

Chapter 3

Constraints to Growth

I. Introduction

To ensure that the development interventions identified in the CDP are sharply focused to the key determinants for quality and accelerated pace of growth for the City, insights to the laundry list of identified development issues and concerns were generated. Cross-issue interface from field-based detailed implementation problems delved into project design in order for proposed priority projects to perfectly fit into the identified development strategies.

II. Critical Constraints to Growth

From an analysis of the current physical and socio-economic condition of the City and its people, the following critical constraints or development challenges in the CDP surfaced.

A. Environmental Management

The results of the analyses of the planning environment and the existing conditions form the bases for advancing the following challenges for the sector:

1. Externalities arising from rivers and creeks with headwaters beyond the City boundaries but traverse the length of the City and feed San Fernando River

Much against the will of the City officials and its people, CSF is a natural recipient of floodwater generated from sources outside of the City's political boundaries. Natural causes wrought by the Pinatubo-sourced lahars exacerbated the flooding problem in mid-1990's. Greater variation in natural elevation between and among CSF and its neighbors particularly Bacolor and Angeles City carry with it not only floodwater but even solid wastes and other debris which the City has to address.

2. Disparity of capabilities among *barangays* related to the implementation of the Solid Waste Management Act

Geographic variation in the capabilities of the *barangays* to implement the provisions of the Ecological Solid Waste Management Act has been forestalling a city-wide and full implementation of the law. To address this concern, the oversight function of the City shall be discharged. Details as to how the City will be able to capacitate *barangays* to address delays in its application or its outright disregard shall be known so that appropriate measures could be adopted.

3. The intensifying economic activities and densification of built-up areas

Making a living involves the interaction between people and natural resource. The more people the greater the need for conversion of natural resources from their raw to consumption-ready states. A fast-urbanizing City like San Fernando has been moving more production-based activities to the peripheries and shifting major industries to services. Service is a labor-intensive human activity and the more people, the greater pressure on the City's physical resource. Mismatch in people's economic needs and the capability of production and distribution structures, systems and processes may lead to various social problems.

4. Minimizing disaster risks arising from the City's topography and climate change

The City's changed natural landscape and the consequences of climate change are areas needing greater focus. The City is at the forefront of the concern to win over or mitigate the anticipated ill-effects of disasters. The challenge is not only to mainstream Disaster Risks Reduction (DRR) in planning but to ensure that what has been determined as disaster-risks reducing Projects shall be given budgetary support.

5. Developing and sustaining environment awareness among the residents

A private citizen owning responsibility over long-term development concerns begins with knowledge of the same. Ignorance on the criticalness of sustaining the environment leads to inaction or wrong actions on the part of the citizenry. Only an informed citizenry may be fairly subjected under the influence of the law specifically intended to protect its environment and preserve its self-sustaining inherent character.

6. Sudden and continuous proliferation of water refilling stations

Proliferation of water refilling stations within the City has been observed. Although pressure on the water table is yet to be ascertained, the trend has been making potable water exceedingly costly for the marginalized and makes them vulnerable to water-borne diseases.

7. Unregulated installation of wells both for communal and private use

For greater reliability in water drawdown, households of which the coverage by the CSF Water District is not considered financially feasible, individual and communal installation and maintenance of water wells are resorted to. If left unchecked, this will eventually lead to fast depletion of ground water source.

B. Good Governance

1. Lack of Data Management System

Lack of uniform data has been a perennial problem in government planning. This usually results in slow technical analysis and lower credibility of derived information as basis for decisions. One clear and immediate option for LGUs which has not been exploited to CSFP's advantage was the establishment of a data management system anchored on a tight program, project and policy implementation monitoring of work progress and the documentation of milestones. Implementation feedback could be immediately inputted into nationally-determined statistical data and outcome Indicators which oftentimes have huge publication time lag.

