accredited by the LGU.
Unit of Measurement	Number/item count
Source of Data	There are two categories of business groups for which data should be collected: - LGU-accredited business groups – LGU's Planning Development Office - Other Business Organizations - Records of business associations such as the Philippine Chamber of Commerce and Industry (PCCI) at national and regional levels.
Level of Detail	Two levels of business groups: (1) LGU recognized; and (2) Other business groups
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

B. Government Efficiency

Investors are attracted to areas, which foster a business-friendly environment. Local governments play a critical role in ensuring that policies are conducive to attract investment. Citing the Global Competitiveness Report 2012-2013 again, "Government attitudes toward markets and freedoms and the efficiency of its operations are also very important: excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency and trustworthiness, inability

to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development.”

In the computation of the competitiveness index for the Philippines, there are ten indicators that will be considered.

The first three – capacity of health services, capacity of schools and security – are basic government services, which local governments as part of the public sector, at the minimum, are expected to provide.

**Table 12.
Detailed Indicators for Government Efficiency**

1. Capacity of Health Services	
Description	Basic health services generally refer to the “minimum degree of healthcare considered to be necessary to maintain adequate health protection from disease.” (the Free Dictionary). Since the government provides various health services, the indicator to be used as proxy for basic health services is the number of health manpower in the public and private health facilities in the locality. Health manpower refers to doctors, nurses and midwives.
Unit of Measurement	Number/Actual Count
Source of Data	<ul style="list-style-type: none"> - Regional Office of the Department of Health for data on health manpower for the public sector; - LGU Health Office to validate; - Philippine Medical Association (PMA) for health professionals (public and private)
Level of Detail	Health manpower in the public and private sectors categorized into the following: <ul style="list-style-type: none"> - Doctors; - Nurses; and - Midwives
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
2. Capacity of Schools	
Description	This is an indicator of basic education which usually refers to provision of primary and secondary level of education. To simplify, the proxy indicator for the presence of basic education services is the number of teachers and students in secondary level in both public and private facilities.
Unit of Measurement	Number/ actual count
Source of Data	Regional and Division Office of the Department of Education
Level of Detail	There are two sets of indicators that should be collected: <ul style="list-style-type: none"> - Public sector secondary education indicators divided into: <ul style="list-style-type: none"> * number of students * number of teachers - Private sector secondary education indicators divided into: <ul style="list-style-type: none"> * number of students * number of teachers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	None
3. Security	

Description	Local governments have the basic responsibility to maintain peace and order in a community. For this indicator, the metric is the number of police in the locality.
Unit of Measurement	Number/ actual count
Source of Data	Philippine National Police Regional Office ; Local PNP
Level of Detail	Number of policemen for the years indicated
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

The next two – business registration efficiency and investment promotions unit – highlight the obligation of local government to provide a conducive business environment and attract investments. This implies putting in place efficient business permitting processes that grant permits and licenses at the shortest possible time and with reasonable documentary requirements from business applicants. At the same time, LGUs that set up investment promotion offices reflect their seriousness in taking care of investor interests and are favorably looked upon by investors.

Table 12.
Detailed Indicators for Government Efficiency (continued)

4. Business Registration Efficiency	
Description	This indicator measures the speed and effectiveness of LGUs' business registration processes. The efficiency of LGUs in processing business-related activities is assessed from two aspects: number of procedures or steps and processing time. Shorter steps and processing time implies less cost in doing business with the LGU and hence, an enticement for investors. These two criteria for efficiency are applied to four types of permits that are processed by cities and municipalities in the Philippines: (1) Mayor's Permit for new businesses; (2) renewals of business permits; (3) building permits; and d) occupancy permits.
Unit of Measurement	- Steps/Procedures: Number/item count - Processing time: in number of days (Note: For transactions that can be completed in less than a day, input number of minutes/480 (e.g. 15 minutes = 15/480; 2 hours and 30 minutes = 150/480)
Source of Data	- BPLO of LGU for data on steps and processing time for new business applications and business renewals; and - Office of Building Official or Engineering Office for data on steps and processing time for building and occupancy permits
Level of Detail	There are four categories of permits where data on steps and processing time should be collected: - Mayor's Permit for new business applications - Business renewals - Building permits - Occupancy permits
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
5. Presence of an Investment Promotions Unit	
Description	This indicator signifies the seriousness of the LGU to attract investments. The formulation of the Local Investment Incentives Code (LIIC), which the DILG and the Board of Investments are promoting, contains a section that

	mandates the creation of an Investment Promotions Center or Unit (IPU) to carry out the objectives of the LIIC. The LIIC is a document that articulates the local government investment policies and programs, Investment Priority Areas (IPAs), local incentives (fiscal or non-fiscal) available to domestic and foreign investors and the mechanics for availing them. In line with this intent of the government, this indicator measures the level of compliance by LGUs to the setting up of Investments Promotions Unit (IPU) or Center. This indicator will be measured based on physical evidence and observation.
Unit of Measurement	Input of YES = 1 or NO = 0 to the four types if information specified below
Source of Data	Planning and Development Office of LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the Local Investment Incentives Code - Presence of the equivalent of an Investment Promotions Unit, - Presence of staff manning the IPU; and - Presence of local executive order or ordinance that mandates the implementation of the LIIC or the setting up of an IPU
Period Covered	One year – 2013
Processing Required	None

The responsiveness of LGUs is also assessed in relation to compliance to national directives. Locational preferences and decisions of investors at the local level are influenced by zonal classifications, which in turn are dependent on the LGUs' Comprehensive Land Use Plan (CLUP). Hence, Local Chief Executives, who are forward looking, will usually be up-to-date in revising their CLUP, which is required to be done every ten years. With the adverse impact of climate change these days, which can destroy localities, the revision of CLUPs has become more important and so with the need to formulate Disaster Risk Reduction and Management Plans (DRRMP).

Table 12.
Detailed Indicators for Government Efficiency (continued)

6. Compliance to National Directives

A. Presence of a Comprehensive Land Use Plan (CLUP)	
Description	The CLUP is a planning document prepared by LGUs to rationalize the allocation and proper use of land resources. It projects public and private land uses in accordance with the future spatial organization of economic and social activities. Under the LGC of 1991 and other pertinent laws, all LGUs are mandated to continue to prepare/revise/update their comprehensive land use plan which shall be enacted through a zoning ordinance.
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU; Engineer's office of the LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the CLUP; - Presence of an office that implements the CLUP (usually the Planning and Development Office), - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the CLUP
Period Covered	2013
Processing Required	2. Check the presence of the four types of information stated above and assign (1) if present and (0) is absent; 2. Add the total or sum after doing step 1. If all components are present in

	the LGU, then the LGU get a composite score of 4.
B. Presence of a Disaster Risk Reduction and Management Plan (DRRMP)	
Description	LGUs are required by Republic Act 10121 to prepare their local disaster risk reduction and management plan (DRRMP).
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the DRRMP; - Presence of an office that implements the DRRMP; - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the DRRMP
Period Covered	One year – 2013
Processing Required	None

Revenue generation, especially from LGU's own resources, is an indicator of the capacity of the local government to implement investment-related programs and projects. Most LGUs depend heavily on Internal Revenue Allocation (IRA); hence the Department of Finance (DOF) recognizes LGUs that are least dependent on IRA and can generate resources from its own set of taxes and fees. Consistent with this stance of the government, the capacity to generate resources is assessed based on the share of own-source revenues to the LGUs' total revenue collection. LGUs with high own-source revenue shares are associated with better fiscal management.

Table 12.
Detailed Indicators for Government Efficiency (continued)

7. Ratio of LGU Collected Tax to Total LGU Revenues	
Description	While LGUs have various sources of income, this indicator measures the resources that the LGUs can generate real property and business taxes, which are the two largest sources of local revenues.
Unit of Measurement	<ul style="list-style-type: none"> - Values in Philippine pesos (Php) for the actual tax collected; - Ratio/Percent for the share of local taxes to total revenues
Source of Data	Visit www.blgf.gov.ph where data can be culled from the statement of income and expenditures of cities and municipalities
Level of Detail	Annual totals and ratios for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

Good governance promotes economic growth and is a critical ingredient to attracting investors in a given locality. Good governance, however, requires transparency and accountability in public services. These two principles are included in DILG's LGU performance monitoring and management system called Local Government Performance Management System.

Table 12.
Detailed Indicators for Government Efficiency (continued)

8. Transparency Score in Local Government Performance Management System (LGPMS)	
Description	Transparency covers openness and accessibility of information and LGU processes. The indicator to be used is the summary of the LGUs' score on the presence of a public information office, communications media and accessibility of public documents. The program area in the LGPMS where data can be accessed is "valuing fundamentals of governance."

Unit of Measurement	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: http://www.blgs.gov.ph/lgpms2
Level of Detail	LGU Score for years covered
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required	None
9. Economic Governance Score in the LGPMS	
Description	The economic governance score in the PGPMS covers the LGUs' perception of how they support the local business environment through their services. The indicator to be used is the summary of the LGUs' score on the quality of civil applications system to business sector, processing time of building permits, quality of direct support services to business enterprises and industry. The program area in the LGPMS where data can be accessed is "economic governance – entrepreneurship, business and industry promotion."
Unit of Measurement	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: www.blgs.gov.ph/lgpmsv2
Level of Detail	Separate score for each indicator
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required	None

Giving of awards to local governments to recognize good performance has been an accepted practice by both National Government agencies like the DILG and private sector organizations like the Philippine Chamber of Commerce and Industry. These awards systems have been an excellent motivator for LGUs. Hence, the number of awards especially those that promote competitiveness is a good indicator of good performance of LGUs.

Table 12.
Detailed Indicators for Government Efficiency (continued)

10. Most Competitive LGU Awardee	
Description	This considers the efforts of LGUs to improve its performance based on the following recognized awards: (a) <i>Galing Pook</i> ; (b) Seal of Good Housekeeping; (c) <i>Pamana ng Lahi</i> ; (d) eGov Awards for LGUs; (e) PCCI's Most Business-Friendly LGU Award; (f) Excellence in Local Governance Awards (EXCELL); (g) Outstanding LGUs in Streamlining BPLS. Other national, regional and international awards given by credible sources are also recognized.
Unit of Measurement	Number/Item count
Source of Data	<ul style="list-style-type: none"> - Office of the Mayor for the listing of awards (other awards not covered by the regional DILG must be based on certification) - Regional Offices of the DILG for the DILG awards (e.g. Seal of Good Local Governance)
Level of Detail	The awards are grouped into: <ul style="list-style-type: none"> - DILG accredited awards; - Other awards conferred by credible institution at the regional, national and international levels
Period Covered	2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required	Summation of the total DILG accredited awards and other awards

C. Infrastructure

The presence of infrastructure facilities is often a major consideration in investors' decision to locate in an area. The World Economic Report 2012-2013 aptly explains the important role of infrastructure in the competitiveness discussions, "Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop in a particular instance. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways." In the Philippine competitiveness index, ten indicators of infrastructure are highlighted.

The adequacy of basic infrastructure facilitates the operations of businessmen and is therefore an important determinant of competitiveness. Basic infrastructure covers the road network, the distance of the LGU to different entry points, the number of tourist accommodations, availability of basic utilities and LGU investments in infrastructure.

Table 13.
Detailed Indicators for Infrastructure

1. Existing Road Network	
Description	This indicator measures interconnectivity and the level of mobility in the locality. The road network is estimated by getting the total length of roads in the locality (including bridges) as a proportion of the LGU's total land area.
Unit of Measurement	- Road network in square kilometers - Ratio to get the proportion of the road network to the land area
Source of Data	- CLUP- for information of the overall infrastructure network of an LGU - LGU Engineering Office - for information on roads completed based on the Annual Investment Plan - DPWH – for data on national roads traversing the LGU.
Level of Detail	The road network is divided in terms of the following types of road: (1) asphalt; (2) gravel; (3) concrete; and (4) unpaved.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
2. Distance of City/Municipal Hall to Ports	
Description	This indicator provides guidance on how near the center of government is to its entry points, such as airports, bus terminals and seaports. The less travel time from the port of entry to the city hall, the more convenient for the businessmen/investors.
Unit of Measurement	Distance in kilometers
Source of Data	- LGU Engineering Office - DPWH
Level of Detail	Three types of data should be collected: - Distance from the airport to the city/municipal hall - Distance from the bus terminal to the city/municipal hall - Distance from the seaport to the city/municipal hall
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)

Processing Required	None
3. Number of Department of Tourism (DOT) – Accredited Tourist Accommodations	
Description	This indicator focuses on the available facilities in the LGU for accommodations based on the existing Department of Tourism accreditation standards and the corresponding number of rooms in each of the facilities.
Unit of Measurement	Number/Item count
Source of Data	- DOT (regional) - for data on accredited tourist establishments -C/MPDO
Level of Detail	Two levels of data are required: - number of DOT-accredited establishments by type of accommodations, i.e. hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house; - Number of rooms available in each of the available type of accommodation for each type of accommodations, i.e. (1) hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house
Period Covered	Three years: (1) 2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required	None
4. Availability of Basic Utilities	
Description	Power and water are two critical inputs for businesses and ordinary citizens. Businesses need consistency of and regularity of water and electricity services. Continuous availability of these utilities is a key element of competitiveness.
Unit of Measurement	Number of hours per day [Note: 1-hour interruption is already considered 1 day since these services are expected to be provided 24 hours/7 days a week.
Source of Data	- Local Electric Cooperative - hours of availability of power and power interruption - Local Water Utility - hours of availability of water and water interruption
Level of Detail	For electricity and water, get the : - Average hours of availability per day; and - Number of days of interruption per year
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	None
5. LGU Investment in Infrastructure	
Description	This indicator represents the actual resources allocated by the LGU for its infrastructure needs. LGUs with a high share of investment investments will get a higher ranking compared to those with lower shares.
Unit of Measurement	- In Philippine Peso (PhP) for the value of investment infrastructure; - In percentage for the share of infrastructure investment/budget to total budget
Source of Data	C/MPDO and the C/MTO
Level of Detail	The indicators needed for a given year are: - total investments in infrastructure; and

	- total LGU budget
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required	None

In the current digital age, the use of technology can lead to increased productivity, greater efficiency, connectivity and accessibility, which are factors that can enhance competitiveness of a locality. It is therefore important to get the information and communications technology (ICT) readiness of LGUs. The more households are connected, the broader is the market for potential investors. This can also lead to improvements in efficiency for services and product delivery.

Complementing the use of technology is the importance of greater mobility that facilitates travel and transport of goods and services. Hence, two indicators have been included in the competitiveness index to measure technological readiness/advancement and the level of mobility of LGUs – the number of internet and telephone providers - and the availability of public transport vehicles.

**Table 13.
Detailed Indicators for Infrastructure (continued)**

6. Connection to Information and Communication Technology (ICT)	
Description	This indicator reflects the ICT readiness of a locality, which is measured by the availability of major telecommunication facilities in the locality. The telecommunications infrastructure is composed of cable, internet, cellular facilities.
Unit of Measurement	Number/Item
Source of Data	- Telecommunications companies - National Telecommunications Commission
Level of Detail	The indicators to be collected are as follows: - number of cable providers; - number of internet providers; and - number of cellular/telephone providers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
7. Number of Public Transportation Vehicles	
Description	This indicator represents the mobility of the local population. Public transportation includes all types of motorized vehicles duly recognized by the LGU.
Unit of Measurement	Number/Item count
Source of Data	- Land Transportation Office – for data on the number of buses, passenger vans, jeepneys, taxis - Philippine Ports Authority –for data on ships and fast craft - Local Transport Associations – data will depend on the nature of the association, e.g. jeepney associations - C/MPDO – for data on tricycles
Level of Detail	The available type of transportation are as follows: (1) buses; (2) passenger vans; (3) jeepneys; (4) tricycles; (5) taxis; (6) ship; (7) Fast craft; and (8) passenger bancas
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

The quality of the workforce, which is an important factor in productivity and competitiveness, is partly dependent on the availability of health and education services in the locality. The latter, in turn, depends on the manpower in these sectors as well the available related infrastructure. In the case of education, both the lack of teachers and schoolrooms have been the excuse for the deterioration in literacy rate.

The importance of manpower in health and education has been addressed in the component on government efficiency in earlier sections (sub-factor on basic government services), the corresponding social infrastructure requirements are addressed in this sub-factor.

