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Local Governance and the Challenges of Economic Distress: The Case of Iligan City

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Local Governance and the Challenges of Economic Distress: The Case of Iligan City

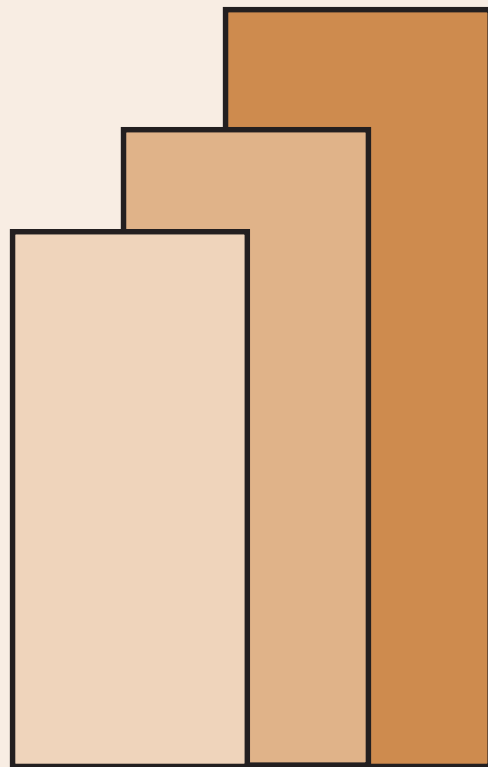
Leilanie Basilio and Jeremiah Cabasan

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Local Governance and the Challenges of Economic Distress: The Case of Iligan City

With Special Focus on the Impact of the Closure of the National Steel Corporation

*By Leilanie Basilio and Jeremiah Cabasan**

November 2004

Abstract

Trends in economic development influence population outcomes in an area. Increasing economic opportunities that are typically linked to industrialization enhance the attractiveness of a location and result to population increases. The inverse of this process could also be true, that is, an economic distress could hit an area and force its residents to leave and seek better forts.

Iligan City experienced rapid urbanization for almost five decades due to industrialization. However, the City saw remarkable outward migration in the latter half of the 1990s. This out-migration phenomenon was strongly attributed to the economic difficulties which endured late last decade. The closure of the National Steel Corporation, Iligan City's main employer and biggest taxpayer, in particular aggravated the economic condition of the City.

This case study describes the economic challenges that altered population pattern and welfare of Iligan City. The paper also presents the interventions that the local government embarked on to minimize the impact of the economic crisis including policy changes and shifts in development strategies.

Keywords: *de-urbanization, de-population, industrialization, Iligan City, National Steel Corporation*

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Executive Summary

Trends in economic development influence population outcomes in an area. More commonly, increasing economic opportunities that are typically linked to industrialization enhance the attractiveness of a location and result to population increases. This in turn results to accelerated urbanization. The inverse of this process is not at all surprising, that is, when an economic distress hits an area and forces its residents to leave and seek better forts. De-population and de-urbanization are demographic phenomena that deserve equally crucial attention.

Iligan City saw remarkable outward migration in the latter half of the 1990s. Net migration rate was registered at -8.96 in 1995-2000. This led to a conjecture of a de-urbanization process in Iligan City. Despite this demographic indication, it is perhaps too intrepid to consider Iligan City as de-urbanizing especially if it connotes a phenomenon of a 'vanishing city'. Rather than treating the issue as a management of de-urbanization, the study focuses on the economic challenges that altered the population pattern of the City and on how the local government intervened to minimize the impact of the economic difficulties.

The resulting out-migration was strongly attributed to the economic slowdown that Iligan City experienced in the second half of the 1990s. The general economic slowdown was brought about by both natural factors and changes in the Philippines' international trade policies. Trade liberalization subjected Iligan's domestic industries like steel and cement to stiff competition with foreign-produced goods. This resulted to streamlining or shutdown of some companies and a sizeable decline in investments and employment.

Apart from the general economic slowdown, the closure of the National Steel Corporation (NSC) made a significantly negative impact on the City. The NSC had been an important source of employment and income opportunities for the residents of Iligan and of local revenues for the City government. With the closure of the steel company, Iligan City lost 1,817 direct employment and more than one billion pesos in forgone income of support industries. The City government also lost its biggest taxpayer, accounting for 50 percent of its tax revenues in 1998.