Under the Local Government Code (LGC) of 1991, the City Planning and Development Office (CPDO) is the local office primarily mandated to perform this crucial function. A strong monitoring and evaluation framework does not only regularly feedback to the local leadership progress from plan implementation, it accords them the opportunity to have at a show window in a very short period of time whether or not plan objectives are being met, or the extent of their approximation. A good track of performance and result

indicators can be a good source of insights that may prove valuable into the succeeding planning cycle.

The slow pace of compiling data for a comprehensive analysis of the planning environment may be an indication of the lopsided work load across offices and the weak coordination between and among offices. The need to improve inter-office coordination and to unearth causes for its existing state is viewed as facilitative of the continuing challenge to internalize the Performance Governance System (PGS) especially among lower level units. A smooth flow of information through a working data management system would facilitate policy decision-making.

2. Basis for Employee Work Load Determination and Personnel Deployment

A tool available for designing an effective organizational structure for the City and the formulation of a system that will ensure the placing of right people to the right jobs for is the Performance Management System-Office Performance Evaluation System (PMS-OPES) from the Civil Service Commission (CSC). With the proposed organizational structure being completed, it is yet unclear as to what is the role, if any, of the PMS-OPES in the organizational design.

3. Unstable Base for Local Taxes

There are particular types of local taxes the increased collection of which if sustained can be made a solid basis for sound financial planning. To address observed inconsistencies, reasons for their bland showing must be unveiled.

In 2009, local revenue level was at its highest at 379 percent increase and sources were varied and widely spread to Real Property Tax (RPT), Business Tax, Receipts from Economic Enterprises and User Charges. As far as RPT, it was noted that actual receipts from Fines and Penalties from delinquent taxpayers repeatedly fell short of targets. Consequently, this adversely affected the Special Education Fund (SEF) the role of which is in the City's political agenda is glaring.

Amusement Tax and Business Tax from Contractors and Other Independent Contractors and from Banks and Other Financial Institutions suffered from target shortfall vis-à-vis actual collections. As an intermediation mechanism between other businesses, the City's financial institutions must be reviewed. Measures on how to further boost up their role in business growth must be made a subject of policy debate. More businesses mean more Business Taxes.

The relative reliability of Receipts from Economic Enterprises, RPT, User Charges and Regulatory Fees were noted. From the foregoing, it would seem that assessment is not a problem. The problem is on actual collection or recording especially of Business Taxes and RPT. A Business Tax policy perceived to be unclear is worth looking at.

4. Huge Gap in Inter-Year Infrastructure Budgeting

Religious maintenance of road conditions and relevant policy support to electric power and telecommunications must find their way into yearly appropriations.

The City's changed topography as an aftermath of the Pinatubo lahar flows rendered it highly vulnerable to destructive flashfloods. Thus, an all-season road system which includes effective flood control and local drainage requires tight monitoring and maintenance.

An unpredictable infrastructure budget constantly exposes transport, power and telecommunication facilities to fast decadence which shall expectedly forestall future economic growth. The critical role of infrastructures in the City's development and its transformation into a 'global gateway' was explicit in the City's legislative priorities. The City Government has an existing Ordinance and a continuing program for the construction of more roads, public utilities and similar structures having long-term development implications. However, this recognition still needs to be translated into more concrete actions such as a well-thought of budgetary priority characterized by a consistently substantive allocation at least for critical infrastructures.

Clear structural delineation and jurisdictional authority between and among the City and concerned national government agencies such as the Department of Public Works and Highways (DPWH) and Department of Transportation and Communications (DOTC), and the localization of the banner Public-Private-Partnerships (PPP) principle under the *P-Noy* Administration are a necessary complement to a sound and predictable infrastructure budget.

5. Inconsistent Budget for the Health Sub-Sector

Like in Education, investments in Health are investments in human capital requiring more time for realization of returns. For sustained growth the quality not only of the present but also of the future human capital must be 'cast in stone'. While Health in 2006 had benefited from budgetary increase in the City's DF, the succeeding year it suffered a hurting budget cut. From a hefty increase in 2008, the figure was halved in 2010. From the foregoing, it can be gleaned that City's budget for Health is supply-driven and is not anchored on the normative entitlement of the holders of basic human right to Health.