**Table 13.
Detailed Indicators for Infrastructure (continued)**

8. Health Infrastructure	
Description	This indicator measures the availability of facilities for health maintenance and emergencies. A healthy workforce is conducive to higher productivity. Specifically, the availability of health infrastructure is gauged by getting the number of health facilities, including bed capacities, operated by the public and private sectors. Health facilities are classified into (a) clinics, (b) diagnostic centers; and (c) hospitals
Unit of Measurement	Number/Item count
Source of Data	LGU Health Office, Regional DOH
Level of Detail	The following data are required: <ul style="list-style-type: none"> - Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals; - Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals;
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
9. Education Infrastructure	
Description	This indicator represents the availability of facilities for basic education in a locality, since an educated workforce is conducive to higher productivity. The availability of health infrastructure is measured using the number of schools which are run by both the public and private sectors, including the number of classrooms.
Unit of Measurement	Number/Item count
Source of Data	<ul style="list-style-type: none"> - DepEd Division Office - DepEd Regional Office
Level of Detail	Two levels of data: <ul style="list-style-type: none"> - Number of public sector-run schools and classrooms; - Number of private sector-operated schools and classrooms.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

As stated earlier, the number of financial institutions, which is a measure of financial deepening is highly correlated with a robust local economy. It facilitates the mobilization of financial resources for use in the production of goods and services. The simplest measurement of financial development in an area would be the number of automated teller machines.

**Table 13.
Detailed Indicators for Infrastructure (continued)**

10. Number of Automated Teller Machines (ATMs)	
Description	This indicator represents both the ICT capacity and financial liquidity/development in the locality. ATMs also represent stable electronic connection in the LGU.
Unit of Measurement	Number/Item
Source of Data	Local banks, physical counting
Level of Detail	Two sets of data: <ul style="list-style-type: none"> - Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located - Number of off-site ATMs where ATM machines are set up on a stand-alone basis (e.g. ATMs located in malls or commercial establishments)
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None

V. PROPOSED MECHANISMS FOR DATA GATHERING

The process of computing the competitiveness rankings, the institutional responsibilities and the timetable of activities are described in this chapter.

C. Proposed Process for Data Gathering

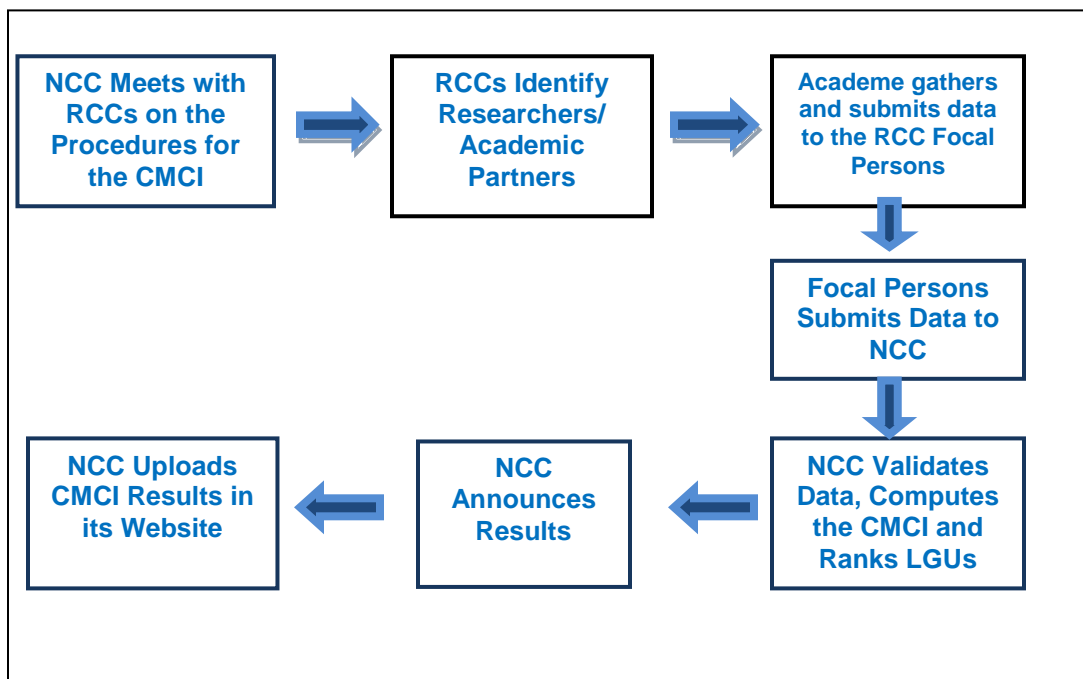
The key institutions that are critical for the data gathering and computation of the competitiveness rankings are the NCC, the RCCs and the local research institution.

Figure 4 summarizes the typical process that leads to the ranking of cities and municipalities according to competitiveness. The NCC will use the RCC mechanisms to start the data gathering process. Specifically, the NCC through its NCC-RCC meetings will provide instructions and guidance on the data gathering process, the data to be included in the index, and the timelines. For this year, NCC identified the target LGUs per region – all cities and first class municipalities, although RCCs may add LGUs other than the target. To facilitate and consolidate the data from LGUs to the RCC level, the RCCs have been instructed by NCC to appoint a focal person who may come from the research partner institution or committee tasked to undertake the data gathering. The key role of the focal person is to ensure the quality of the data gathered from the LGUs. Only data submitted by the RCC focal person will be considered by the NCC for the rankings. The NCC, in turn, will also assign a partner focal person to work with specific RCC focal persons.

The data gathering is to be completed within two (2) months.⁴ The RCCs through their focal persons, with the assistance of the regional PSA, will validate the data gathered by the researchers before encoding these for transmission to NCC. The process of validation is expected to be completed in one (1) month after data gathering. The NCC, within one month, will process the data gathered and produce the rankings. The results will then be uploaded to the NCC and the RCC's individual databases.

⁴ The first ranking in 2013 completed the data gathering of participating LGUs for 2 months.

**Figure 4.
Process for Data Gathering for the Competitiveness Ranking**



D. Proposed Institutional Responsibilities

Figure 5 summarizes the specific responsibilities that need to be done by the key stakeholders. The specific institutional responsibilities are detailed below:

National Competitiveness Council

7. Informs the RCCs on the next round of Competitiveness Ranking during December NCC-RCC Meeting;
8. Identifies the LGUs which will participate in the CMCI exercise;
9. Forms the NCC Secretariat Team to serve as NCC Focal Persons;
10. Provides RCCs with the schedule of activities and requests the RCCs to provide the names of the focal persons to be assigned to the project;
11. Prepares the budget and generates the financial resources for the activity; and
12. Provides the RCCs with the Data Capture Sheet and the mechanics for data gathering and encoding.

Regional Competitiveness Committees

8. Convenes the committee to discuss the activities for the Competitiveness Data Gathering;
9. Identifies and engages the LGUs which will participate in the CMCI exercise;
10. Identifies and contracts research partner institutions for data gathering;
11. Identifies and forwards to NCC the name of RCC focal persons;
12. Coordinates with NCC in filling up the data capture sheet and other information required for data gathering;
13. Supervises data gathering and ensures quality of data; and
14. Submits data to NCC.

Local Government Units

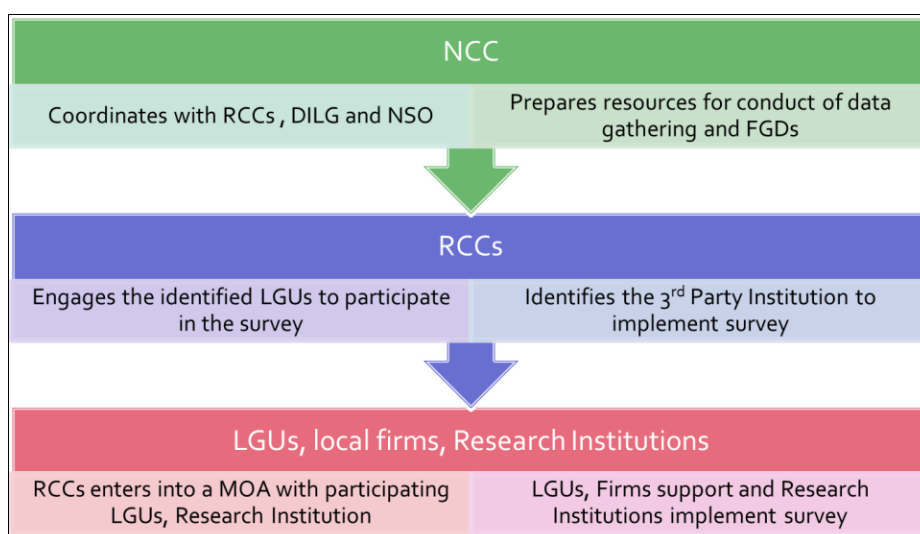
6. Issues a resolution to participate in the CMCI activity;
7. Appoints a person to facilitate data collection by the RCC-contracted institution;
8. Assigns the LGU Department and possibly the persons to coordinate the preparation of the data needed for the competitiveness ranking;

9. Ensures the processing of the data from the Mayor's Permit application form that will be submitted to the RCCs thru the appointed research institutions; and
10. Develops databases that can be used for the competitiveness rankings.

Research Institutions

7. Enters into a Memorandum of Agreement (MOA) with the RCC on the collection of the data for the competitiveness ranking;
8. Identifies the Team Leader to be appointed as the RCC Focal Person and the Team Members who will be responsible for the activity;
9. Undergoes data gathering standardization training;
10. Collects the data to be used in filling up the NCC-mandated standardized data/data capture form;
11. Reports issues on data collection that need resolution; and
12. Provides a summary of the data for the competitiveness ranking activity

**Figure 5.
Institutional Responsibilities**



C. Participation of the Philippine Statistical Authority (PSA)⁵

The computation of the competitiveness index for cities and municipalities is an important undertaking that will raise the consciousness of LGUs to provide a business-friendly environment that would attract investors. Hence, the NCC is planning to involve the PSA and institutionalize the process within the statistical system.

In the future, the PSA through its regional offices can play a stronger role as member of the RCC to validate the data from the research institutions engaged to do the data gathering. The PSA is expected to eventually develop the process to incorporate the data gathered by the RCCs that can be aggregated up to the national levels.

E. Proposed Schedule of Activities

⁵ The NCC is discussing with NEDA and PSA the issuance of a Memorandum of Agreement that will define the PSA's role in the RCC in relation to the CMCI activity.

To synchronize the activities in the process, the following indicative schedule that all stakeholders should follow every year is presented in Table 6.

Table 14.
Timeline

ACTIVITIES	SCHEDULE PER YEAR
Identification of Research Partner for Data Gathering and RCC Focal Person	January
Conduct of Data Gathering	March - April
Validation of Results by RCC	May
Data Processing by NCC	June
Presentation of Ranking	July
Publication of Results	August
Review of Results and Audits	October

Annex. Definition of Financial Institutions for the Competitive Ranking

C. Philippine Banks

The **Philippine banking system** is composed of universal and commercial banks, thrift banks, rural and cooperative banks.

4. **Universal and commercial banks** represent the largest single group, resource-wise, of financial institutions in the country. They offer the widest variety of banking services among financial institutions. In addition to the function of an ordinary commercial bank, universal banks are also authorized to engage in underwriting and other functions of investment houses, and to invest in equities of non-allied undertakings.
5. The **thrift banking system** is composed of savings and mortgage banks, private development banks, stock savings and loan associations and microfinance thrift banks. Thrift banks are engaged in accumulating savings of depositors and investing them. They also provide short-term working capital and medium- and long-term financing to businesses engaged in agriculture, services, industry and housing, and diversified financial and allied services, and to their chosen markets and constituencies, especially small- and medium-enterprises and individuals.
6. **Rural and cooperative banks** are the more popular type of banks in the rural communities. Their role is to promote and expand the rural economy in an orderly and effective manner by providing the people in the rural communities with basic financial services. Rural and cooperative banks help farmers through the stages of production, from buying seedlings to marketing of their produce. Rural banks and cooperative banks are differentiated from each other by ownership. While rural banks are privately owned and managed, cooperative banks are organized/owned by cooperatives or federation of cooperatives.

D. Other Financial Institutions

The BSP likewise releases selected statistics on [non banks with quasi-banking functions](#) . This group consists of institutions engaged in the borrowing of funds from 20 or more lenders for the borrower's own account through issuances, endorsement or assignment with recourse or acceptance of deposit substitutes for purposes of relending or purchasing receivables and other obligations.

6. **Financial Cooperatives** - A financial institution that is owned and operated by its members. The goal of a financial cooperative is to act on behalf of a unified group as a traditional banking service. These institutions attempt to differentiate themselves by offering above-average service along with competitive rates in the areas of insurance, lending and investment dealings.

E.g. Credit unions are the most popular form of financial cooperative because they are owned and operated by their members. These financial institutions often pay higher-than-average interest rates and are only accessible to those that have accounts.
7. **Savings and Loans Associations** - Non-stock savings and loan association shall mean a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance;

Association shall refer only to non-stock savings and loan associations organized under the Corporation Code of the Philippines;

Source: *BSP - REPUBLIC ACT NO. 8367- An Act Providing For The Regulation Of The Organization And Operation Of Non-Stock Savings And Loan Associations*

8. **Pawnshops** - A store which offers loans in exchange for personal property as equivalent collateral. If the loan is repaid in the contractually agreed time frame, the collateral may be repurchased at its initial price plus interest. If the loan cannot be repaid on time, the collateral may be liquidated by the pawnshop through a pawnbroker or second hand dealer through sales to customers.

Pawnshop Definition of BSP - A duly organized and licensed pawnshop has, in general, the power to engage in the business of lending money on the security of personal property within the framework and limitations of PD No. 114 and the following regulations, subject to the regulatory and supervisory powers of the Bangko Sentral ng Pilipinas (BSP).

Form of Organization. A pawnshop may be established as a single proprietorship, a partnership or a corporation. Only Filipino citizens may establish and own a pawnshop organized as a single proprietorship. A pawnshop established as a single proprietorship by non-Filipino owner prior to January 29, 1973 may continue as such during the lifetime of the registered owner.

If a pawnshop is organized as a partnership, at least seventy percent (70%) of its capital shall be owned by Filipino citizens. Pawnshops established as partnerships prior to January 29, 1973, with non-Filipino partners whose aggregate holdings amount to more than thirty percent (30%) of the capital may retain the percentage of their aggregate holdings as of January 29, 1973, and said percentage shall not be increased, but may be reduced, and once reduced shall not be increased thereafter beyond thirty percent (30%) of the capital stock of such pawnshop.

In the case of a pawnshop organized as a corporation, at least seventy percent (70%) of the voting stock therein shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy percent (70%) of the members entitled to vote shall be citizens of the Philippines.

Pawnshops registered as corporations with foreign equity participation in excess of thirty percent (30%) of the voting stock, or members entitled to vote, of the pawnshop may retain the percentage of foreign equity as of January 29, 1973, and said percentage shall not be increased, but may be reduced and once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock, or number of members entitled to vote, of such pawnshop.

9. Money Changer Remittance Centers

Based on Circular No. 471 (S. of 2005)- Qualified persons or non-bank institutions wishing to act as **foreign exchange dealers (FXDs)/money changers (MCS)** and/or **remittance agents (RAs)** are required to register with the BSP. For this purpose, the term MCS, interchangeably referred to as FXDs, shall refer to those regularly engaged in the business of buying and/or selling foreign currencies.

Remittance agents (RAs) refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity. These include money or cash couriers, money transmission agents, remittance companies and the like.

10. **Microfinance Institutions** - Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance

products to the poor and low-income households and their microenterprises. By definition, it is important to note that Microfinance is NOT subsidized credit, NOT a dole-out, NOT salary or consumption loans, and a cure-all for poverty.

Clients of microfinance - The clients of microfinance are the economically-active, entrepreneurial poor (e-poor). Some examples of these are shopkeepers, ambulant vendors and household based entrepreneurs. These are the clients who have a stable economic activity and will be able to sustain and enhance these if they are provided with even a small amount of readily available funds.