In this event, the biggest challenge fell on the shoulders of the City government – resources were significantly reduced while demand for its services went up. The delivery of social services suffered from the fiscal crisis and in particular spending on education remarkably declined. It was, however, believed that despite tight resources, local government interventions managed to minimize the negative effects of the crisis. This is the reason why other social services including health and housing expenditures did not go through substantial cutbacks.

As a result of the crisis, the City government embarked on policy changes and development strategies. The City realized that it has to adjust its development approach that was previously too focused on industries. It realigned its development strategies to widen its economic base and reduce the City's vulnerability to industrial shocks. It also enhanced its fiscal aggressiveness to obtain and maximize revenues. It ventured into innovative financing strategies such as partnerships with the private sector in carrying out some of its infrastructure projects. In the long-term governance aspect, the City endeavors to develop a more participative governance such that it can effectively identify and address the needs of its constituents.

Iligan City has surely learned a lot from the crisis. The City government has considerably helped the City managed through the difficult times. Still some policy changes that were identified have yet to be instituted. Some of these are unpopular. The challenge now is how much of the lessons it has learned could the City retain – how sustainable is its commitment to the more holistic development strategy and how firm would the City government be in implementing the needed reforms.

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Local Governance and the Challenges of Economic Distress: The Case of Iligan City

With Special Focus on the Impact of the Closure of the National Steel Corporation

1 Introduction

Development outcomes affect and direct population movement. The more common tendency is when increasing economic opportunities enhance the attractiveness of an area and consequently draw in greater population. The inverse is not at all impossible, that is, the phenomenon when a troubled economy forces its people to leave and seek better forts.

Population loss is potentially an indicator of economic distress. Depopulation could post a problem in itself especially if the magnitude of out-migration is acute or if it extends over a substantial period of time. However, the cause of this outward movement including the gravity of the economic distress deserves an equally important attention. Furthermore, effective management by the local government could contain the negative effects of the economic difficulty, that is, mitigating depopulation in itself and minimizing the effects on the entire population.

This paper presents a case study on Iligan City where a reversal of urbanization in terms of population movement was observed over the past ten years. The case study will describe the population movement in the City and present evidence of outward migration in the recent years. It will then discuss the economic factors that instigated this population phenomenon. The paper will thereafter focus on the impacts of the economic crisis on the City and then discuss how the local government handled the challenges brought forth by the crisis.

2 Background

Urbanization is a social process by which there is a rise in the proportion of people living in urban areas.¹ Urban areas are usually pictured as areas where non-agricultural activities are concentrated. Urbanization is closely associated with modernization and industrialization². When more and more industries locate in an area, more high value added jobs are created. Naturally labor moves towards higher wage areas or, in cases of widespread unemployment, to simply where the jobs are. Industrialization also potentially brings into an area better education and health facilities, better infrastructure and services, better entertainment opportunities, and other 'bright lights' that lure people in.³ Industrialization in this manner causes and hastens urbanization.

The above case is true for Iligan City. The industrialization that started in the 1950s in what used to be just a tiny town of Lanao drew in population consistently for the ensuing five decades. In less than fifty years, Iligan City's population grew approximately ten times. This industrial fort proved to be a migration haven for a number of decades.

¹ <http://www.revision-notes.co.uk/revision/175.html>

² <http://www.faculty.fairfield.edu/faculty/hodgson/Courses/so11/population/urbanization.htm>

³ <http://www-scf.usc.edu/~yucekus/january29-lecture2.html>

However, the reversal of this process proved true as well. When a city experiences a noticeable decline in its population growth it would not be surprising to find that development outcomes underlie this movement. From year 1995 to 2000, Iligan City registered a meager 0.93 percent population growth rate compared to a five percent average growth rate from 1960 to 1995. In particular, the City lost more than 25,000 people due to out-migration. It is strongly believed that the outward population pressure was triggered by the City's industrial slowdown in general and particularly by the closure of the National Steel Corporation, the city's biggest employer and revenue provider.