6. Lack of knowledge on the characterization of natural hazards especially flood

Administrative Order No. 1 requires that land use plans (and development plans?) must use Disaster-Risk Reduction (DRR) as framework. Knowledge of the different hazards therefore to which CSFP is exposed is a critical input to land use planning.

There is greater reason for CSFP to use natural hazard characterization as inputs to its plans in view of the major change its landscape experienced in 1995, particularly the lowered ground elevation engendered by the lahar deposition especially of its northern and western neighbors, and because of the huge economic value it commands to the provincial and regional economy. A DRR-enhanced city development plan shall ensure a comprehensive analysis and focused and targeted strategies using sustainable and inclusive growth as overall framework.

7. High Risk for Persons of Investors

CSFP's efforts at combating crimes against property proved fruitful as shown by the relatively better crime statistics across Region III. Greater credit must be given to the local leadership the creativity of which in preventing crimes of this nature produced concrete results despite the apparent need to level off information between the PNP and the City, police matter being both a local and national concern. Attribution befits the CSFP-PNP because despite the glaring disparity in the Policeman to Population Ratio recorded at 1:1,688, they are able to reduce the occurrences of crimes of this nature. To address the ratio disparities, the Local Chief Executive has endorsed to the PNP Region Office 3 a 2011 SP Resolution requesting for augmentation of police personnel currently assigned in the City. Improved coordination among Barangay Peace and Order Councils (BPOCs) is viewed as complementary to the increase in PNP warm bodies.

8. Weak Fire Prevention

A pattern on the location, the causes and the character of property being gotten by fire over the years is noticeable. Although the glaring disparity between the ideal Fireman to Population ratio is recognized, a remedial action in dealing with this manmade hazard was expected to be the more preferred alternative.

Way below the standard one Fireman to 500 persons, the Bureau of Fire (BFP) personnel of the City is a mismatch to the simultaneous fire events of large magnitude such as those as an aftermath of a strong earthquake.

9. Long Processing Time for New and Renewal of Business Permit Applications

To facilitate processing of business permits and other transactions with the City Government, the City passed a resolution institutionalizing the Business-One-Stop-Shop (BOSS). Despite this resolution, delays are still experienced by applicants reportedly attributed to the confusion in the sequencing of steps between the City Government and the Bureau of Internal Revenue (BIR). Another cause floated was the reported conflict between the ISO-aligned procedures in business permit issuance by the City and BFP M.C. No. 2009-198. Harmonization of these conflicts needs to be immediately and permanently resolved as they impact on the predictability in dealing with the City Government essential to an investment decision favorable to the City.

10. Inefficient Mechanisms for Revenue Collection

In its resolve to intensify the City's revenue collection efforts, in 2008 the City enacted the Revenue Code and related Ordinances to increase collection of local taxes, fees and other charges. However, the anecdotal difficulty in understanding some provisions of the Code inevitably leaves their interpretation into the discretion of people in charge of revenue collection. While this did not necessarily lead to corrupt acts and practices, it unnecessarily added up to the costs of doing business because computation of tax obligations requires the assistance from experts particularly Certified Public Accountants

(CPAs). Thus, to genuinely assist taxpayers, measures to simplify the existing Revenue Code must be adopted.

Actual receipts were also delayed because private banks give low priority to transactions involving tax payments. A clear piece of evidence is the consistent reduction of time allotment and sometimes removal from the services of private banks transactions involving BIR payments.

11. Weak Legal Framework in Patching Up Leakages and Loopholes in R.A. 9184 Implementation

Conscious efforts on the part of local Bids and Awards Committee (BAC) to break the obvious collusion between and among applicant bidders for construction works and supplies has resulted in unnecessary delays in the delivery of goods and services. While no empirical evidence can immediately point to greater cost as a result of time delays, it is a probability if compared with price differentials resulting from suspected collusion and the time delays from the low financial, manpower and equipment capacities of winning bidders. Other than the administrative remedies, the law does not provide for remedies in case of discovery of collusion.