Source: Bangko Sentral ng Pilipinas (BSP) website
<http://www.bsp.gov.ph/banking/bspsup.asp>

ANNEX 3. 2014 CMCI Manual of Operations for the National Competitiveness Council



2014 Cities and Municipalities Competitiveness Index: Manual of Operations for the National Competitiveness Council

August 2014

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LIST OF ACRONYMS

ADB	Asian Development Bank
AIM	Asian Institute of Management
BPLO	Business Permits and Licensing Office
BPLS	Business Permits and Licensing System
BSP	Bangko Sentral ng Pilipinas
CBMS	Community Based Monitoring System
CCED	City Cluster Economic Development
CDA	Cooperative Development Authority
CEDOS	Chief Economic Development Society
CLUP	Comprehensive Land Use Plan
CMCI	Cities and Municipalities Competitiveness Index
CPDO	City Planning and Development Office
DB	Doing Business
DEPED	Department of Education
DILG	Department of the Interior and Local Government
DOST	Department of Science and Technology
DOH	Department of Health
DOT	Department of Tourism
DPWH	Department of Public Works and Highways
DRRMC	Disaster Risk Reduction and Management Council
DTI	Department of Trade and Industry
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFC	International Finance Corporation
INVEST	Investment Enabling Environment Project
IMD	International Institute for Management Development
JMC	Joint Memorandum Circular
LFS	Labor Force Survey
LGPMS	Local Governance Performance Management System
LGSP-LED	Local Governance Support Program for Local Economic Development
LGU	Local Government Unit
MOA	Memorandum of Agreement
MPDO	Municipal Planning and Development Office
NCC	National Competitiveness Council
NTC	National Telecommunications Commission
OIDCI	Orient Integrated Development Consultants, Inc.
PCCR	Philippine Cities Competitiveness Ranking
PNP	Philippine National Police
PSA	Philippine Statistical Authority
RCC	Regional Competitiveness Committee
SGH	Seal of Good Housekeeping
USAID	United States Agency for International Development
WEF	World Economic Forum

I. INTRODUCTION

For a developing economy like the Philippines, it is crucial to identify specific indicators of development and competitiveness at the local level. Such an indicator system can pinpoint the benefits and connections of the outcomes of the global rankings to local government units (LGUs). It will identify the economic strengths and weaknesses of LGUs. It also allows local level comparisons, which could help lagging localities to focus on gaps and trigger catch ups. Cities and large municipalities, in particular, are to benefit from such comparisons as they are considered centers of economic activity and generate investments and resources for cluster areas around them and for the provinces where they are located.

Presently, there is no standardized system or mechanism for compiling such local indicators in the Philippines. The economic and development indicator system that generates the national economic data is based on different surveys that consider only samples from localities such as the National Income Accounts and the Labor Force Surveys. There are pockets of local data collections, mostly initiated by local governments for their own use. Thus, there are no area specific estimates for sub-regional performance that can be provided except for regional and national indicators. Because of this, most reports on LGU economic development are dated, one-time undertakings and/or are focused on some aspects, rather than a regular assessment.

In response to this gap, the National Competitiveness Council advocated for the creation of Regional Competitiveness Committees (RCCs). The RCCs have been tasked to regularly track local competitiveness indicators, formulate programs to improve competitiveness and engage in investment promotion activities to attract investors and create new jobs. Each RCC is composed of members from the public sector, private sector and academe.

The development of a framework of local competitiveness was one of the key links in connecting global competitiveness to the LGUs. With the assistance of the United States Agency for International Development (USAID) through the Investment Enabling Environment Project (INVEST), the NCC through the Regional Competitiveness developed a framework to help LGUs assess their level of competitiveness and develop reforms.

One of the key components of the framework is the identification of a set of competitiveness indicators that can be applied at the city and municipal levels. After a series of meetings with the NCC, RCCs, and INVEST Project, the framework and template of indicators were finalized and distributed to the RCCs for data gathering. The results of the first round of data collection were presented to the public on July 2013 as the Cities and Municipalities Competitiveness Index.

This manual is intended to guide the National Competitiveness Council in gathering and processing data to determine the competitiveness ranking of cities and municipalities for 2014. The final set of indicators included in the manual was agreed on in various meetings of the NCC with the RCCs. This manual is divided into five (5) sections, following the introduction. The framework for competitiveness is discussed in the second section, which is followed by a description of the indicators and the computations for the index in the third section and fourth sections, respectively. The institutional mechanism for computing the indicators is found in the last section.

II. THE FRAMEWORK FOR LOCAL COMPETITIVENESS

A. Definition of Competitiveness

A number of global surveys on competitiveness use the framework developed by Michael Porter. This is also being adopted in this manual. Porter's definition of competitiveness focused on the idea of productivity. Productivity is defined as output per unit of input. Effectively, it attempts to measure how many final products can be produced using a limited number of inputs. For example, palay output is determined by the size of the land, fertilizers, labor of the farmer, tractor or farm animal used. Productivity of palay output is seen as the number of cabans of palay harvested based on the different inputs used. The more productive output is the one that used less inputs. In terms of services, public transportation like a jeepney can also provide productivity. Its productivity is the number of passengers per trip based on the liter of diesel consumed and the labor of the driver. Productivity can also be measured based on time. For instance, if one is considering hiring an experienced sewer of t-shirts, the best indicator is the number of t-shirts produced per hour. The more output, the more productive is the worker. Thus, productivity is synonymous to efficiency allowing us to accomplish more with less. Productivity also requires that efficient outputs can command value in the local up to the global marketplace. Hence, the t-shirts and the sacks of palay are of quality and can be sold in any market.

With these examples, we can now use Porter's definition of competitiveness. He defined competitiveness as based **on location** and **is essentially the productivity** that companies located there can achieve (Porter, 2004). He explains location as a country's underlying source of its resources and productivity as how the country uses it. Using the same lens towards a micro perspective, local competitiveness is how a city or a municipality knows its resources and how it uses these to improve its standard of living. Improving productivity allows firms, cities, municipalities and countries to improve their standards of living and thereby give prosperity to its citizens.

Furthermore, it is important to note that the productivity being mentioned here is one that *allows sustainable prosperity* over time. Ketel (2006) commenting on Porter added that the crucial aspect of prosperity is the understanding of a "created" and an "inherited" prosperity. Inherited prosperity is one that is based on limited natural resources flowing into financial assets such as the vast oil fields of the Middle East. For purposes of this manual, prosperity is based on activity that *creates value* "by providing products and services at prices higher than their cost of production." The focus therefore is on "created" prosperity. Under this context, the proposed framework described below focuses on developing essential aspects of a locality based on its existing natural and physical conditions, the human, physical, financial and natural resources it possesses, the systems under which it operates and how the interplay of all such factors lead to value creation that ultimately contributes to its sustainable productivity. This is critical because Porter's definition encompasses all sectors of society. According to him, "almost everything matters for competitiveness – schools, roads, financial markets, the consumers." He also cautioned that to make all of these work for competitiveness, people and culture must also catch up with the mindset. Hence, improving competitiveness takes time.

B. Framework for Local Competitiveness

Taking off from this contextual definition of competitiveness, we developed a framework that considers the processes involved in making productivity work better across cities and municipalities in the Philippines. There is a tacit recognition that this productivity is not automatic but relies heavily on the institutions of Philippine society. The framework for local competitiveness as developed is based on an analysis of the most common factors that determine competitiveness among the different global and local indicator systems that are currently being used (refer to Annex 1 for the list). Specifically, the framework

considered the common factors found among the surveys conducted globally and nationally. For instance, three global surveys - the Doing Business Survey of the International Finance Corporation (IFC), the Global Competitiveness Index prepared annually by the World Economic Forum (WEF), the IMD's Competitiveness Survey - were examined to determine common factors that were relevant to the Philippines (Figure 1). Four local surveys were also studied – the Philippine Cities Competitiveness Ranking Project (PCCRP) of the Asian Institute of Management (AIM), the NCC's internally generated factors, Regional Competitiveness Factors, and Asian Development Bank's (ADB) CCED (Figure 2).

To construct the country's own local competitiveness framework, the guidelines in developing indicators from the Chief Economic Development Society - UK (CEDOS, 2011), the Local Government Economic Indicators Framework – New Zealand (BERL, 2010) and the POLICOM Local Economic Strength Ranking (2012) were adapted. The FEEE Principle, i.e., Few in Number, Easy to Collect, Easy to Understand and Effective Measures of Performances, was also considered.

Figure 1.
Convergence of Factors (Global)

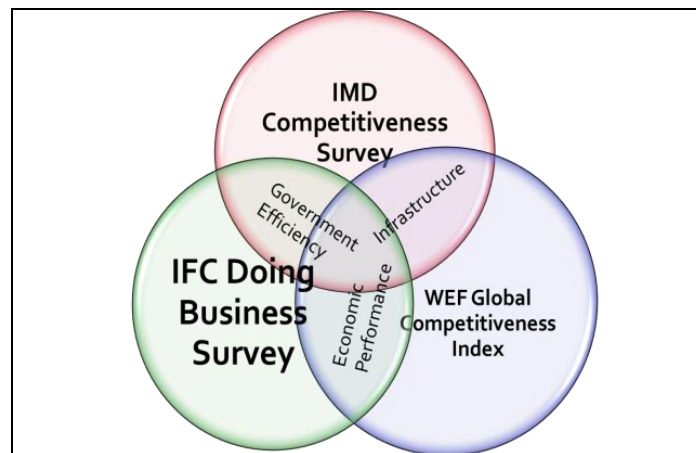
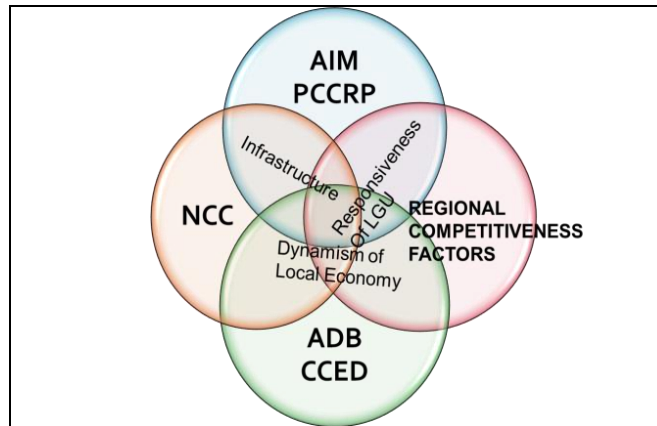


Figure 2.
Convergence of Factors (Sub-National)



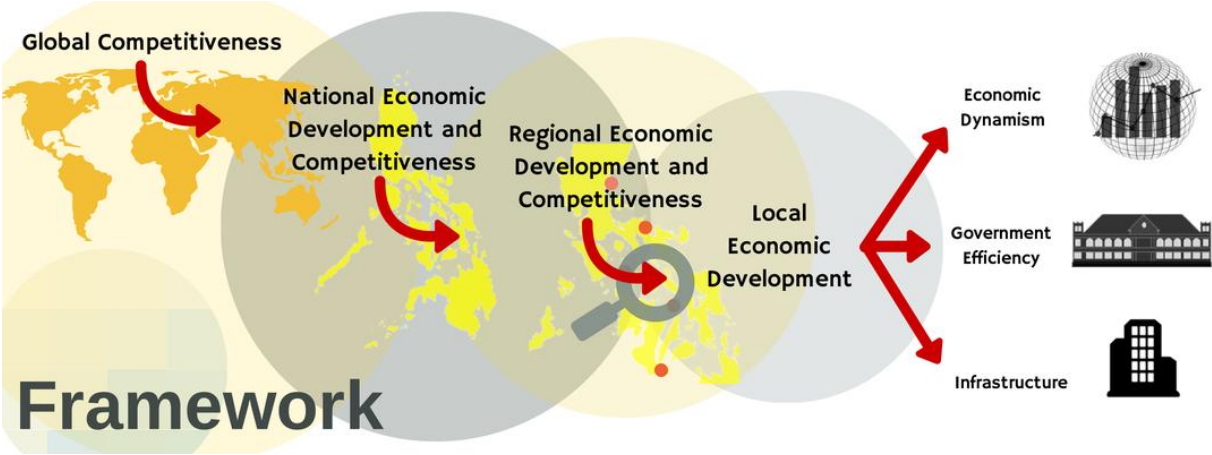
The convergence among the different competitive surveys and reports led to three (3) core and convergent pillars: **Economic Dynamism, Government Efficiency and Infrastructure.**

7. Economic dynamism is usually associated with activities that create stable expansion of businesses and industries and higher employment. This is the concrete representation of productivity as it matches the output of the local economy with the local resources. Conceptually, it is the combination of the entrepreneurial spirit and the financial institutions that will channel dynamism (Edmund Phelps). It is recognized that localities are the centers of economic activities. Therefore, business expansion and job creation are easily observable in local settings.
8. Government efficiency refers to the quality and reliability of government services and government support for effective and sustainable productive expansion. Conceptually, this factor looks at government as an institution that is generally not corrupt; able to protect and enforce contracts; apply moderate and reasonable taxation and is able to regulate proactively (La Porta et al, 1999). This represents the people and culture factor that Porter alluded to in understanding the process of competitiveness and making locations productive.
9. Infrastructure refers to the physical building blocks that connect, expand and sustain a locality and its surroundings to enable the provision of goods and services. It involves basic inputs of production such as energy, water; interconnection of production such as transportation, roads and communications; sustenance of production such as waste, disaster preparedness, environmental sustainability; and human capital formation infrastructure. This represents the idea of making productivity sustainable over time.

These core or common priority pillars need to be linked to the sub-national, national and global indicator systems so that they can contribute to overall national competitiveness within the global perspective. Thus, an integrated framework interconnects the local up to the global levels of competitiveness and development as can be seen in Figure 3.

This now serves as the core local economic development and competitiveness framework. It implies aggregation, consultative policy-making and a common agenda for development by both national and local governments.

Figure 3.
National Economic Development and Competitiveness Framework



III. LIST OF INDICATORS OF COMPETITIVENESS

Each pillar of competitiveness also has contributory indicators that, in turn, are the basis of the sub-indicators that will be collected and used as basis for ranking cities and municipalities in the country. The justification and explanation of each pillar and its corresponding sub-indicators are described below.

**Table 1.
List of Sub-Indicators for the Indicators of Economic Dynamism**

Indicators	Sub-Indicator/s
1. Size of the Local Economy	Gross sales
	Total number of business registrations
	Total capitalization of newly registered businesses
	Total number of occupancy permits approved
2. Growth of the Local Economy and Investment	Growth of gross sales
	Growth in the total number of business registrations
	Growth in the capitalization of new businesses
	Growth in the number of occupancy permits approved
3. Capacity to Generate Employment	Number of declared employees for new business applications
	Number of declared employees for business renewals
4. Cost of Living	Local inflation rate
5. Cost of Doing Business	Cost of electricity
	Cost of water
	Price of diesel
	Daily minimum wage
	Cost of land in a central business district
	Cost of rent
6. Financial Deepening	Number of banks and financial institutions
7. Productivity	Local productivity
8. Presence of Business and Professional Organizations	Number of LGU recognized / registered business groups
	Number of Other Business Organizations

Table 2 below contains the sub-indicators under each of the indicators for government efficiency.

Table 2.
List of Sub-Indicators for the Indicators of Government Efficiency

Indicator/s	Sub-Indicator/s
1. Capacity of health services	Capacity of Public Health Services
	Capacity of Private Health Services
2. Capacity of schools	Capacity of Public Schools
	Capacity of Private Schools
3. Security	Police to Population Ratio
4. Business registration efficiency	Registration for New Business
	Registration for Renewal of Business Permits
	Registration for Building Permits
	Registration for Occupancy Permits
5. Investment Promotions Unit	Presence of an Investment Promotions Unit
6. Compliance to National Directives	Presence of a Comprehensive Land Use Plan
	Presence of a Disaster Risk Reduction and Management Plan
7. Ratio of LGU collected tax to total LGU revenue collection	Business Tax to Total LGU revenue collection
	Real Property Tax to Total LGU revenue collection
8. Transparency score in the Local Government Performance Management System (LGPMS)	Transparency score in the Local Government Performance Management System (LGPMS)
9. Economic Governance score in the LGPMS	Economic Governance score in the LGPMS
10. Most competitive LGU awardee	Number of DILG awards garnered from past year
	Other Awards given by credible government and non-government institutions

Table 3 below contains the sub-indicators under infrastructure.

Table 3.
List of Sub-Indicators for the Indicators of Infrastructure

Indicator/s	Sub-Indicator/s
1. Existing road network	Road Density
2. Distance of city/municipal hall to major ports	Distance to Operating Airport
	Distance to Bus Terminal
	Distance to Seaport
3. Number of Department of Tourism (DOT) – accredited tourist accommodations	Number of DOT-accredited establishments
	Number of rooms available in each of the available type of accommodation
4. Availability of basic utilities	Average hours of availability per day
	Number of days of interruption per year
5. Annual Investments in infrastructure by the LGU	Total Investment in infrastructure in the LGU budget
6. Connection to information and Communication Technology (ICT)	Number of cable providers
	Number of internet providers
	Number of cellular/telephone providers
7. Number of public transport vehicles	Number of public transport vehicles
8. Health infrastructure	Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities

	Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities
9. Education infrastructure	Number of public sector-run schools and classrooms
	Number of private sector-operated schools and classrooms
10. Number of automated teller machines	Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located
	Number of off-site ATMs where ATM machines are set up on a stand-alone basis

IV. DESCRIPTION, COLLECTION AND PROCESSING OF INDICATORS

This chapter contains the details needed to collect the data for the indicators, e.g. description of the indicator, the unit of measure, the source of data, the level of detail, the period covered and the computations or processing to be done for each of the indicators.