Although the City's population did not decrease in absolute terms and the magnitude of out-migration did not post an alarming concern, the economic crisis that led to the population exit has been a serious concern for the city. How the local government faced the tests of a shaken economy is worth examining. That is, how the city government managed the situation when thousands of its residents simultaneously lost their jobs and livelihood sources, when it lost fifty percent of its own tax income yet having to face greater responsibilities in terms of service delivery. How the local government managed through all these challenges deserves a significant attention and that will be the focus of this paper.

3 Profile of Iligan City

3.1 Location and Administrative Links

Iligan City is located in the north central coastline of Mindanao and is approximately 795 kilometers southeast of Metro Manila. It started as a tiny component town of the then unified province of Lanao. Later on, it became an independent city under Lanao del Norte. Although politically independent, the City still maintains socio-economic, administrative and political relationships with the province (CDS 2003). Iligan City is bounded by four provinces, namely: Misamis Oriental in the north, Lanao del Norte in the south, and Bukidnon and Lanao del Sur in the east. On the west, it faces the stretch of Iligan Bay. (see Figure 3.1).

Iligan City as part of Lanao del Norte had since belonged to Region 12. In due course, Iligan City and Lanao del Norte saw the need to call for a transfer from the administrative jurisdiction of Region 12 to Region 10. This is due to the difficulties in the accessibility of Cotabato City, the administrative center of Region 12, particularly in terms of geographic distance and frequency of transport. In September 2001, the City together with Lanao del Norte was transferred to Region 10 by virtue of Executive Order No 36 as signed by President Arroyo. The transfer was viewed to be part of the whole administrative reorganization of Mindanao.

3.2 Land Use and Spatial Urban Development⁴

The City has a total land area of 81,337 hectares, and comprises 44 barangays. Iligan takes about 25 percent of the land area of Lanao del Norte and 3.13 percent of Central Mindanao. Based on existing land use, about 37 percent of the total land area is utilized for agriculture, 56 percent are forest lands, 0.7 percent are mineral lands and only 6.3 percent are built-up areas.

⁴ Data largely drawn from the City Land Use Plan Volume I and the City Development Strategy

Urban land area accounts for approximately 6,000 hectares. The existing Zoning Ordinance of 1975 allocates this area into the following uses: residential (66 percent), commercial (8 percent), light and heavy industrial (22 percent) and buffer zones (5 percent).

Figure 3.1 Iligan City Location Map



Source: ICG, CLUP

Iligan Bay and the foothills of Mt. Agad-agad and other mountain ranges limit the urban spatial development of the City. Residential development sprouts in almost every land use zone within a 3-kilometer radius from the urban core. Slums and informal settlements that are randomly built can be found in 13 barangays. Commercial development, on the other hand, is comprised of the old Central Business District (CBD), an extension of the CBD and commercial activities found in major and minor thoroughfares.

Industrial activities have played an important role in the economy of Iligan City. Industrial zones are classified into two areas – Light Industry and Heavy Industry. These are located in coastal barangays. Agro-Industrial uses, on the other hand, can be found at the center of the city (Figure 4.1).