Experiences with sub-standard construction materials and other supplies such as medicines have developed an attitude of disinterest and indifference on the part of the procuring entities. The existing provision of the law does not provide for remedial actions against delinquent parties other than the usual remedies provided for under the Law on Obligations and Contracts the availment of which entails cost in terms of time and resources. Delays in completion incurred by winning bidders also only has performance of obligations should the liquidated damages prove gross insufficient because of the huge time lag in work and good service provision.

C. Infrastructure Development

1. Unpaved road

About 20 percent of the City's total road length has remained unpaved. The situation prevents an otherwise faster movement of passengers and cargo. If left unattended, this would result to higher fuel costs, fast-paced depreciation and higher operating costs for vehicles. Longer travel time translates to lost time and money because of higher cost of doing business and personal expense. It is not encouraging to prospective investors.

2. Structurally weak and inadequate bridges

For greater mobility and improved internal route access, at least six bridges need to be rehabilitated and another five needs to be constructed anew. With flood as the primary risks facing the City, worst, break down of the existing concrete and bailey (wooden) bridges will result to partial isolation of *barangays* and communities being served. Higher cost is incurred in terms of depreciation, operation, fuel consumption and longer travel time.

3. Mounting traffic volume leading to the City's CBD

The paved roads leading to the Central Business District (CBD) are in good condition. Non-engineering traffic management schemes have been providing some elbow room for the sticky vehicle movement particularly during office hours. Negotiations for the establishment of transport terminals are on-going and the Department of Public Works and Highways (DPWH) has been busily undertaking road widening. These are being undertaken in anticipation of the expected additional traffic volume that would be generated by the additional three malls that will be established within the year, one of which is within the CBD itself.

4. Geographic variation in natural elevation exposes City roads to flooding

Around 30 percent of the total land area of the City is prone to flooding and even all-season roads are not spared. Despite the improvement in the drainage canals along McArthur Highway, during rainy season, the floodwaters coming from Angeles City and Bacolor and flowing down southward continuously pose as hazards to motorists forcibly slowing down vehicular motion. The situation slows down economic activities, leads to economic losses including loss of life and limbs attributed to vehicular accidents.

5. Clogged drainage canals used as sewers

To add insult to injury, public disregard of the Ecological Solid Waste Management Act leads to using the existing drainage canals of the City as sewers for their wastes. This has been impairing the integrity of even the City's newly built canals and aggravating its flooding problem.

D. Social Development

1. Sub-standard Day Care Centers

A number of the Day Care Centers (DCCs) and Day Care Workers (DCWs) are not duly accredited. Some structures being used as DCCs are in need of repair and upgrading of their facilities.

2. Limited Early Childhood Care and Development Coverage

Despite the empirical evidence behind the long-term benefits from Early Childhood Care and Development (ECCD), the current coverage of the strategy and program in the City is still way below the ideal universal coverage. Lack of teachers in public schools with permanent status and low salary of contractual pre-school teachers are among the causes for the limited coverage.

3. Gross Participation Rate in Public Elementary Schools is below the Regional Average

Gross Participation Rate in Public Elementary Schools stood at 82.89 percent (SY 2008- 2009). Although this is an improvement from the 81.79% level in SY 2004 – 2005, it is still below the regional average.

4. Net Participation Rate is below the Regional Average

Similarly net participation rate which stood at 71.66% (SY 2008 – 2009) has increased from the level five years ago but below the regional average. This is far from the Department of Education (DepEd) and Millennium Development Goal (MDG) of universal primary education target.

5. Low Completion and High Drop-out Rates

Low Completion and High Drop-Out Rates remain problems at both Elementary and Secondary levels. Economic difficulty was cited as the primary reason for the high drop-out rate. Another factor that contributes to low completion and high drop-out rates are lack of interest on the part of students and parents.