A. Economic Dynamism

Competitiveness is usually associated with robust growth of economies. But expansion of economies is the result of a confluence of factors. As explained in earlier chapters, there are 8 major sub-factors of economic dynamism included in the competitiveness framework.

17. Size of the Local Economy

As described in the previous chapter, the size of the economy approximates the level of economic activity in the LGU, which, at the national level, is measured by gross domestic production. At the local level, the proxies for local economic activity include gross sales, which can be a measure of local production, and the number of business registrants and total capitalization of newly registered business enterprises, which indicates the level of new investment in the locality.

Table 4.
Detailed Indicators for Size of the Local Economy

A. Gross Sales	
Description	This indicator is a proxy for the level of production in the LGU. It usually refers to the income (at invoice values) received for goods and services over some period of time (www.thefreedictionary.com). The data is usually collected from all businesses renewing their business permits, which are required to declare their gross sales when they submit their business renewal form every January. Gross sales is usually the basis for computing the business tax for establishments in cities and municipalities nationwide. The level of gross sales is positively correlated with economic activity, i.e. the higher the gross sales, the more dynamic the economy is.
Unit of Measurement	Philippine Pesos
Source of Data	City/Municipal Treasurer's Office (M/CTO) of the local government. Note that the business (or Mayor's Permit) application form of cities and municipalities contains a field on gross sales
Level of Detail	Annual totals for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	The gross sales (GR) of each business registrant in the locality is aggregated or summed, i.e. GR1+GR2+...+GRN= Total GR
Processing Required from the NCC	This data will represent ¼ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by ¼ of the index value.
B. Total Number of Business Registrations	
Description	This indicator measures the number of "active" establishments in a locality. The more establishments registered with the local

	government, the higher is the potential of the locality to produce goods and services. Before they can operate, all businesses in the Philippines have to apply for a business or Mayor's permit, which is renewed every year.
Unit of Measurement	Number of businesses registered with the LGU
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO)
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - No. of approved business permits for new business applications - No. of approved business renewals
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<p>1. Sum the data for approved business applications for new and renewals for a given year, i.e. $BAn + BAr = BA_t$ where BAn – number of new business applications BAr - number of business renewals BA_t - total business registrants</p> <p>18. The data from #1 will represent $\frac{1}{4}$ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by $\frac{1}{4}$ of the index value.</p>
C. Total Capitalization of New Businesses	
Description	This indicator is a proxy for new investment in the locality. Capitalization is usually defined as the aggregate valuation of a company based on its current share price and the total number of outstanding stocks. The higher the capitalization recorded, the greater is the potential for production and job creation. Only new business applicants are required to provide data on capitalization.
Unit of Measurement	Philippine Pesos
Source of Data	M/CTO of the LGU
Level of Detail	Annual totals for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	<p>Compute for total capitalization which is the sum of the capitalization of all new business registrants for a given year, e.g. $CAP1 + CAP2 + \dots + CAPN = CAP_T$</p> <p>where $CAP 1$ – refers to the capitalization of business registrant 1 $CAP N$ - refers to the capitalization of the nth business registrant CAP_T - refers to total capitalization for all business registrants</p>
Processing Required from the NCC	This data will represent $\frac{1}{4}$ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by $\frac{1}{4}$ of the index value.
D. Number of Occupancy Permits Approved	
Description	This indicator is a proxy for measuring construction activities in a locality, which in turn, also approximates investment activities. Construction is a component of gross domestic capital formation, which in the national income accounts, can be roughly interpreted as investment. An occupancy permit is usually issued by the local government's Office of the Building Official (OBO), which certifies that a business complies with national and local standards of

	safety and security and is fit to operate. Usually this permit triggers the application for a business permit, which is required before a firm can operate a new business.
Unit of Measurement	Number of approved/issued occupancy permits
Source of Data	Office of Building Official (OBO) and City or Municipal Engineer's Office
Level of Detail	Annual totals for period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	Sum all the occupancy permits issued by the LGU for a given year
Processing Required from the NCC	This data will represent ¼ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by ¼ of the index value.
	To get the full score for the indicator on the size of economy, each LGU's score for the four sub-indicators (gross sales, total number of business registrations, total capitalization of new businesses, and number of occupancy permits approved) will be added.

2. Growth of the Local Economy and Investment

The dynamism of the local economy can also be gauged by the rate of expansion of production activities, number of establishments and investment in the area. Hence, the growth of the proxy indicators for local production described in #1 above can be an approximation of economic expansion in the LGU. At the national level, this indicator is similar to the growth of gross domestic production.

Table 5.
Detailed Indicators for Growth of the Local Economy and Investment

A. Growth of Gross Sales	
Description	This indicator is a proxy for the growth of local production of goods. The higher the growth of the gross sales, the faster the expansion of the local economy.
Unit of Measurement	Percentage
Source of Data	(M/CTO)
Period Covered	Growth rate of gross sales for two periods: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<p>1. Compute for the growth rate of gross sales: Using data on gross sales from Section 1.A above, compute the growth rate for a given year. The sample formula for 2013 is shown below:</p> <p>- Growth of gross sales for 2013 using the following formula:</p> $\frac{\text{Gross Sales in 2013} - \text{Gross Sales in 2012}}{\text{Gross Sales in 2012}} \times 100$ <p>2. The data from #1 will represent ¼ of total score for growth in a given year. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by ¼ of the index value.</p>

B. Growth in Total Number of Business Registrations	
Description	This indicator is a proxy for the growth of active establishments or firms in the locality. Since firms are responsible for producing goods and services, the growth in the number of operating local establishments augurs well for higher production expansion.
Unit of Measurement	Percentage
Source of Data	Business Permits and Licensing Office (BPLO) or the M/CTO (if city/municipality has no separate BPLO).
Level of Detail	Data should be disaggregated according to the following: <ul style="list-style-type: none"> - Growth in the number of approved new business permits - Growth of number of approved business renewals - Growth of the total number of business applications
Period Covered	Growth rate in the number of business registrations for two periods: (1) 2012-2013 (for consideration in the ranking); (2) 2011-2012, Jan-March, 2013 & 2014 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for the growth in the number of business registrants: Using the data from Section 1.B above, compute for: <ul style="list-style-type: none"> - Growth rate in the total number of business registrations for 2013, given the following formula: $\frac{\text{No. of Bus. Reg. (2013)} - \text{No. of Bus. Reg. (2012)}}{\text{No. of Bus. Reg. (2012)}} \times 100$ 2. The data from #1 will represent ¼ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula(actual value – minimum value) divided by (maximum value – minimum value) multiplied by ¼ of the index value.
C. Growth of Total Capitalization of New Businesses	
Description	This indicator measures investment expansion in the local economy, since capitalization is a proxy for investment as shown in 1.C above. High growth in capitalization, which is usually collected from new business applicants implies greater potential for increased production in the future and higher economic activity in the LGU.
Unit of Measurement	Percentage
Source of Data	M/CTO
Level of Detail	Annual growth rates for the period covered
Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for the growth of total capitalization Using data from Section 1.C above, compute for the simple growth rate <ul style="list-style-type: none"> - Growth rate in the total number of business registrations for 2013, given the following formula: $\frac{\text{Total Capitalization (2013)} - \text{Total Capitalization (2012)}}{\text{Total Capitalization 2012}} \times 100$ 2. The data from #1 will represent ¼ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum

	value – minimum value) multiplied by ¼ of the index value.
D. Growth in the Number of Occupancy Permits Approved	
Description	This indicator measures the expansion in construction activities in the locality, which as indicated in 1.D above, is another measurement of local physical expansion. Similar to the implications of higher growth in capitalization of new firms, the growth in the number of approved occupancy permits implies a potential increase in the production of goods and services in the LGU as these permits may later be translated in business activities in the future.
Unit of Measurement	Percentage
Source of Data	OBO of the LGU
Level of Detail	Annual growth rates for period covered
Period Covered	Growth rates for: (1) 2012-2013 (for consideration in the ranking); and (2) 2011-2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<p>1. Compute for the growth in the number of occupancy permits Using data from Section 1.D above, compute for the simple growth rate as follows:</p> <ul style="list-style-type: none"> - Growth rate in the total number of approved occupancy permits in 2013, given the following formula: $\frac{\text{No. of Occ. Permits (2013)} - \text{No. of Occ. Permits (2012)}}{\text{No. of Occ. Permits (2012)}} \times 100$ <p>2. This data will represent ¼ of total score for size. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula(actual value – minimum value) divided by (maximum value – minimum value) multiplied by ¼ of the index value.</p>
	To get the full score for indicator on the growth of economy, each LGU's score for the four sub-indicators (gross sales, total number of business registrations, total capitalization of new businesses, and number of occupancy permits approved) will be added.

3. Capacity to Generate Employment

The level of employment is an indicator of an economy's performance. Usually a robust economy, which produces goods and services at a fast pace, will require people at factories and service establishments. Hence, the demand for jobs in an LGU can be gauged from a locality's employment level.

Table 6.
Detailed Indicators for Employment

A. Number of Employed	
Description	The Philippine Statistical Authority (PSA)/National Statistics Office (NSO) follows the definition of "employed persons" stipulated by the International Labor Organization, which is "comprising of all persons above a specific age who during a specified brief period, either one week or one day, were in paid employment (i.e. at work receiving some salary or payment in cash or kind) or self-employed." This indicator measures local employment and job absorption.
Unit of Measurement	Number/item count
Source of Data	BPLO or the M/CTO where data will come from the application form which has a field on "number of employed". The form is submitted by businesses to

	the BPLO.
Level of Detail	Data should be disaggregated according to the following: - No. of declared employees for new business applications (En) - No. of declared employees for business renewals (Er)
Period Covered	Four years: (1) 2013 (for consideration in the ranking); (2) 2011, 2012, Jan-March (2013 & 2014) (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	1. Add the total number of employees for each year as follows: No. of declared employees for new business applications + No. of declared employees for business renewals = Total Number of employees 2. Rank the total number of employees from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

4. Cost of Living

Cost of living (COL) is usually defined as “ the basic cost of the food, clothing, shelter, and fuel necessary to maintain life, especially at a standard regarded as basic or minimal.” The COL is a usual measurement that allows comparison of expenses of basic commodities across locations. An investor may opt to go to place with low prices of goods and services since it may imply lower costs of production. Lower cost of goods and services may also mean adequate basic resources, since cost of goods is a function of supply and demand conditions. Generally, places with low cost of living may be more attractive, though across locations, higher cost of living is observed in highly urbanized areas compared to lower-income classed LGUs.

**Table 7.
Detailed Indicators for Cost of Living**

A. Local Inflation Rate	
Description	This indicator measures the stability of prices and local cost of living. The inflation rate, as officially defined by the Philippine Statistical Authority (PSA), is the annual or year-on-year change in the consumer price index, which in turn, is composed of the average prices of a fixed basket of goods and services commonly purchased by households relative to a base year. Since the PSA does not compute for municipal or city level inflation rates, the local inflation rate will be based on the changes in the price level <i>in the province where locality is located</i> .
Unit of Measurement	Rate
Source of Data	Databank and Information Service Division of PSA at the provincial level
Level of Detail	Annual rate for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	Rank the lowest to highest inflation rate. The score for this indicator will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by the index value.

5. Cost of Doing Business

Investors are usually attracted to areas with low prices of critical inputs to production. For purposes of computing for the competitiveness index, there are six cost sub-indicators included in the sub-factor on the cost of doing business, i.e. water, electricity, petroleum, rent, land and labor.

Table 8.
Detailed Indicators for Cost of Doing Business

A. Cost of Electricity	
Description	Electricity is usually supplied throughout the country by electric cooperatives which sets the rates according to types of consumers. Power is a major cost component of production.
Unit of Measurement	Philippine peso per kilowatt hour
Sources of Data	Local electric cooperative
Level of Detail	Average annual price of electricity for two types of customers: (1) commercial users; and (2) industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<p>This sub-indicator will make up 1/6 of the total score for cost of doing business. The assigned sub-indicator score will be further multiplied by $\frac{1}{2}$ to get the score per category (commercial and industrial).</p> <p>1. Rank the two categories (commercial and Industrial) from lowest to highest. The score for each category will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by 1/6 of the index value of this indicator multiplied by 1/2.</p> <p>2. The LGU score for each category will then be added to get the score for cost of electricity.</p>
B. Cost of Water	
Description	Water is a major cost component of production, the rates of which are classified according to type of users.
Unit of Measurement	Philippine peso per cubic meter
Sources of Data	Local service provider
Level of Detail	Average annual price of water for two types of customers: (1) commercial users; (2) and industrial firms/customers.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<p>This sub-indicator will make up 1/6 of the total score for cost of doing business. The assigned sub-indicator score will be further multiplied by $\frac{1}{2}$ to get the score per category (commercial and industrial).</p> <p>1. Rank the two categories (commercial and industrial) from lowest to highest. The score for each category will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by 1/6 of the index value of this indicator multiplied by 1/2.</p> <p>2. The LGU score for each category will then be added to get the score for cost of water.</p>
C. Price of Diesel	
Description	The price of diesel per liter is a proxy for the cost of petroleum, which is an

	important component of production cost. The price to be used for this indicator is that prevailing on Dec. 31 of period covered.
Unit of Measurement	Philippine peso per liter
Sources of Data	Biggest gasoline station in the locality
Level of Detail	Price of diesel prevailing on December 31 of the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	This indicator will make up 1/6 of the total score for cost of doing business. Rank the price of diesel from lowest to highest. The score for the price of diesel will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by 1/6 of the index value of this indicator.
D. Daily Minimum Wage Rate	
Description	This indicator is a proxy for the cost of labor in the locality. The Regional Tripartite Wages and Productivity Board usually prescribes the minimum wage rates for all private enterprise workers in the region, which should not be lower than the statutory minimum wage rates. The minimum wage rate prevailing in the region where the LGU is located will be the relevant data for this indicator.
Unit of Measurement	Philippine pesos (PhP) per day
Sources of Data	<ul style="list-style-type: none"> - Regional Minimum Wages: National Wages and Productivity Council (NWPC) website (http://www.nwpc.dole.gov.ph) which contains a section on daily minimum wage rates per region. - Wages by sector: Regional offices of the Department of Labor and Employment
Level of Detail	Collect data for four categories of workers : (1)Agricultural which is divided into: -plantation -non-plantation (2)Non-agricultural which is divided into: -establishments with more than 10 workers -establishments with 10 workers or below
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	This sub-indicator will make up 1/6 of the total score for cost of doing business. The assigned sub-indicator score will be further multiplied by 1/4 to get the score per category (agricultural – plantation, agricultural – non plantation, non – agricultural establishments with more than 10 workers and non – agricultural establishments with 10 workers or below). 1. Rank the four categories from lowest to highest. The score for each category will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by 1/6 of the index value of this indicator multiplied by 1/4. 2. The LGU score for each category will then be added to get the score for daily minimum wage rate.
E. Cost of Land in a Central Business District	
Description	The cost of acquiring land is a major consideration of investors. The most common source of data on cost of land is the zonal valuation of the Bureau of

	Internal Revenue, which in most cases is below market values. However, what is important is to try to get the market values, which may be the average purchased value of a piece of land in the central business district in the LGU.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker; local banks
Level of Detail	Annual average cost of land for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	This indicator will make up 1/6 of the total score for cost of doing business. Rank the cost of land from lowest to highest. The score for cost of land will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by the index value of this indicator.
F. Cost of Rent	
Description	Some business firms rent office space. This indicator tries to capture the cost of renting commercial space in a locality, which can be measured by the average rental rate per square meter for commercial /office space.
Unit of Measurement	Philippine peso per square meter
Sources of Data	Local registered broker
Level of Detail	Annual values for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	This indicator will make up 1/6 of the total score for cost of doing business. Rank the cost of land from lowest to highest. The score for cost of rent will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by the index value of this indicator.
	To get the full score for indicator on the cost of doing business, each LGU's score for the six sub-indicators (cost of electricity, cost of water, price of diesel, daily minimum wage rate, cost of rent, and cost of land in a central business district) will be added.