4 Account of Population Movement

4.1 Historical Growth

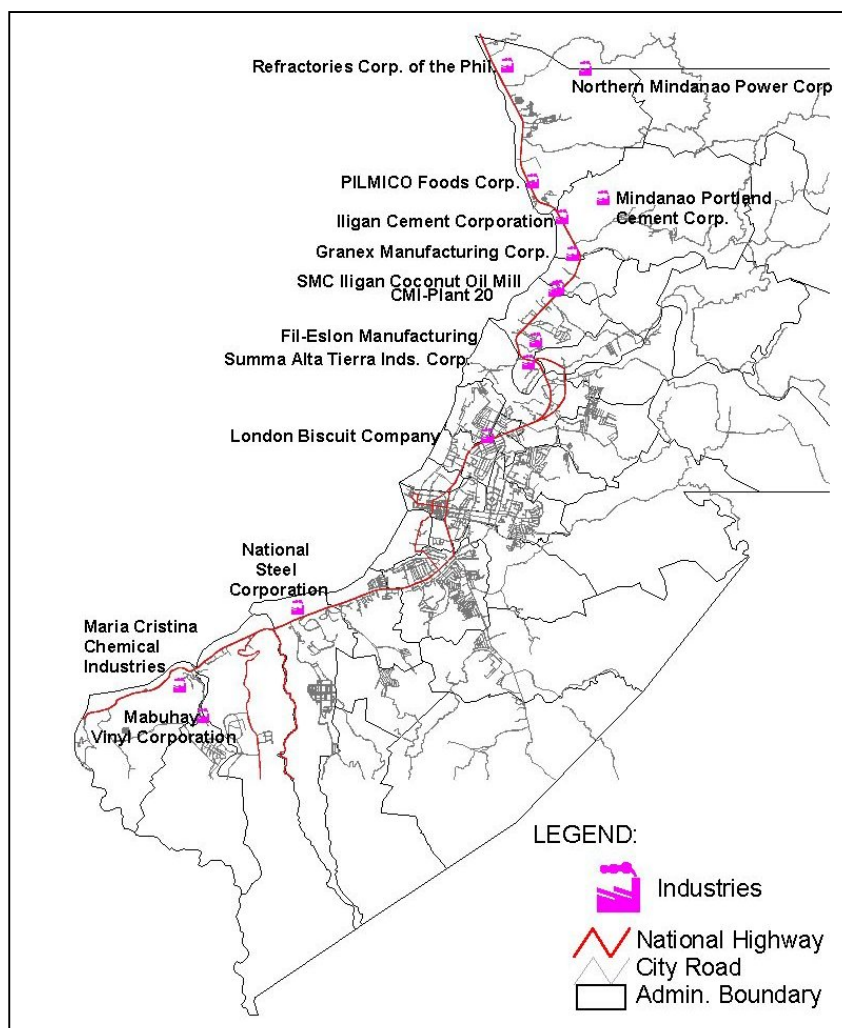
The City traces its roots in the village of Bayug, 2.5 kilometers north of the present day Poblacion. It is believed to be the earliest pre-Spanish settlement of native sea dwellers known as *Maragats*. These initial settlers were then subjugated by Visayan migrants from the island

Kingdom of Panglao. Bayug then was established as the earliest Christian settlement in the area sometime between 1597 and 1609. (CDS 2003)

The increase in population and threats on safety drove the settlers to move to better and safer places. These settlements became the sites of the current Poblacion and were later on formed into a district in the Department of Mindanao and Sulu. In 1903, Iligan became a municipality of Lanao province. In 1950, it was declared as a chartered city by virtue of Republic Act 525.

The utilization of the Maria Cristina Falls, a 320-foot high cascade, for hydroelectric power in 1952 accelerated the urbanization of the City. This also paved the way to the eventual progress of the City as more and more industries followed suit⁵. The advent of industrialization in the 1950s that resulted to economic prosperity attracted greater influx of migrants and population posted a significant 7.4 percent growth rate (Table 4.1). In 1980, after three decades, its population was 6.5 times bigger. The high growth rate in 1980 particularly was attributed to the stabilizing peace and order situation in the City after the armed conflict in Mindanao in the 1970s. Continued high population growth, coupled with increases in revenue due to impressive collection performance, led the City to be reclassified as a highly urbanized city in 1983.

Figure 4.1 Location of Major Industries in Iligan City



Source: ICG, CLUP

⁵ Maria Cristina Falls was thus known as 'The Mother of Industry'.

From year 1948, approximately the time when it became a city, to 1995, Iligan City's population growth rate averaged around 5 percent. This makes the City one of the fastest growing urban centers in the country. It was constantly among the top twenty urban cities with high population. However quite notably, in the most recent censal year of 1995-2000, average growth posted barely one percent (0.93 per cent). This meager increase was attributed to significant outward migration in connection with the economic difficulties suffered by the City in this period.

Table 4.1 Historical Growth of Population, 1903-2000

YEAR	POPULATION	INCREASE (DECREASE)	ANNUAL GEOMETRIC GROWTH RATE (%)
1903 March 2	2,872	-	-
1918 December 31	10,078	7,200	8.25
1939 January 1	28,273	18,195	5.29
1948 October 1	25,725	(2,548)	(0.96)
1960 February 15	58,433	32,708	7.48
1970 May 6	104,493	46,060	5.85
1975 May 1	118,778	14,285	2.60
1980 May 1	167,358	48,580	7.10
1990 May 1	226,568	59,210	3.08
1995 Sept. 1	273,004	46,436	3.56
2000 May 1	285,061	12,057	0.93

Source: CLUP, National Statistics Office

4.2 Rural-Urban Distribution

Much of the population expansion in the City has been historically accounted for by high growth rates in urban population, although rural population is so much larger in absolute terms. Urban population growth remarkably increased from three percent in 1970-75 to 16 percent in 1975-80 before slightly going down to 12.5 percent in 1985-90 (Table 4.2). As a result, the share of urban population rose from nine percent in 1970 to 31 percent in 1990.