6. National Achievement Test (NAT) Results Fall below the 75 percent Minimum Standard

The results of the National Achievement Test (NAT) fall below the 75 percent minimum standard. This shows that the students in general are not acquiring the required mastery of subject contents in English, Science, Mathematics, Filipino and *Araling Panlipunan*. The situation is true for Elementary and Secondary levels at both public and private schools.

7. Shortage of Teachers, Classrooms, Textbooks and Furniture in Public Schools

Shortage of teachers, classrooms, textbooks and furniture in public schools was cited as the reason for poor performance. With 1:42 Teacher-Pupil Ratio and 1:47 Classroom-Pupil Ratio in SY 2009-2010 for Elementary Schools, the need for more teachers and classrooms is clearly a development challenge. Although there are enough teachers at the secondary level, there is an acute shortage of classrooms with Teacher-Pupil Ratio recorded at 1:60. Wide disparities at the school level were observed as the teacher-pupil ratio in different schools ranges from 23.3 to 66.3. The same is observed in pupil classroom and furniture ratios.

8. Poor Reading Skills of Students and Poor Nutritional and Health Status

Low achievement test scores of pupils were attributed to poor reading comprehension and poor nutrition and health status. The DepED reported that 1,105 students from Grades 2 to 6 (SY 2009-2010) are non-readers. Almost one out of five elementary pupils is malnourished.

9. Inconsistent Showing of Health Indicators

Infant Mortality Rate (IMR) lowered in 2008 but doubled from its 2005 level in 2009. While lower, Child Mortality Rate (CMR) in 2005 was highly erratic. Maternal Mortality Rate (MMR) dropped to zero in 2006, scaled up in 2007 and 2008 then dropped to 0.40 in 2009, still higher than the 2005 level.

10. Preventable Diseases as Leading Causes of Morbidity

Records from the City Health Office (CHO) show that upper respiratory infection is the chief cause of morbidity in the City. Other causes of morbidity recorded from 2006 to 2009 have been upper respiratory

infection, parasitism, hypertension, wound infection, and skin disorder. Increasing cases of dog bites in the past year have been noted by CHO.

11. Lifestyle Diseases as Leading Causes of Mortality

Over the years lifestyle-related diseases such as diseases of the heart, diabetes and hypertension have replaced communicable diseases in the list of ten leading causes of deaths in the City. However, despite the Department of Health (DOH) program to eradicate this communicable disease, pulmonary tuberculosis is still in the list of top ten leading causes of mortality.

12. Poor Nutritional Status of 6-12 Elementary School-Aged Children

Among children 6-12 years old, efforts at improving nutritional status did not yield satisfactory gains. The proportion of children with below normal weights remained high at 16.95 % in 2009. Although this is lower than the 2008 level of 18.97%, it remains higher than the 2006 level of 16.15%.

13. High Private Sector Participation in Health Service Delivery

While a working market economy is evidence to the active participation of the private sector in health service delivery, this does not guarantee access especially for the marginalized. It should be remembered that the bulk of the hospital beds available are in private hospitals. The medical doctors and dentists that abound in the City but mostly engaged in private practice. Moreover, City residents compete with patients from all over the region in availing services at the JBLMRH. Inspection reports moreover reveal that some hospitals do not comply with hospital specific standards on waste disposal, health certification of personnel and others.

14. Health Hazards Posed by Improperly Maintained Cemeteries

Appropriate studies are being undertaken to finally determine the fate of cemeteries perceived as health-hazards to Fernandinos. Dialogues with owners and administrators of private and church-run cemeteries shall be initiated by the City Government.

E. Economic Development

1. Agriculture

The dominant industry (35 years) ago, the sector has taken the back seat as more and more of the City's agricultural lands are converted to other uses to accommodate the growing demand for space from an increasing population as well as from industry and services. From 50.2 percent of total land area in 2006, agricultural land area has effectively been reduced to 35.71 percent in 2010. Whatever is left is still at risk of conversion, and may in fact lead to this given current trend, unless the City comes up with measures that would put this to halt.