6. Financial Deepening

The number of financial institutions operating in a locality is usually a good measure of financial deepening. Progressive LGUs in highly urbanized areas will have more banks and financial institutions than the secondary or lower classed LGUs. Hence the more financial institutions in different forms are available in a locality, the more liquid and financially facilitative business activities will be.

Table 9.
Detailed Indicators for Financial Deepening

A. Number of Banks and Financial Institutions	
Description	The <i>Bangko Sentral ng Pilipinas</i> (BSP) classifies financial institutions into 2 categories: (1) the broad category of banks constituting the Philippine banking system which is composed of universal and commercial banks, thrift banks, rural and cooperative banks; (2) non-banks with quasi banking functions such as financial cooperatives, savings and loan associations, pawnshops, microfinance institutions. The definition of these institutions is found in Annex 1.

Unit of Measurement	Number/item count
Source of Data	There are several sources of data for this indicator: <ul style="list-style-type: none"> - <i>Bangko Sentral ng Pilipinas</i> (BSP) – for most of the data on banks and non-bank financial institutions - BPLO to get data from the business permit application form, i.e. the field on “lines of activity” which can be used in getting the number of financial institutions by type; - Cooperative Development Authority (CDA) - Local groups on financial institutions like the local branches of the Banking Association of the Philippines, Rural Banks Association of the Philippines
Level of Detail	Data should be disaggregated as follows: <ul style="list-style-type: none"> - Banks by type (i.e. Commercial, Universal, Rural, Thrift and Savings Bank) - Financial Cooperatives - Saving and Loans Associations - Pawnshop - Money Changers/foreign exchange dealers - Remittance Centers - Microfinance Institutions
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Sum up the total number of banks and financial institutions per year. 2. Rank the highest to lowest number of banks and financial institutions. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

7. Productivity

As seen in chapter 2, productivity of firms in a locality is an important aspect of competitiveness. According to the latest Global Competitiveness Report 2012-2013, “The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to sustain growth.

Table 10.
Detailed Indicators for Productivity

A. Gross Sales over Total Employment	
Description	In the context of an LGU, productivity can be defined broadly by considering total production in the local economy, which is measured by total sales, with the total number of employed in the locality. High productivity is associated generally with a robust local economy. This indicator measures the efficiency of local production, potential wage and profit increase.
Unit of Measurement	Ratio
Source of Data	<ul style="list-style-type: none"> - Gross sales - from Section A.1.A above - Total employment – from Section A.3.A
Level of Detail	Annual ratios for the years covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from the RCC	None: NCC computes for local productivity

Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for local productivity: Compute the ratio using the following formula for the years covered: $\frac{\text{Gross Sales}}{\text{Total Employment}} = \text{Productivity Ratio}$ 2. Rank the highest to lowest productivity ratio. The score for productivity will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.
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8. Presence of Business and Professional Organizations

In economics, it is often said that private sector is the driver of economic growth. Following this, it is important to harness private sector organizations, especially the business groups, to support the LGUs' efforts at enhancing their competitiveness. The presence of organized business groups is positively correlated with the potential of an area to improve its competitiveness.

Table 11.
Detailed Indicators for Presence of Business and Professional Organizations

A. Number of Business Groups	
Description	Business groups refer to organized business groups in the locality that have legal personalities and are accredited in the locality. Operationally, these pertain to: (1) organizations that are registered with the Securities and Exchange Commission and are members of nationally accredited business organizations like the Philippine Chamber of Commerce and Industry; or (b) business groups that are accredited by the LGU.
Unit of Measurement	Number/item count
Source of Data	There are two categories of business groups for which data should be collected: <ul style="list-style-type: none"> - LGU-accredited business groups – LGU's Planning Development Office - Other Business Organizations - Records of business associations such as the Philippine Chamber of Commerce and Industry (PCCI) at national and regional levels.
Level of Detail	Two levels of business groups: (1) LGU recognized (LR); and (2) Other business groups (OB)
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Sum up the total number of business organizations for each year as follows: LGU recognized (LR) + Other business groups (OB) = Total Number of Business Organizations 2. Rank the highest to lowest number of business organizations. Using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value will be the score for number of business organizations.

B. Government Efficiency

Investors are attracted to areas, which foster a business-friendly environment. Local governments play a critical role in ensuring that policies are conducive to attract investment. Citing the Global Competitiveness Report 2012-2013 again, “Government attitudes toward markets and freedoms and the efficiency of its operations are also very important: excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency and trustworthiness, inability to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development.”

In the computation of the competitiveness index for the Philippines, there are ten indicators that will be considered.

The first three – capacity of health services, capacity of schools and security – are basic government services, which local governments as part of the public sector, at the minimum, are expected to provide.

Table 12
Detailed Indicators for Government Efficiency

1. Capacity of Health Services	
Description	Basic health services generally refer to the “minimum degree of healthcare considered to be necessary to maintain adequate health protection from disease.” (the Free Dictionary). Since the government provides various health services, the indicator to be used as proxy for basic health services is the number of health manpower in the public and private health facilities in the locality. Health manpower refers to doctors, nurses and midwives.
Unit of Measurement	Number/Actual Count
Source of Data	<ul style="list-style-type: none"> - Regional Office of the Department of Health for data on health manpower for the public sector; - LGU Health Office to validate; - Philippine Medical Association (PMA) for health professionals (public and private)
Level of Detail	Health manpower in the public and private sectors categorized into the following: <ul style="list-style-type: none"> - Doctors; - Nurses; and - Midwives
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 4. Add the health manpower for the public sector for each year as follows: No. of Doctors + No. of Nurses + No. of Midwives = Total Health Manpower in the Public Sector 5. Add the health manpower for the private sector for each year as follows: No. of Doctors + No. of Nurses + No. of Midwives = Total Health Manpower in the Private Sector 6. Rank the two sub-indicators, total health manpower private and total health manpower public, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value for the indicator. 7. The LGU score for each sub-indicator will then be added to get total index

	score for capacity of health services.
2. Capacity of Schools	
Description	This is an indicator of basic education which usually refers to provision of primary and secondary level of education. To simplify, the proxy indicator for the presence of basic education services is the number of teachers and students in secondary level in both public and private facilities.
Unit of Measurement	Number/ actual count
Source of Data	Regional and Division Office of the Department of Education
Level of Detail	There are two sets of indicators that should be collected: <ul style="list-style-type: none"> - Public sector secondary education indicators divided into: <ul style="list-style-type: none"> * number of students * number of teachers - Private sector secondary education indicators divided into: <ul style="list-style-type: none"> * number of students * number of teachers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for teachers to students ratio (public) each year as follows: $\frac{\text{Total number of teachers}}{\text{Total number of students}} = \text{Teachers to Students Ratio (Public)}$ 2. Compute for teachers to students ratio (private) each year as follows: $\frac{\text{Total number of teachers}}{\text{Total number of students}} = \text{Teachers to Students Ratio (Private)}$ 3. Rank the two sub-indicators, public and private education indicators, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value for the indicator. 4. The LGU score for each sub-indicator will then be added to get total index score for capacity of schools.
3. Security	
Description	Local governments have the basic responsibility to maintain peace and order in a community. For this indicator, the metric is the number of police in the locality over the total number of population.
Unit of Measurement	Number / actual count
Source of Data	Philippine National Police Regional Office ; Local PNP; National Statistics Office website (www.census.gov.ph)
Level of Detail	-Number of policemen for the years indicated -Latest City / Municipality Population
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for police to population ratio per year as follows $\frac{\text{Number of Policemen}}{\text{Total Population}} = \text{Police to Population Ratio}$ 2. Rank the highest to lowest productivity ratio. The score for police to population ratio will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

The next two –business registration efficiency and investment promotions unit – highlight the obligation of local government to provide a conducive business environment and attract investments. This implies putting in place efficient business permitting processes that grants permits and licenses at the shortest possible time and with reasonable documentary requirements from business applicants. At the same time, LGUs that set up investment promotion offices reflect their seriousness in taking care of investor interest and are favorably looked upon by investors.

Table 12
Detailed Indicators for Government Efficiency (continued)

4. Business Registration Efficiency	
Description	This indicator measures the speed and effectiveness of LGUs' business registration processes. The efficiency of LGUs in processing business-related activities is assessed from two aspects: number of procedures or steps and processing time. Shorter steps and processing time implies less cost in doing business with the LGU and hence, an enticement for investors. These two criteria for efficiency are applied to four types of permits that are processed by cities and municipalities in the Philippines: (1) Mayor's Permit for new businesses; (2) renewals of business permits; (3) building permits; and 4) occupancy permits.
Unit of Measurement	<ul style="list-style-type: none"> - Steps/Procedures: Number/item count - Processing time: in number of days (Note: For transactions that can be completed in less than a day, input number of minutes/480 (e.g. 15 minutes = 15/480; 2 hours and 30 minutes = 150/480)
Source of Data	<ul style="list-style-type: none"> - BPLO of LGU for data on steps and processing time for new business applications and business renewals; and - Office of Building Official or Engineering Office for data on steps and processing time for building and occupancy permits
Level of Detail	<p>There are four sub-indicators of permits where data on steps and processing time should be collected:</p> <ul style="list-style-type: none"> - Mayor's Permit for new business applications - Business renewals - Building permits - Occupancy permits
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<p>This indicator has four sub-indicators as follows:</p> <ul style="list-style-type: none"> - Mayor's Permit for new business applications - Business renewals - Building permits - Occupancy permits. <p>Each sub-indicator will make up 1/4 of the total score for business registration efficiency. The assigned sub-indicator score will be further multiplied by 1/2 to get the score of its two (2) categories (processing days and steps).</p> <p>1. Rank the two categories (processing days and steps) from lowest to highest. The score for each category will be the result of using the formula (actual value – maximum value) divided by (minimum value –</p>

	<p>maximum value) multiplied by 1/4 of the index value of this indicator multiplied by 1/2.</p> <p>2. The LGU score for each category will then be added to get the score for each sub-indicator.</p> <p>3. To get the full score for indicator on the business registration efficiency, each LGU's score for the four sub-indicators will be added.</p>
5. Presence of an Investment Promotions Unit	
Description	This indicator signifies the seriousness of the LGU to attract investments. The formulation of the Local Investments Incentives Code (LIIC), which the DILG and the Board of Investments are promoting, contains a section that mandates the creation of an Investment Promotions Center or Unit (IPU) to carry out the objectives of the LIIC. The LIIC is a document that articulates the local government investment policies and programs, Investments Priority Areas (IPAs), local incentives (fiscal or non-fiscal) available to domestic and foreign investors and the mechanics for availing them. In line with this intent of the government, this indicator measures the level of compliance by LGUs to the setting up of Investments Promotions Unit (IPU) or Center. This indicator will be measured based on physical evidence and observation.
Unit of Measurement	Input of YES = 1 or NO = 0 to the four types if information specified below
Source of Data	Planning and Development Office of LGU
Level of Detail	<p>There are four types of information that will be collected:</p> <ul style="list-style-type: none"> - Presence of the Local Investment Incentives Code - Presence of the equivalent of an Investment Promotions Unit, - Presence of staff manning the IPU; and - Presence of local executive order or ordinance that mandates the implementation of the LIIC or the setting up of an IPU
Period Covered	One year – 2013
Processing Required from RCC	None
Processing Required from the NCC	<p>1. Add the total inputs. If all components are present in the LGU, then the LGU get a composite score of 4.</p> <p>2. Rank the highest to lowest the score acquired from step 1 per LGU. The score will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.</p>

The responsiveness of LGUs is also assessed in relation to compliance to national directives. Locational preferences and decisions of investors at the local level are influenced by zonal classifications, which in turn are dependent on the LGUs' Comprehensive Land Use Plan (CLUP). Hence, Local Chief Executives, who are forward looking, will usually be up-to-date in revising their CLUP, which is required to be done every ten years. With the adverse impact of climate change these days, which can destroy localities, the revision of CLUPs has become more important and so with the need to formulate Disaster Risk Reduction and Management Plans (DRRMP).

Table 12
Detailed Indicators for Government Efficiency (continued)

5. Compliance to National Directives

A. Presence of a Comprehensive Land Use Plan (CLUP)	
Description	The CLUP is a planning document prepared by LGUs to rationalize the allocation and proper use of land resources. It projects public and private land uses in accordance with the future spatial organization of economic and

	social activities. Under the LGC of 1991 and other pertinent laws, all LGUs are mandated to continue to prepare/revise/update their comprehensive land use plan which shall be enacted through a zoning ordinance.
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU; Engineer's office of the LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the CLUP; - Presence of an office that implements the CLUP (usually the Planning and Development Office), - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the CLUP
Period Covered	2013
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Add the total inputs. If all components are present in the LGU, then the LGU get a composite score of 4. 2. This data will represent ½ of total score for compliance to national directives. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by ½ of the index value.
B. Presence of a Disaster Risk Reduction and Management Plan (DRRMP)	
Description	LGUs are required by Republic Act 10121 to prepare their local disaster risk reduction and management plan (DRRMP).
Unit of Measurement	Input of YES = 1 or NO = 0
Source of Data	Planning and Development Office of LGU
Level of Detail	There are four types of information that will be collected: <ul style="list-style-type: none"> - Presence of the DRRMP; - Presence of an office that implements the DRRMP; - Presence of staff manning the office; and - Presence of local executive order or ordinance that mandates the implementation of the DRRMP - Budget Allocation
Period Covered	One year – 2013
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Add the total inputs. If all components are present in the LGU, then the LGU get a composite score of 5. 2. This data will represent ½ of total score for compliance to national directives. Rank the data from highest to lowest. The score for this indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by ½ of the index value.
The LGU score for each sub-indicator (CLUP and DRRMP) will then be added to get total index score for compliance to national directives.	

Revenue generation, especially from LGU's own resources, is an indicator of the capacity of the local government to implement investment-related programs and projects. Most LGUs depend heavily on

Internal Revenue Allocation (IRA); hence the Department of Finance recognizes LGUs that are least dependent on IRA and can generate resources from its own set of taxes and fees. Consistent with this stance of the government, the capacity to generate resources is assessed based on the share of own-source revenues to the LGUs' total revenue collection. LGUs with high own-source revenue shares are associated with better fiscal management.

Table 12
Detailed Indicators for Government Efficiency (continued)

7. Ratio of LGU Collected Tax to Total LGU Revenues	
Description	While LGUs have various sources of income, this indicator measures the resources that the LGUs can generate through real property and business taxes, which are the two largest source of local revenues.
Unit of Measurement	- Values in Philippine pesos (Php) for the actual tax collected; - Ratio/Percent for the share of local taxes to total revenues
Source of Data	Visit www.blgf.gov.ph where data can be culled from the statement of income and expenditures of cities and municipalities
Level of Detail	Annual totals and ratios for the period covered
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Compute for ratio of business tax collected to the total revenues. Compute the ratio using the following formula for the years covered: $\frac{\text{Local Business Tax Collected}}{\text{Total LGU Revenues}} = \text{Ratio of Business Tax Collected to the Total Revenues}$ 2. Compute for ratio of business tax collected to the total revenues: Compute the ratio using the following formula for the years covered: $\frac{\text{Real Property Tax Collected}}{\text{Total LGU Revenues}} = \text{Ratio of Real Property Tax Collected to the Total Revenues}$ 3. Rank the two sub-indicators, ratio of local business taxes (LBT) to total revenues and ratio of real estate tax (RET) to total revenues, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value. 4. The LGU score for each sub-indicator will then be added to get total index score.

Good governance promotes economic growth and is a critical ingredient to attracting investors in a given locality. Good governance, however, requires transparency and accountability in public services. These two principles are included in DILG's LGU performance monitoring and management system called Local Government Performance Management System.

