

***“Promoting Competitiveness Amidst the Global Crisis”***

***By: Ambassador Cesar B. Bautista  
Co-Chair, National Competitiveness Council***

*Friends from national line agencies, colleagues in the private sector and the academe, ladies and gentlemen, my warm greetings!*

As a backgrounder, the National Competitiveness Council (NCC) was created through E.O. 571 Series of 2006, with the aim of improving the country’s competitiveness standing from the bottom third to the upper third by 2010.

National competitiveness is a current concern because we see it as instrumental to national wealth creation and reduction of poverty and hunger. If we are to succeed in fulfilling the Millennium Development Goals, especially the reduction of poverty and hunger, certainly we need to generate national wealth and a modicum of prosperity for our citizens. In short, national competitiveness is needed so we could generate jobs and income. However, let’s have a quick reality check. The global scenario is bleak , at least for the short term. The U.S. economy, including the EU economies are in a crisis mode. Nevertheless, we are lucky that due to our robust economic growth last year, strong economic fundamentals and less dependence on the export market, the effect on the Philippines, would be manageable.

As you may already know, the Philippines has notched up 4 places in the competitive scale as it ranked 71<sup>st</sup> out of 131 countries according to the 2007-2008 World Economic Forum Competitiveness Report. We must admit that while there have been gains in our competitiveness standing, still we have a long way to go! As a nation we need to get our act together to be able to survive in the global market place.

A fundamental approach in the campaign for national competitiveness is to forge public-private partnerships. That is the mission of the National Competitiveness Council. But for this year, we at the NCC have decided to focus on making our LGUs competitive. These public-private partnerships could spur the upgrading of the capacities of our cities, municipalities and provinces to entice investors and businessmen to locate themselves in the Philippines.

In line with the formulation of the National Competitiveness Council (NCC) program for assistance to promote competitiveness and world-class stature, the NCC is a resource LGUs could use. In particular, it has much social capital in store. This comes in the form of a network within the private sector, including its contacts with the chambers of commerce and industry and other professional organizations that could lend a hand in developing public-private sector partnerships as well as in LGU capacity development. They may have the possibility of finding “place buyers” for you, that means, investors and businessmen who might not have known of you but might in fact be looking for a place like your LGUs. They could help market your LGUs as destinations for investors, businessmen and tourists.

At the outset, we share with your our basic belief that national competitiveness can emerge if our cities, municipalities, and communities, are competitive. In short we could be nationally competitive if our LGUs are competitive.

*Competitiveness for what and why?*

First and foremost, we need to recognize that there is a new world order where the competition has never been more fierce than it is now. We must acknowledge the current reality that the Philippines is one of many Asian nations vying for investments. The market in Asia includes more than 600,000 communities that in many cases, are in head-to-head competition over tourist and business attraction.<sup>1</sup>

We live in a technology-driven global economy. The globalization of the world’s economy and the accelerating pace of technological change are two forces that require all places to learn how to compete. Asian places must learn – in spite of very limited experiences in this area - how to think more like business and to develop the local business climate, products, markets and customers, all in a global context. The winners in Asia will also *emphasize joint efforts between public and private sectors to build meaningful relationships. And this is where the NCC, a public- private-sector collaboration gains great relevance and potential.*

The vision of the NCC is to see more of our cities and municipalities – a critical mass of them – emerge as places of choice in the global economy.

In our part of the world, Singapore has been an exemplar of place competitiveness. It has been quick on its feet to transform in accordance with the demands of a fast

---

<sup>1</sup> Kotler, Philip. Marketing Asian Places, 2002, p.47.

changing world economy. This agility is something we would need to understand and emulate.

At this stage, this might sound like a dream. We believe that we can attain place competitiveness if the LGUs are on board in this campaign. We have seen competitiveness realized in some of our cities. Cebu has been cited as one such city. Bohol has amazed us with their leapfrog acts. The province is now acknowledged as a tourist destination.

But we want this competitiveness to characterize many if not all of our LGUs in the country. We must have a critical mass of competitive LGUs that could unleash the potential of firms and establishments in the private sector. These LGUs are the local sparkplugs that would drive our economic growth to meaningful levels.

We must assist LGUs in developing their institutional capacities to encourage investors to set up shop in their jurisdiction, sustain their interest in staying and keeping their business operations there for as long as possible and in the best scenario, LGUs could help businesses expand.

I daresay that the process of enhancing our competitiveness is on stream. But it must be accelerated. For example, a World Bank survey that was commissioned by the Philippine Development Forum (PDF) reported that there are many capacity development programs now aimed at strengthening LGUs on various aspects of governance, administration, local economic development, basic social service delivery and environmental management. All of these should contribute to making your respective LGUs as places where firms can easily set up, grow, flourish and expand. LGUs must empower these firms so that they could realize their full economic potential. That means helping the firms become productive so that they can be the engines of growth for our communities and the nation as a whole. On the ground that means having the right policies and implementing them consistently. In sum make doing business easy in your places – that is the LGUs' mission.

We have the benefit of official development aid, technical cooperation projects and grants for many of these programs.

*In the game of competitiveness, it is vital that the LGU recognize and acknowledge key challenges:*

- Places are increasingly at risk as a result of the accelerating pace of change in the global economic, political and technological environment.