Other than urban and industrial crawl, what puts agricultural lands at risk of conversion is the low productivity of land, especially for palay production (120 bags/Ha actual yield vs. 250-300 bags/Ha potential yield), because of poor irrigation or the lack of it and flooding. Particularly subjected to flooding is the largest agricultural area of the City in Brgy. Pandaras due to its elevation which is ___ meters below sea level, consequently it serves as the City's catch basin.

Adding to the problem of low productivity is the high cost of inputs, lack of post-harvest facilities and poor market linkage. While farmer organizations exist that would have helped them address said concerns, these are nonetheless weak with farmer members more inclined to act individually rather than collectively. Because of this, reliance on traders for marketing of farmer's produce and even for capital is still a common way among farmers. And although no data on the level of farm income is currently available, one can only deduce that under the situation just described, farm income could be below the desired or potential level.

In addition to crops the City has also 23 commercial piggery and poultry farms within its boundary. Production here is 9.27 % of the province of Pampanga's hog production and 25.05 % of its poultry production. Similar to crops, the livestock and poultry sub-sector of the City is confronted with the issue of settlement slowly infringing or making way into the production area. This concern has surfaced into issues of the farms creating an environment not conducive to human settlement. With this comes of course the challenge of striking a balance between sustaining this sector to continue direct access to food in the City and providing space for population and industrial or commercial growth.

The livestock and poultry sub-sector continues to be saddled as well with disease incidence. Disease control thus has to be augmented especially since swine and poultry production is one of the important and major industries of Pampanga and the region.

2. Industry and Services

Owing to its location and position in the regional economy, the City of San Fernando expectedly is one of the areas in Pampanga where there is concentration of business establishments. Said establishments are a mix of commercial and manufacturing/processing, with bulk as micro in scale (92 percent).

Investments are on the uptrend in the City, though most are micro while a few are SMEs (see Annex) . Lately, the City is being regarded with growing interest by investors in the ICT/BPO industry. But while interest is brewing, the dearth of English-proficient manpower is holding down opportunities presented by the ICT industry in terms of the investors locating in the city and employing the City's labor force. The challenge hence for the City is in preparing its labor force, upgrading their skills and competence to the level required in the areas or field that are in demand. This is important despite reduction in the unemployment rate from 17.6 percent in 2005 to 9.1 percent in 2009, so that it is the City's local labor that stands to benefit from the jobs created by investments and not in-migrants, and to spare the City of unemployment problems.

Creating an enabling environment conducive to business development is also a need that the City must address so that it could attract investments. While the City has received various recognitions including ISO certification for its streamlining of business licensing and permit process (processing time has been

reduced from 3-4 weeks to within an hour), investors still feel burdened by the number of documentation requirements that they have to submit or comply with prior to securing a business permit.

And, although business is on the rise in the City, management of the sector's concerns remains wanting. There is no office in the City that investors can turn to for assistance to facilitate their various needs and that would guide, organize and coordinate business growth and development. In addition, the City does not also have an investment code that should serve as its platform in attracting and guiding the flow of investments. This is necessary in the face of the numerous opportunities dawning on the City, as the code will tell which of the many options the City should take advantage of or be given priority on the basis of the City's comparative advantage and the investments' potential for contributing to the expansion of the local economy and suitability in the area.

Yet, despite rising business, those in the manufacturing sector, particularly the lantern industry, have remained wary of organizing themselves in view seemingly of differing alliances. An organized industry has the advantage of better seizing market opportunities and input supply deals and in adjusting or responding to industry challenges. Though the City has an organized Small and Medium Enterprise Development Council, this also requires strengthening to help it better provide support and guide to the sustainable growth and development of the industry and services sectors.

MSMEs also have to deal with marketing and financial constraints. Because of their size, weak competitive stance and the lack of information and resources, MSMEs are kept from expanding and penetrating the export market. Financial access is another limitation, with MSMEs, particularly start-ups, unable to avail of credit from banks and other lending institutions because most could not meet the lending institutions' requirements for track record and collateral.