Table 12
Detailed Indicators for Government Efficiency (continued)

8. Transparency Score in Local Government Performance Management System (LGPMS)	
Description	Transparency covers openness and accessibility of information and LGU processes. The indicator to be used is the summary of the LGUs' score on the presence of a public information office,

	communications media and accessibility of public documents. The program area in the LGPMS where data can be accessed is “valuing fundamentals of governance.”
Unit of Measurement	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: http://www.blgs.gov.ph/lgpms2
Level of Detail	LGU Score for years covered
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required from RCC	None
Processing Required from the NCC	Rank the highest to lowest score from LGPMS. The score will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.
9. Economic Governance Score in the LGPMS	
Description	The economic governance score in the PGPMS covers the LGUs’ perception of how they support the local business environment through their services. The indicator to be used is the summary of the LGUs’ score on the quality of civil applications system to business sector, processing time of building permits, quality of direct support services to business enterprises and industry. The program area in the LGPMS where data can be accessed is “economic governance – entrepreneurship, business and industry promotion.”
Unit of Measure	Validated scores from LGPMS with a low of 1 and a high of 5
Source of Data	LGPMS website: www.blgs.gov.ph/lgpmsv2
Level of Detail	Separate score for each indicator
Period Covered	Three years: (1) 2012 results to be used in the ranking; (2) 2010 to 2011 results will serve as part of the database.
Processing Required from RCC	None
Processing Required from the NCC	Rank the highest to lowest score from LGPMS. The score will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

Giving of awards to local governments to recognize good performance has been an accepted practice by both National Government agencies like the DILG and private sector organizations like the Philippine Chamber of Commerce and Industry. These awards systems have been an excellent motivator for LGUs. Hence, the number of awards especially those that promote competitiveness is a good indicator of good performance of LGUs.

Table 12
Detailed Indicators for Government Efficiency (continued)

10. Most Competitive LGU Awardee	
Description	This considers the efforts of LGUs to improve its performance based on the following recognized awards: (a) <i>Galing Pook</i> ; (b) Seal of Good Housekeeping; (c) <i>Pamana ng Lahi</i> ; (d) eGov Awards for LGUs; (e) PCCI’s Most Business-Friendly LGU Award; (f) Excellence in Local Governance Awards (EXCELL); (g) Outstanding LGUs in Streamlining BPLS. Other national, regional and international awards given by credible sources are also recognized.
Unit of Measurement	Number/Item count

Source of Data	<ul style="list-style-type: none"> - Office of the Mayor for the listing of awards (other awards not covered by the regional DILG must be based on certification) - Regional Offices of the DILG for the DILG awards (e.g. Seal of Good Local Governance)
Level of Detail	<p>The awards are grouped into:</p> <ul style="list-style-type: none"> - DILG accredited awards; - Other awards conferred by credible institution at the regional, national and international levels
Period Covered	2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required from RCC	Sum the awards received by the LGU for a given year per category (total of DILG-accredited, total of other regional, total of other national and total of other international)
Processing Required from the NCC	<ol style="list-style-type: none"> 1. Add the other awards for each year as follows: No. of regional awards + No. of national awards + No. of international awards = Total other awards 2. Rank the two sub-indicators, total DILG-accredited awards and total other awards, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value. 3. The LGU score for each sub-indicator will then be added to get total index score.

C. Infrastructure

The presence of infrastructure facilities is often a major consideration in investors' decision to locate in an area. The World Economic Report 2012-2013 aptly explains the important role of infrastructure in the competitiveness discussions, "Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop in a particular instance. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways." In the Philippine competitiveness index, ten indicators of infrastructure are highlighted.

The adequacy of basic infrastructure facilitates the operations of businessmen and is therefore an important determinant of competitiveness. Basic infrastructure covers the road network, the distance of the LGU to different entry points, the number of tourist accommodations, availability of basic utilities and LGU investments in infrastructure.

Table 13
Detailed Indicators for Infrastructure

1. Existing Road Network	
Description	This indicator measures interconnectivity and the level of mobility in the locality. The road network is estimated by getting the total length of roads in the locality (including bridges) as a proportion of the LGU's total land area.
Unit of Measurement	- Road network in square kilometers

	- Ratio to get the proportion of the road network to the land area
Source of Data	- CLUP- for information of the overall infrastructure network of an LGU - LGU Engineering Office - for information on roads completed based on the Annual Investment Plan - DPWH – for data on national roads traversing the LGU.
Level of Detail	The road network is divided in terms of the following types of road: (1) asphalt; (2) gravel; (3) concrete; and (4) unpaved.
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Add the total road network: $Ar + Gr + Cr + Ur = \text{Total Road Network}$ where AR – refers to asphalt roads GR - refers to roads made of gravel CR - refers to concrete roads UR - refers to unpaved roads 2. Compute for road density ratio: $\frac{\text{Total Road Network}}{\text{Land Area}} = \text{Road Density Ratio}$ 3. Rank the highest to lowest road density ratio. The score will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.
2. Distance of City/Municipal Hall to Ports	
Description	This indicator provides guidance on how near the center of government is to its entry points, such as airports, bus terminals and seaports. The less travel time from the port of entry to the city hall, the more convenient for the business men/investors.
Unit of Measurement	Distance in kilometers
Source of Data	- LGU Engineering Office - DPWH
Level of Detail	Three types of data should be collected: - Distance from the airport to the city/municipal hall - Distance from the bus terminal to the city/municipal hall - Distance from the seaport to the city/municipal hall
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Rank the three sub-indicators, airport distance, bus terminal distance and seaport distance to city/municipal hall, from lowest to highest distance. The score for each sub-indicator will be the result of using the formula (actual value – maximum value) divided by (minimum value – maximum value) multiplied by 1/3 of the index value. 2. The LGU score for each sub-indicator will then be added to get total index score.
3. Number of Department of Tourism (DOT) – Accredited Tourist Accommodations	
Description	This indicator focuses on the available facilities in the LGU for accommodations based on the existing Department of Tourism accreditation standards and the corresponding number of rooms in each of the facilities.

Unit of Measurement	Number/Item count
Source of Data	- DOT (regional) - for data on accredited tourist establishments -C/MPDO
Level of Detail	Two levels of data are required: - number of DOT-accredited establishments by type of accommodations, i.e.(1) hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house; - Number of rooms available in each of the available type of accommodation for each type of accommodations, i.e. (1) hotels; (2) resorts; (3) tourist inns; (4) apartelle; (5) pension house
Period Covered	Three years: (1) 2013 (for consideration in the ranking); 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Add the number of DOT-accredited establishments as follows: No. of hotels + No. of resorts + No. of tourist inns + No. of apartelles + No. of pension houses = Total no. of DOT-accredited establishments 2. Add the number of rooms available for each type of establishment: No. of hotel rooms + No. of resort rooms + No. of tourist inn rooms + No. of apartelle rooms + No. of pension house rooms = Total no. of rooms in DOT-accredited establishments 3. Rank the two sub-indicators, total number of DOT-accredited establishments and total number of rooms in DOT-accredited establishments, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value. The LGU score for each sub-indicator will then be added to get total index score.
4. Availability of Basic Utilities	
Description	Power and water are two critical inputs for businesses and ordinary citizens. Businesses need consistency of and regularity of water and electricity services. Continuous availability of these utilities is a key element of competitiveness.
Unit of Measurement	Number of hours per day [Note: 1-hour interruption is already considered 1 day since these services are expected to be provided 24 hours/7 days a week.
Source of Data	- Local Electric Cooperative - hours of availability of power and power interruption - Local Water Utility - hours of availability of water and water interruption
Level of Detail	For electricity and water, get the : - Average hours of availability per day (for consideration in the ranking); and - Number of days of interruption per year (for entry into the database)
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required	1. Rank the two sub-indicators, electricity and water availability, from highest

from the NCC	to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value. 2. The LGU score for each sub-indicator will then be added to get total index score.
5. LGU Investment in Infrastructure	
Description	This indicator represents the actual resources allocated by the LGU for its infrastructure needs. LGUs with a high share of investment investments will get a higher ranking compared to those with lower shares.
Unit of Measurement	- In Philippine Peso (PhP) for the value of investment infrastructure; - In percentage for the share of infrastructure investment/budget to total budget
Source of Data	C/MPDO and the C/MTO
Level of Detail	The indicators needed for a given year are: - total investments in infrastructure; and - total LGU budget
Period Covered	Three years: (1) 2013 (for consideration in the ranking); (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Compute the percentage as follows for the covered years: $\frac{\text{LGU Infrastructure Budget}}{\text{Total LGU Budget}} \times 100 = \% \text{ Share of Infra Budget}$ 2. Rank the highest to lowest percentage share. The score will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

In the current digital age, the use of technology can lead to increased productivity, greater efficiency, connectivity and accessibility, which are factors that can enhance competitiveness of a locality. It is therefore important to get the information and communication technology (ICT) readiness of LGUs. The more households are connected, the broader is the market for potential investors. This can also lead to improvements in efficiency for services and product delivery.

Complementing the use of technology is the importance of greater mobility that facilitates travel and transport of goods and services. Hence, two indicators have been included in the competitiveness index to measure technological readiness/advancement and the level of mobility of LGUs – the number of internet and telephone providers - and the availability of publictransport vehicles.

Table 13
Detailed Indicators for Infrastructure (continued)

6. Connection to Information and Communication Technology (ICT)	
Description	This indicator reflects the ICT readiness of a locality, which is measured by the availability of major telecommunication facilities in the locality. The telecommunications infrastructure is composed of cable, internet, and cellular facilities.
Unit of Measurement	Number/Item
Source of Data	- Telecommunications companies - National Telecommunications Commission

Level of Detail	The indicators to be collected are as follows: - number of cable providers; - number of internet providers; and - number of cellular/telephone providers
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Rank the three sub-indicators - cable, internet and cellular providers, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/3 of the index value. 2. The LGU score for each sub-indicator will then be added to get total index score for the indicator on connection to ICT.
7. Number of Public Transportation Vehicles	
Description	This indicator represents the mobility of the local population. Public transportation includes all types of motorized vehicles duly recognized by the LGU.
Unit of Measurement	Number/Item count
Source of Data	- Land Transportation Office – for data on the number of buses, passenger vans, jeepneys, taxis - Philippine Ports Authority –for data on ships and fast craft - Local Transport Associations – data will depend on the nature of the association, e.g. jeepney associations - C/MPDO – for data on tricycles
Level of Detail	The available type of transportation are as follows: (1) buses; (2) passenger vans; (3) jeepneys; (4) tricycles; (5) taxis; (6) ship; (7) Fast craft; and (8) passenger bancas
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	1. Sum up all the types of transportation to get the total number of public transportation vehicles. 2. Rank the highest to lowest total number of public transportation vehicles. The score for the indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by the index value.

The quality of the workforce, which is an important factor in productivity and competitiveness, is partly dependent on the availability of health and education services in the locality. The latter, in turn, depends on the manpower in these sectors as well the available related infrastructure. In the case of education, both the lack of teachers and schoolrooms have been the excuse for the deterioration in literacy rate. The importance of manpower in health and education has been addressed in the component on government efficiency in earlier sections (sub-factor on basic government services); the corresponding social infrastructure requirements are addressed in this sub-factor.

Table 13
Detailed Indicators for Infrastructure (continued)

8. Health Infrastructure	
Description	This indicator measures the availability of facilities for health maintenance and emergencies. A healthy workforce is conducive to higher productivity.

	Specifically, the availability of health infrastructure is gauged by getting the number of health facilities, including bed capacities, operated by the public and private sectors. Health facilities are classified into (a) clinics, (b) diagnostic centers; and (c) hospitals
Unit of Measurement	Number/Item count
Source of Data	LGU Health Office, Regional DOH
Level of Detail	The following data are required: <ul style="list-style-type: none"> - Number of public sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals; - Number of private sector health facilities and corresponding bed capacities for the following categories of health facilities: (a) clinics, (b) diagnostic centers; and (c) hospitals;
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required	None
Processing Required from the NCC	Each sub-indicator, public health infrastructure and private health infrastructure, will make up 1/2 of the total score for health infrastructure. The assigned sub-indicator score will be further multiplied by ½ to get the score per category (health facilities and bed capacity). <ol style="list-style-type: none"> 1. Add the total number of public health facilities for each year. Clinics (Public) + Diagnostic Centers (Public) + Hospitals (Public) = Total Number of Health Facilities (Public) 2. Add the total number of public bed capacity for each year. Clinic Beds (Public) + Diagnostic Center Beds (Public) + Hospital Beds (Public) = Total Number of Bed Capacity (Public) 3. Add the total number of private health facilities for each year. Clinics (Private) + Diagnostic Centers (Private) + Hospitals (Private) = Total Number of Health Facilities (Private) 4. Add the total number of private bed capacity for each year. Clinic Beds (Private) + Diagnostic Center Beds (Private) + Hospital Beds (Private) = Total Number of Bed Capacity (Private) 5. Rank the two categories of each sub-indicator (health facilities and bed capacity) from highest to lowest. The score for each category will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value of this indicator multiplied by 1/2. 6. The LGU score for each category will then be added to get the score for each sub-indicator. 7. To get the full score for indicator on the health infrastructure, each LGU's score for the two sub-indicators will be added.
9. Education Infrastructure	
Description	This indicator represents the availability of facilities for basic education in a locality, since an educated workforce is conducive to higher productivity. The availability of health infrastructure is measured using the number of schools which are run by both the public and private sectors, including the number of classrooms.
Unit of Measurement	Number/Item count
Source of Data	<ul style="list-style-type: none"> - DepEd Division Office - DepEd Regional Office
Level of Detail	Two levels of data: <ul style="list-style-type: none"> - Number of public sector-run schools and classrooms; - Number of private sector-operated schools and classrooms.

Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<p>Each sub-indicator, public education infrastructure and private education infrastructure, will make up 1/2 of the total score for education infrastructure. The assigned sub-indicator score will be further multiplied by ½ to get the score per category (schools and classrooms).</p> <ol style="list-style-type: none"> Rank the two categories of each sub-indicator (schools and classrooms) from highest to lowest. The score for each category will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value of this indicator multiplied by 1/2. The LGU score for each category will then be added to get the score for each sub-indicator. To get the full score for indicator on the education infrastructure, each LGU's score for the four sub-indicators will be added.

As stated earlier, the number of financial institutions, which is a measure of financial deepening is highly correlated with a robust local economy. It facilitates the mobilization of financial resources for use in the production of goods and services. The simplest measurement of financial development in an area would be the number of automated teller machines.

Table 13
Detailed Indicators for Infrastructure (continued)

10. Number of Automated Teller Machines (ATMs)	
Description	This indicator represents both the ICT capacity and financial liquidity/development in the locality. ATMs also represent stable electronic connection in the LGU.
Unit of Measurement	Number/Item
Source of Data	Local banks, physical counting
Level of Detail	<p>Two sets of data:</p> <ul style="list-style-type: none"> - Number of on-site ATMs where ATM machines are set-up in the premises where the banks are located - Number of off-site ATMs where ATM machines are set up on a stand-alone basis (e.g. ATMs located in malls or commercial establishments)
Period Covered	Three years: (1) 2013 (for consideration in the ranking); and (2) 2011 and 2012 (for entry into the database)
Processing Required from RCC	None
Processing Required from the NCC	<ol style="list-style-type: none"> Rank the two sub-indicators, off-site and on-site ATMs, from highest to lowest. The score for each sub-indicator will be the result of using the formula (actual value – minimum value) divided by (maximum value – minimum value) multiplied by 1/2 of the index value. The LGU score for each sub-indicator will then be added to get total index score.

V. Computing the Competitiveness Index

A. Description

The different data that are gathered to form the index are unique and depend on its nature and type. In order to compute for the index and rank the different sub-indicators, there is a need to understand the weighing of each pillar and the manner of computing each indicator.

B. Weights

Similar to other indexes, the competitiveness index ranking has a total index value of 100 representing a fully competitive local unit. The index is composed of three pillars thereby making each pillar represent about 33.3% of index value, to wit:

- a. Economic Dynamism = 33.3%
- b. Governance Efficiency = 33.3%
- c. Infrastructure = 33.3%

Ideally, the number of indicators to be gathered should be equal for each of the three (3) pillars of the index. However, as each pillar has different dimensions and aspects to consider, the weights need to be adjusted per indicator. Originally, there were 10 indicators per pillar making each indicator represent 3.3%. Even if the number of indicators per pillar are lower or higher than 10, the pillar will still retain 33.3% weight. What will change are the weights within the pillar. In this version of the index, many indicators were computed from composite values of two or more sub-indicators. For instance, health infrastructure is composed of public and private data for facilities and rooms available. Thus, there are two sub-indicators of a single indicator on health infrastructure. The two sub-indicators are ranked separately but are added back as a composite indicator.

C. Standardizing the Computations

1. To standardize the computations, we follow the process of computing the components of the human development index (HDI)⁶ using our standard formula or formula 1a.

$$\frac{\text{Actual value}(x) - \text{Minimum Value } (x)}{\text{Maximum value } (x) - \text{Minimum value } (x)}$$

If the lowest value is the highest rank, use formula 1b:

$$\frac{\text{Actual value}(x) - \text{Maximum value } (x)}{\text{Minimum value } (x) - \text{Maximum value } (x)}$$

To implement this, we follow the following steps:

STEP 1 – Arrange the values of the indicators per year from Minimum to Maximum Value.