- Places are increasingly at risk as a result of the inevitable process of urban evolution and decay.
- Places are facing a growing number of competitors in their efforts to attract scarce resources.
- Place have to rely increasingly on their own local resources to face growing competition.

As a rule, businesses rate potential sites after considering various factors that define the overall local business climate of a given place, also referred to as the “attraction” factors. There are hard and soft factors. Among the hard factors are economic stability, productivity, costs, property concept, local support services and networks, communication infrastructure, strategic location and incentive schemes and programs. The soft factors are niche development, quality of life, professional and workforce competencies, culture, personal relationships, management style, flexibility and dynamism, professionalism in contact with the market and entrepreneurship.

In this connection, the NCC has identified eight sunrise industries where the country has competitive advantage in terms of natural and human resources with markets that are global in scale. These are IT/BPO, mining, tourism, agribusiness, electronics, health and wellness, logistics and certain sectors in manufacturing, some of which shall be extensively discussed in the workshops this afternoon and for which the policies developed by LGUs are critical in ensuring the sector’s growth and continuous competitiveness. It is quite obvious that despite our constraints and the global economic problems, we must remain competitive in these important sectors. The role of our local government units is crucial in providing these industries in general with an environment that will help them optimize their full growth potential.

In the Philippines, 5 competitiveness factors were systematically identified with cities as the reference point. “The competitiveness factors were thus named because these are the most rudimentary elements that a city must possess in order to be called competitive. The following factors contribute to the competitiveness of the city:

1. Government Effectiveness – measures governance and administration
2. Dynamism of the Local Economy – measures the economic and financial status of the city
3. Business Friendliness – measures the conduciveness of the environment for doing business in the city
4. Quality of Life – measures the standard of living in the city
5. Infrastructure – measures the physical structure in the city to support

## business

How can we make LGUS globally competitive? And how can we make our firms competitive in the global marketplace?

LGUs can learn some lessons from the gurus of international marketing to build their place competitiveness. LGUs must begin to do what business organizations have been doing for many years: strategic market planning which usually move through five stages: place audit, vision and goals, strategy formulation; action planning and implementation and control.

“Strategic market planning assumes the future is largely uncertain and that it can be influenced by strategic actions and plans. The community’s challenge is to design for itself a flexible system that can absorb shocks and adapt quickly and effectively to new developments and opportunities. This means the community must establish information, planning, implementation and control systems that enable it to monitor the changing environment and respond constructively to opportunities and threats. The aim is to prepare plans and actions that integrate objectives and resources with changing opportunities. Through the strategic planning process, places can create a unique selling proposition. Certain attraction factors are encouraged while other factors may be de-emphasized.”

A place can maintain and strengthen its economic base in four ways:

- It must retain its current businesses or at least the desirable ones. To do so, a place must establish a regular dialogue with its businesses. Local decision makers must understand how they measure up against other places. For the first time, representatives in the public sector need an understanding of the world. ...they must acknowledge that their places face increasing competition for a limited pool of available investment.
- A place must devise plans and services to help existing businesses expand. When these business sell more products and services to more distant markets, they produce more income and jobs for the local economy. To a large extent, a city (or an LGU) can identify hard and soft factors that it can influence, and on that basis it can begin to develop unique offers. This is the core of the value added process.
- A place must make it easier for entrepreneurs to start new business. Support for entrepreneurial programs could come in the form of developing local SME

agencies to train and advise entrepreneurs; encouraging local banks to get involved in helping start-up businesses; providing loans; bringing venture capitalists and entrepreneurs; promoting research parks; helping to secure government contracts and providing various incentives to start ups.

- Taiwan is one of the best Asian examples of combined efforts to improve the local climate for entrepreneurs
- A place must try to attract strategically relevant development projects. Such projects often create valuable side contacts with commercial consequences. A comprehensive strategy for marketing a place is an imperative. Singapore is an exemplar in this regard. As an indication of its ambition to draw special projects to the nation, the Singapore Economic Development Board was created by the government to formulate and implement economic and industrial development strategies for the country.

There are ten actions that LGUS could take in order to pursue the objective of building its place competitiveness:

1. LGUS need to establish a strategic vision to face these challenges.
2. LGUs need to establish a market-oriented strategic planning process to face these challenges.
3. LGUs must adopt a genuine market perspective toward their products and customers.
4. LGUs have to build quality into their programs and services to compete with other places.
5. LGUs need skill to communicate and promote their competitive advantages effectively.
6. LGUs need to diversify their economic base and develop mechanisms for adapting flexibly to changing conditions.
7. LGUs must develop and nurture entrepreneurial characteristics.
8. LGUs must rely more on the private sector to accomplish their tasks.
9. Each LGU needs to develop its unique change processes that arise from differences in culture, politics and leadership processes.

10. LGUs must develop organizational and procedural mechanisms to sustain place development and maintain momentum once it has began.

At the end of the day, it is the firms that will compete in the global market place. That means they must be productive, agile and up to speed. In our globalized technology driven world, the name of the game is productivity and speed of reaction time. But the firms need friendly LGUs who will make them actualize their productive potential.

We are starting a process that might make the difference in the near or far future in our national life and in our individual lives. And that is the meaning of our public-private can partnership.