STEP 2 – Identify the Minimum and Maximum Value per indicator and arrange it in a table per indicator.

⁶ Based on <http://hdn.org.ph/computing-for-hdi/>

STEP 3 – Compute values per indicator using the above formula.

STEP 4 – Multiply the values per indicator with the identified weights per pillar.

STEP 5 – Add the weighted values to get index per pillar.

STEP 6 – Add the indexes per pillar to get Competitive Index.

2. Another formula that will be used is the simple growth formula or formula 2:

$$\frac{\text{Present Value (x)} - \text{Past Value (x)}}{\text{Past Value (x)}}$$

Sample Procedure per sub-indicator:

A. Economic Dynamism

There are effectively eight (8) main indicators in the economic dynamism sub-indicators as follows:

- a. Size of the Economy
 1. Gross Sales
 2. Total Number of Business Registration
 3. Total Capitalization of New Business
 4. Total Number of Occupancy Permits Approved
- b. Growth of the Economy
 1. Growth in Gross Sales
 2. Growth in Total Number of Business Registration
 3. Growth in Total Capitalization of New Business
 4. Growth in Total Number of Occupancy Permits Approved
- c. Capacity to Generate Jobs
 1. Number of Jobs Created
- d. Cost of Living
 1. Local Inflation Rate
- e. Cost of Doing Business.
 1. Cost of Electricity
 2. Cost of Water
 3. Price of Diesel
 4. Cost of Land
 5. Minimum Wage
 6. Rent for Commercial and Office Space
- f. Financial Deepening
 1. Number of Banks and Financial Institutions
- g. Productivity
 1. Gross sales over total Employment

h. Presence of Business Organizations
 1. Number of Business Groups

Hence, the weight for each indicator is 4.16% since $33.3\%/8 = 4.1625\%$.

Below is an example of using the steps above for Economic Dynamism:

A. Size of the economy

This indicator has four (4) sub-indicators, total number of registrations, total capitalization of new business, gross sales and total number of occupancy permits approved. The period to be covered for ranking 2014 is the totals for 2013. Since there are 4 sub-indicators, the index weight of 4.16 is further divided into four (4) giving each sub-indicator a weight of 1.04.

To compute, it is important to have all the fields of the period covered. Once all are completed, the following can be done:

1. Rank the totals for each sub-indicator for 2013 by arranging from highest to lowest.
2. Use Formula 1a to get the computed value of the rank
3. Multiply the computed value with 1.04% to get index value for each sub-indicator.
4. Add the index value of each sub-indicator to get index value of LGU for size of local economy.

e.g. for total number of registration, if highest is 1,000 and lowest is 200 and the actual LGU registration is 500 then applying formula 1:

$$\frac{500 - 200}{1000 - 200} = \frac{300}{800} = 0.375 \text{ computed value of rank} \times 1.04 = \mathbf{0.39 \text{ index value}}$$

If index value for 4 sub-indicators are as follows:

Total number of business registration	= 0.39
Total Capitalization of new business	= 0.59
Gross Sales	= 0.80
Total Number of Occupancy Permits Approved	= 0.50

Total Index Value for Size of Local Economy = 2.28

B. Growth of the Local Economy

This indicator also has four (4) sub-indicators. The following steps can be used per sub-indicator to compute for the index value:

1. Compute for the simple growth rate for 2012-2013
2. Rank the computed simple growth rate LGUs by arranging from highest number to lowest number.
3. Use formula 1a for the resulting growth rate per LGU for 2012-2013
4. Multiply the results per LGU by 1.04 to get index value per sub-indicator.

To get the index value of an LGU for Growth of the Local Economy, add the index value of all four sub-indicators.

C. Cost of Living

This indicator considers the lowest value as the highest rank. The following computation procedure can be done:

1. Rank the value of the indicator per LGUs by arranging from lowest number to highest number.
2. Use formula 1b.
3. Multiply the results per LGU by 4.16% to get index value per LGU.
4. The result is the index value for the indicator per LGU.

D. Cost of Doing Business

This indicator has six (6) sub-indicators, cost of electricity, cost of water, price of diesel, daily minimum wage, cost of land in a central business district and cost of rent. The period to be covered for ranking 2014 is the actual amounts for 2013. Since there are 6 sub-indicators, the index weight of 4.16 is divided into six (6) giving each sub-indicator a weight of 0.69%.

Furthermore, some sub-indicators have categories as follows:

1. Cost of electricity:
 - 1.1. Commercial Users
 - 1.2. Industrial Firms / Customers
2. Cost of water
 - 2.1. Commercial Users
 - 2.2. Industrial Firms / Customers
3. Daily Minimum Wage Rate
 - 3.1. Agricultural – Plantation
 - 3.2. Agricultural - Non – Plantation
 - 3.3. Non-Agricultural with more than 10 workers
 - 3.4. Non-Agricultural with 10 workers or below

The sub-indicator weight of 0.69% will be further divided depending on the number of categories.

To compute, the following can be done:

1. Rank the value of the indicator per category by arranging from lowest number to highest number.
2. Since the lowest number is considered as the highest rank, use formula 1b.
3. Multiply the results per LGU by 0.69% divided by the number of categories to get index value per LGU.
4. Add the index value of categories per sub-indicator to get index value of each sub-indicator.
5. Add the index value of each sub-indicator to get the score of LGUs for cost of doing business.

For Capacity to Generate Jobs, Financial Deepening, Productivity and Presence of Business Groups, the following applies:

1. Rank the value of the indicator per LGU by arranging from highest number to lowest number.
2. Use formula 1a.
3. Multiply the results per LGU by 4.16% to get index value per LGU.
4. The result is the index value for the indicator per LGU.

B. Governance Efficiency

These are the main indicators:

1. Transparency Score in LGPMS
2. Economic Governance Score in LGPMS
3. Ratio of LGU collected tax to LGU revenues
4. LGU Competition Related Awards
5. Business Registration Efficiency
6. Investment Promotion
7. Compliance to National Directives for LGUs
8. Security
9. Health
10. Schools

Since, there are ten (10) indicators. The index value per indicator is 3.33.

C. Infrastructure

These are the key indicators:

1. Existing Road Network
2. Distance of Center to Major Ports
3. DOT Accredited Accommodations
4. Health Infrastructure
5. Education Infrastructure
6. Availability of Basic Utilities
7. Annual Investments in Infrastructure
8. Connection of ICT
9. Number of ATMs
10. Number of Public Transportation

Since there are ten (10) indicators, the index value per indicator is 3.33.

VI. PROPOSED MECHANISMS FOR DATA GATHERING

The process of computing the competitiveness rankings, the institutional responsibilities and the timetable of activities are described in this chapter.

E. Proposed Process for Data Gathering

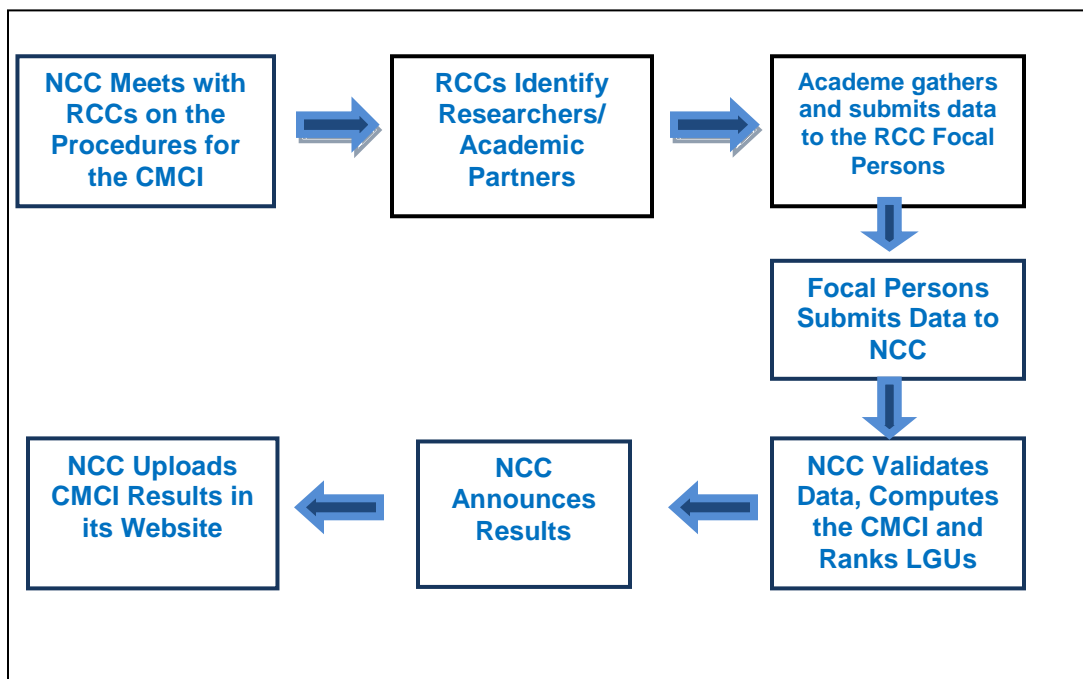
The key institutions that are critical for the data gathering and computation of the competitiveness rankings are the NCC, the RCCs and the local research institution.

Figure 4 summarizes the typical process that leads to the ranking of cities and municipalities according to competitiveness. The NCC will use the RCC mechanisms to start the data gathering process. Specifically, the NCC through its NCC-RCC meetings will provide instructions and guidance on the data gathering process, the data to be included in the index, and the timelines. For this year, NCC identified the target LGUs per region – all cities and first class municipalities, although RCCs may add LGUs other than the target. To facilitate and consolidate the data from LGUs to the RCC level, the RCCs have been instructed by NCC to appoint a focal person who may come from the research partner institution or committee tasked to undertake the data gathering. The key role of the focal person is to ensure the quality of the data gathered from the LGUs. Only data submitted by the RCC focal person will be considered by the NCC for the rankings. The NCC, in turn, will also assign a partner focal person to work with specific RCC focal persons.

The data gathering is to be completed within two (2) months.⁷ The RCCs through their focal persons, with the assistance of the regional PSA, will validate the data gathered by the researchers before encoding these for transmission to NCC. The process of validation is expected to be completed in one (1) month after data gathering. The NCC, within one month, will process the data gathered and produce the rankings. The results will then be uploaded to the NCC and the RCC's individual databases.

⁷ The first ranking in 2013 completed the data gathering of participating LGUs for 2 months.

**Figure 4.
Process for Data Gathering for the Competitiveness Ranking**



F. Proposed Institutional Responsibilities

Figure 5 summarizes the specific responsibilities that need to be done by the key stakeholders. The specific institutional responsibilities are detailed below:

National Competitiveness Council

13. Informs the RCCs on the next round of Competitiveness Ranking during December NCC-RCC Meeting;
14. Identifies the LGUs which will participate in the CMCI exercise;
15. Forms the NCC Secretariat Team to serve as NCC Focal Persons;
16. Provides RCCs with the schedule of activities and requests the RCCs to provide the names of the focal persons to be assigned to the project;
17. Prepares the budget and generates the financial resources for the activity; and
18. Provides the RCCs with the Data Capture Sheet and the mechanics for data gathering and encoding.

Regional Competitiveness Committees

15. Convenes the committee to discuss the activities for the Competitiveness Data Gathering;
16. Identifies and engages the LGUs which will participate in the CMCI exercise;
17. Identifies and contracts research partner institutions for data gathering;
18. Identifies and forwards to NCC the name of RCC focal persons;
19. Coordinates with NCC in filling up the data capture sheet and other information required for data gathering;
20. Supervises data gathering and ensures quality of data; and
21. Submits data to NCC.

Local Government Units

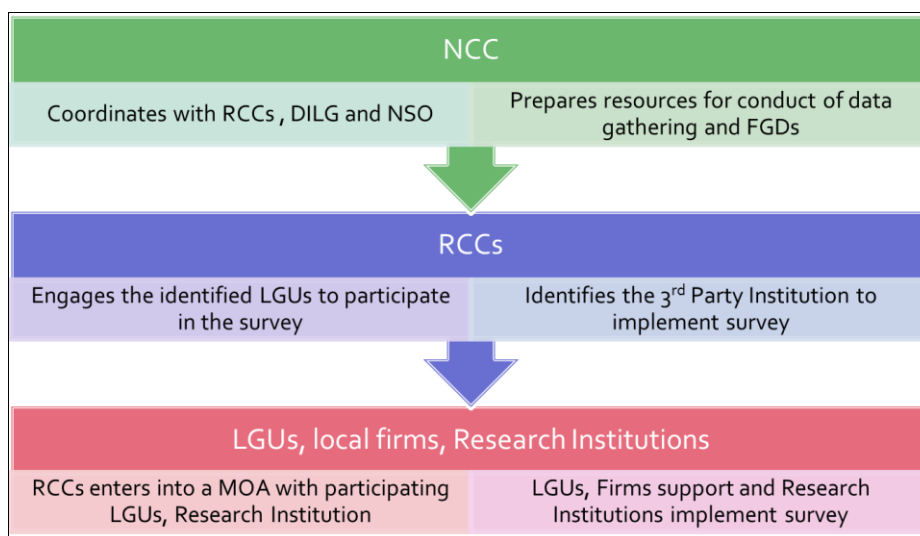
11. Issues a resolution to participate in the CMCI activity;
12. Appoints a person to facilitate data collection by the RCC-contracted institution;

13. Assigns the LGU Department and possibly the persons to coordinate the preparation of the data needed for the competitiveness ranking;
14. Ensures the processing of the data from the Mayor's Permit application form that will be submitted to the RCCs thru the appointed research institutions; and
15. Develops databases that can be used for the competitiveness rankings.

Research Institutions

13. Enters into a Memorandum of Agreement (MOA) with the RCC on the collection of the data for the competitiveness ranking;
14. Identifies the Team Leader to be appointed as the RCC Focal Person and the Team Members who will be responsible for the activity;
15. Undergoes data gathering standardization training;
16. Collects the data to be used in filling up the NCC-mandated standardized data/data capture form;
17. Reports issues on data collection that need resolution; and
18. Provides a summary of the data for the competitiveness ranking activity

**Figure 5.
Institutional Responsibilities**



C. Participation of the Philippine Statistical Authority (PSA)⁸

The computation of the competitiveness index for cities and municipalities is an important undertaking that will raise the consciousness of LGUs to provide a business-friendly environment that would attract investors. Hence, the NCC is planning to involve the PSA and to institutionalize the process within the statistical system.

In the future, the PSA through its regional offices can play a stronger role as member of the RCC to validate the data from the research institutions engaged to do the data gathering. The PSA is expected to eventually develop the process to incorporate the data gathered by the RCCs that can be aggregated up to the national levels.

F. Proposed Schedule of Activities

⁸ The NCC is discussing with NEDA and PSA the issuance of a Memorandum of Agreement that will define the PSA's role in the RCC in relation to the CMCI activity.

To synchronize the activities in the process, the following indicative schedule that all stakeholders should follow every year is presented in Table 6.

Table 14.
Timeline

ACTIVITIES	SCHEDULE PER YEAR
Identification of Research Partner for Data Gathering and RCC Focal Person	January
Conduct of Data Gathering	March - April
Validation of Results by RCC	May
Data Processing by NCC	June
Presentation of Ranking	July
Publication of Results	August
Review of Results and Audits	October

Annex. Definition of Financial Institutions for the Competitive Ranking

E. Philippine Banks

The **Philippine banking system** is composed of universal and commercial banks, thrift banks, rural and cooperative banks.

7. **Universal and commercial banks** represent the largest single group, resource-wise, of financial institutions in the country. They offer the widest variety of banking services among financial institutions. In addition to the function of an ordinary commercial bank, universal banks are also authorized to engage in underwriting and other functions of investment houses, and to invest in equities of non-allied undertakings.
8. The **thrift banking system** is composed of savings and mortgage banks, private development banks, stock savings and loan associations and microfinance thrift banks. Thrift banks are engaged in accumulating savings of depositors and investing them. They also provide short-term working capital and medium- and long-term financing to businesses engaged in agriculture, services, industry and housing, and diversified financial and allied services, and to their chosen markets and constituencies, especially small- and medium-enterprises and individuals.
9. **Rural and cooperative banks** are the more popular type of banks in the rural communities. Their role is to promote and expand the rural economy in an orderly and effective manner by providing the people in the rural communities with basic financial services. Rural and cooperative banks help farmers through the stages of production, from buying seedlings to marketing of their produce. Rural banks and cooperative banks are differentiated from each other by ownership. While rural banks are privately owned and managed, cooperative banks are organized/owned by cooperatives or federation of cooperatives.

Source: Bangko Sentral ng Pilipinas (BSP) website
<http://www.bsp.gov.ph/banking/bspsup.asp>

F. Other Financial Institutions

The BSP likewise releases selected statistics on [non banks with quasi-banking functions](#) . This group consists of institutions engaged in the borrowing of funds from 20 or more lenders for the borrower's own account through issuances, endorsement or assignment with recourse or acceptance of deposit substitutes for purposes of relending or purchasing receivables and other obligations.

11. **Financial Cooperatives** - A financial institution that is owned and operated by its members. The goal of a financial cooperative is to act on behalf of a unified group as a traditional banking service. These institutions attempt to differentiate themselves by offering above-average service along with competitive rates in the areas of insurance, lending and investment dealings.

E.g. Credit unions are the most popular form of financial cooperative because they are owned and operated by their members. These financial institutions often pay higher-than-average interest rates and are only accessible to those that have accounts.

12. **Savings and Loans Associations** - Non-stock savings and loan association shall mean a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance;

Association shall refer only to non-stock savings and loan associations organized under the Corporation Code of the Philippines;

Source: BSP - REPUBLIC ACT NO. 8367- An Act Providing For The Regulation Of The Organization And Operation Of Non-Stock Savings And Loan Associations

13. **Pawnshops** - A store which offers loans in exchange for personal property as equivalent collateral. If the loan is repaid in the contractually agreed time frame, the collateral may be repurchased at its initial price plus interest. If the loan cannot be repaid on time, the collateral may be liquidated by the pawnshop through a pawnbroker or second hand dealer through sales to customers.

Pawnshop Definition of BSP - A duly organized and licensed pawnshop has, in general, the power to engage in the business of lending money on the security of personal property within the framework and limitations of PD No. 114 and the following regulations, subject to the regulatory and supervisory powers of the Bangko Sentral ng Pilipinas (BSP).

Form of Organization. A pawnshop may be established as a single proprietorship, a partnership or a corporation. Only Filipino citizens may establish and own a pawnshop organized as a single proprietorship. A pawnshop established as a single proprietorship by non-Filipino owner prior to January 29, 1973 may continue as such during the lifetime of the registered owner.

If a pawnshop is organized as a partnership, at least seventy percent (70%) of its capital shall be owned by Filipino citizens. Pawnshops established as partnerships prior to January 29, 1973, with non-Filipino partners whose aggregate holdings amount to more than thirty percent (30%) of the capital may retain the percentage of their aggregate holdings as of January 29, 1973, and said percentage shall not be increased, but may be reduced, and once reduced shall not be increased thereafter beyond thirty percent (30%) of the capital stock of such pawnshop.

In the case of a pawnshop organized as a corporation, at least seventy percent (70%) of the voting stock therein shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy percent (70%) of the members entitled to vote shall be citizens of the Philippines.

Pawnshops registered as corporations with foreign equity participation in excess of thirty percent (30%) of the voting stock, or members entitled to vote, of the pawnshop may retain the percentage of foreign equity as of January 29, 1973, and said percentage shall not be increased, but may be reduced and once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock, or number of members entitled to vote, of such pawnshop.

14. Money Changer Remittance Centers –

Based on Circular No. 471 (S. of 2005)- Qualified persons or non-bank institutions wishing to act as **foreign exchange dealers (FXDs)/money changers (MCS)** and/or **remittance agents (RAs)** are required to register with the BSP. For this purpose, the term MCS, interchangeably referred to as FXDs, shall refer to those regularly engaged in the business of buying and/or selling foreign currencies.

Remittance agents (RAs) refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity.

These include money or cash couriers, money transmission agents, remittance companies and the like.

15. **Microfinance Institutions** - Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance products to the poor and low-income households and their microenterprises. By definition, it is important to note that Microfinance is NOT subsidized credit, NOT a dole-out, NOT salary or consumption loans, and a cure-all for poverty.

Clients of microfinance - The clients of microfinance are the economically-active, entrepreneurial poor (e-poor). Some examples of these are shopkeepers, ambulant vendors and household based entrepreneurs. These are the clients who have a stable economic activity and will be able to sustain and enhance these if they are provided with even a small amount of readily available funds.

Source: *Bangko Sentral ng Pilipinas (BSP)*

ANNEX 4. MOA Between NCC and PSA on the Institutionalization of the CMCI

NCC DRAFT (As of August 2014)

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENT:

This Memorandum of Agreement, hereinafter referred to as MOA is made and entered into on this ____ day of _____ 2014, in Manila Philippines, by and between:

The **NATIONAL COMPETITIVENESS COUNCIL (NCC)**, a public private sector council created and existing under the laws of the Republic of the Philippines with principal office address at 389 Sen. Gil Puyat Avenue, Makati City, herein represented by **SECRETARY GREGORY L. DOMINGO**, Department of Trade and Industry, in his capacity as the Chairperson and **GUILLERMO M. LUZ**, in his capacity as Co-Chairperson, hereinafter referred to as NCC;

and

The **PHILIPPINE STATISTICS AUTHORITY (PSA)**, a national government agency created and existing under the laws of the Republic of the Philippines with principal office address at Midland Buendia Bldg. 403 Sen. Gil Puyat Ave., Makati City, herein represented by **SECRETARY ARSENIO M. BALISACAN**, Socioeconomic Planning and National Economic and Development Authority (NEDA) Director-General, in his capacity as the Chairman of the Board, and **LISA GRACE S. BERSALES**, in her capacity as the National Statistician, hereinafter referred to as PSA;

WHEREAS, the **NCC** is a public-private body dedicated to building up the competitiveness of the Philippines through policy reform, project implementation, institution building, performance monitoring and goal setting;

WHEREAS, the **NCC** has developed the **Cities and Municipalities Competitiveness Index (CMCI)**, with the Regional Competitiveness Committees, to monitor local economic development and determine the competitiveness rankings of cities and municipalities;

WHEREAS, the **CMCI** is a template of indicators selected and agreed upon by the NCC and its RCCs to measure local competitiveness in factors such as but not limited to economic dynamism, government efficiency and infrastructure;

WHEREAS, the **CMCI** is necessary to track the status of economic development and competitiveness indicators at the local level and to help capture the full impact of economic growth as well as determine the country's overall global competitiveness;

WHEREAS, the **NCC** has completed the application of the CMCI in two cycles, covering 2012 and 2013, to a limited number of cities and municipalities;

WHEREAS, there is a **need to institutionalize the process** in order to expand its coverage to all cities and municipalities and to establish a mechanism for data generation down to the municipal level since most of the current data capturing mechanisms are at the regional level;

WHEREAS, **Philippine Statistics Authority (PSA)**, an attached agency of the **NEDA**, is primarily responsible for all national censuses and surveys, sectoral statistics, consolidation of selected administrative recording systems, civil registration and compilation of national accounts;

WHEREAS, the **NEDA** recognizes the importance of locally-generated indicators and indices that can be used to monitor the status of the governance reform agenda and, together with the **PSA**, intends to develop and annually generate the same for use in the next development planning cycle;

NOW THEREFORE, for and in consideration of the above premises, the **DTI** through the **NCC** and **NEDA** through the **PSA** hereby mutually agree to collaborate towards defining a framework or mechanism for the institutionalization of the **CMCI**, including the process, coverage, roles and responsibilities of participating agencies, and timelines.

I. RESPONSIBILITIES OF THE NATIONAL COMPETITIVENESS COUNCIL.

- a. Provide technical assistance including orientation workshops on **CMCI** indicators, data generation process and analysis, as part of the institutionalization of the process;
- b. Take the lead in the identification and review/validation of local competitiveness indicators for the third cycle;
- c. Approve the list of local government units which will participate in the competitiveness rankings, in coordination with its Regional Competitiveness Committees (**RCCs**);
- d. Provide overall coordination in the data gathering process and ensure funding support for data generation and other related activities; and ;
- e. Coordinate with the **NEDA/PSA** in the validation of results prior to release of competitiveness ranking.

II. RESPONSIBILITIES OF THE PHILIPPINE STATISTICS AUTHORITY.

- e. Provide guidance to ensure the reliability and sustainability of the **CMCI's** data collection process from available secondary data sourced from censuses, surveys and administrative based data systems of government agencies;
- f. Assist in data analysis and validation of results in coordination with the **RCCs**;
- g. Provide guidance in the design of the framework to institutionalize local competitiveness data/indicators and link/synchronize these with other data collection efforts at the national and sub national levels; and ;
- h. Serve as resource persons in capacity-building training programs for **NCC** partners on data gathering, processing and validation.

III. NOTICES. Any notice, request, demand or other correspondence required under the terms of this Memorandum of Agreement or any notice which any party may desire to give to the others shall be hand-delivered, sent by facsimile, electronic means or similar means of delivery to the party intended to receive the same.

IV. AMENDMENTS. Amendments or any modification to this Memorandum of Agreement shall be made in writing and signed by all Parties.

V. FORCE MAJEURE. In the event this Memorandum of Agreement is prevented from being implemented due to war, civil commotion, strike and labor disputes, acts of God, force majeure or any other causes beyond the control of either Parties, this Memorandum of Agreement shall be deemed suspended during the existence of any of the foregoing. Upon

termination or cessation of the force majeure condition, this Memorandum of Agreement shall be deemed effective and its duration extended for the time of suspension thereof, unless the continued execution and implementation of this Memorandum of Agreement shall be mutually impossible for the Parties to comply herein, such that the latter shall mutually declare Memorandum of Agreement as revoked and terminated.

VI. EFFECTIVITY. This Memorandum of Agreement shall take effect upon signing and remain in full force and effect unless otherwise terminated for cause, by either party.

VII. SEPARABILITY. If at any time, any provision of this Memorandum of Agreement is adjudged to be or becomes illegal, invalid, or unenforceable in any respect under the law, rules and regulations with any competent jurisdiction, the legality, validity and enforceability of such provisions not so affected or impaired shall subsist and remain valid as between the Parties.

VIII. SETTLEMENT OF DISPUTE. Any dispute arising from this Memorandum of Agreement shall be submitted to mutual consultation, mediation or arbitration, in the order of application. In case of a court suit, the venue shall be the courts of competent jurisdiction in _____, to the exclusion of all other courts.

IN WITNESS WHEREOF, the parties hereto have set their hands at _____, Metro Manila, Philippines, on 2014.

NATIONAL COMPETITIVENESS COUNCIL	PHILIPPINE STATISTICS AUTHORITY
By: _____ GREGORY L. DOMINGO Chairman, National Competitiveness Council Secretary, Department of Trade and Industry	By: _____ ARSENIO M. BALISACAN Chairman, Philippine Statistics Authority Board Socioeconomic Planning Secretary and NEDA Director-General
_____ GUILLERMO M. LUZ Co-Chairman, National Competitiveness Council	_____ LISA GRACE S. BERSALES National Statistician

Signed in the presence of:

_____ _____	_____ _____
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ZENAIDA C. MAGLAYA Undersecretary Department of Trade and Industry Regional Operations Group	EMMANUEL F. ESGUERRA Deputy Director General National Economic and Development Authority
--	---

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

On this date, before me, a notary public duly authorized in the city named above to take acknowledgements, personally appeared:

Name	Government ID No.	Date/Place Issued
GREGORY L. DOMINGO		
ARSENIO M. BALISACAN		
GUILLERMO M. LUZ		
LISA GRACE S. BERSALES		

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, consisting of ___ () pages including this page and who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their respective principals.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

NOTARY PUBLIC

Doc. No.
Page No.
Book No.
Series of 2014.

ANNEX 5. MOA Between NCC and DILG on the Implementation of the CMCI

NCC DRAFT (As of August 2014)

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENT:

This Memorandum of Agreement, hereinafter referred to as MOA is made and entered into on this _____ day of _____ 2014, in _____, Philippines, by and between:

The **NATIONAL COMPETITIVENESS COUNCIL (NCC)**, a public private sector council created and existing under the laws of the Republic of the Philippines with principal office address at 389 Sen. Gil Puyat Avenue, Makati City, herein represented by **GREGORY L. DOMINGO**, in his capacity as Chairman and **GUILLERMO M. LUZ**, in his capacity as Co-Chairman, hereinafter referred to as “**NCC**”;

and

The **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG)**, a national government agency created and existing under the laws of the Republic of the Philippines with principal office address at DILG-Napolcom Center, EDSA cor. Quezon Avenue, Quezon City herein represented by **MAR ROXAS**, in his capacity as the Secretary of Interior and Local Government (SILG), hereinafter to as “**DILG**”;

WHEREAS, the **National Competitiveness Council (NCC)** is a public-private body dedicated to building up the competitiveness of the Philippines through policy reform, project implementation, institution building, performance monitoring and goal setting;

WHEREAS, the **NCC** has developed the **Cities and Municipalities Competitiveness Index (CMCI)**, with the **Regional Competitiveness Committees (RCCs)**, to monitor local economic development and determine the competitiveness rankings of cities and municipalities;

WHEREAS, the **CMCI** is a template of indicators selected and agreed upon by the **NCC** and its **RCCs** to measure local competitiveness in factors such as but not limited to economic dynamism, government efficiency and infrastructure;

WHEREAS, the **CMCI** is necessary to track the status of economic development and competitiveness indicators at the local level and to help capture the full impact of economic growth as well as determine the country’s overall global competitiveness;

WHEREAS, the **NCC** has completed the application of the **CMCI** in two cycles, covering 2012 and 2013, to a limited number of cities and municipalities;

WHEREAS, there is a **need to institutionalize the process** in order to expand its coverage to all cities and municipalities and to establish a mechanism for data generation down to the municipal level since most of the current data capturing mechanisms are at the regional level;

WHEREAS, the **DILG** is responsible for assisting the President in the exercise of general supervision over all local governments and the establishment and prescription of rules, regulations and other issuances on the general supervision over local governments and of plans, policies and programs and projects to strengthen the administrative, technical and fiscal capabilities of local government offices and personnel;

WHEREAS, the **DILG** recognizes the importance of locally-generated indicators and indices that can be used to monitor the status of the governance reform agenda;

NOW THEREFORE, for and in consideration of the above premises, the **NCC** and **DILG** hereby mutually agree to collaborate towards defining a framework or mechanism for the institutionalization of the **CMCI**, including the process, coverage, roles and responsibilities of participating agencies and timelines.

I. RESPONSIBILITIES OF THE NATIONAL COMPETITIVENESS COUNCIL.

- a. Provide technical assistance including orientation workshops on CMCI indicators, data generation process and analysis, as part of the institutionalization of the process;
- b. Take the lead in the identification and review/validation of local competitiveness indicators for future cycles;
- c. Approve the list of local government units that will participate in the competitiveness rankings, in coordination with its Regional Competitiveness Committees (RCCs); and ;
- d. Provide overall coordination in the data gathering process and ensure funding support for data generation and other related activities.

II. RESPONSIBILITIES OF THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT.

- a. Issue a **Memorandum Circular to the DILG Regional Directors** advising the local government units to participate in the CMCI activity;
- b. Enjoin the LGU Department to assign the possible persons to coordinate the preparation of the data needed for the competitiveness ranking;
- c. Encourage LGUs to process data from the Mayor's Permit application form that will be submitted to the RCCs thru the appointed research institutions; and
- d. Provide relevant and updated data from **LGPMS** and **spark.biz**, the portal DILG developed to gather the information requirement of the Competitiveness assessment.

III. SUPPLEMENTARY PROVISIONS

Issues not covered in this agreement may be agreed upon by the parties in supplementary provisions. The supplementary provisions constitute an integral part of the MOA.

IV. SEPARABILITY

If for any reason, any part of this agreement is found to be invalid, contrary to law or otherwise rendered ineffective, the remainder hereof not affected thereby shall remain in force and in effect.

V. EFFECTIVITY

This agreement takes effect immediately upon signing and shall continue to be in full force and in effect unless otherwise terminated upon mutual consent of the parties involved.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed in their respective names in the Republic of the Philippines, as of the day and year written above:

NATIONAL COMPETITIVENESS COUNCIL	DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
By: _____ SEC. GREGORY L. DOMINGO Chairman	By: _____ MAR ROXAS Secretary
_____ GUILLERMO M. LUZ Co-Chairman	

Signed in the presence of:

_____ ZENAIDA C. MAGLAYA Undersecretary Department of Trade and Industry Regional Operations Group	_____ AUSTERE A. PANADERO Undersecretary Department of the Interior and Local Government
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