Table 4.2 Tempo of Urbanization

1970, 1975, 1980, 1990, 1995 & 2000

YEAR	POPULATION		GEOMETRIC GROWTH		
	URBAN	RURAL	URBAN	RURAL	Tempo of Urbanization
1970	8,989	95,504	-	-	-
1975	10,367	108,411	2.89	2.56	0.33
1980	21,424	145,934	15.62	6.12	9.50
1990	69,607	156,961	12.50	0.73	11.77
1995	69,883	203,121	0.08	5.29	-5.21
2000	72,969	212,092	0.36	1.03	-0.67

Source: CLUP, National Statistics Office

The trend was reversed later on when there was an observed population movement from urban to rural areas. This was compounded by substantial increases of population in the hinterlands, which could be partly due to migration of residents of adjacent provinces or from other places where peace and order continues to be a problem. This rapid ruralization in 1990-95 led to a five percent growth in rural population compared to almost nil in urban population. Due to this trend reversal, the share of urban to total population dropped by four percentage points.

4.3 Components of population growth

The rate of natural increase (RNI) of population initially went up from 1970 to 1980 (see Table 4.3). From 1980 to 2000, both CBR and CDR consistently declined which led to a decreasing RNI, averaging three percent over the two decades.

Table 4.3 Rate of Natural Increase, 1970-2000

Period Covered	Total Nat. Increase	Total Birth	Total Death	Ave. RNI %	Ave. CBR per 1,000 mid-pop.	Ave. CDR per 1,000 mid-pop.
1970-1975	17,282	22,951	5,669	3.00	40.41	9.95
1975-1980	27,057	33,190	6,133	3.65	44.89	8.35
1980-1990	60,384	75,429	15,085	3.05	38.07	7.56
1990-1995	35,298	43,023	7,725	2.79	34.02	6.12
1995-2000	37,192	44,783	7,591	2.65	31.95	5.41

Source: ICG; Basic Data: City Civil Registrar
Average RNI, CDR & CBR, CPDO

Net migration, on the other hand, showed an alternating pattern of rise and fall over the period of 1970-2000 (Table 4.4). In 1975, net migration was negative because a number of people fled out due to peace and order problem in the City. The restoration of peace in 1980 led to reverse the previous trend.

Table 4.4 Population Increase, Natural Increase and Net Migration, 1970-2000

Period Covered	Total Pop. Growth	Total Nat. Increase	Total Net Migration	NMR	Migration Status
1970-1975	14,285	17,282	-2,997	-2.63	Out
1975-1980	48,580	27,057	21,523	14.5	In
1980-1990	59,210	60,384	-1,174	-0.82	Out
1990-1995	46,436	35,298	11,138	4.29	In
1995-2000	12,507	37,192	-25,135	-8.96	Out

Source: NSO and CPDO Computation

However, by far the most remarkable figure was the net migration rate from 1995 to 2000. It was registered at -8.96. The city's population fell by 25,135 due to out-migration, which was equivalent to around nine percent of the population in 1995. This explains the very low population growth of 0.93 percent in the last censal year. That is, although the rate of natural increase just only marginally declined and added 37,192 to total population, substantial outward migration counteracted the natural increase. As mentioned, and as will be the main discussion of the paper, the outward migration was associated with an economic crisis experienced by the city, which translated to lack of employment and income opportunities that forced people to seek for them in other places.

4.4 De-urbanization Hypothesis

The ruralization episode in the first half of the 1990s and the outward migration in the latter half of the decade led to a conjecture of a de-urbanization process in Iligan City. Notwithstanding the demographic indications, it is perhaps too intrepid or even well misplaced to consider the City as de-urbanizing especially if the term connotes a phenomenon similar to a 'vanishing city'. Therefore, the question considered in this paper is not exactly how to manage de-urbanization, neither generally nor specifically in the context of the negative migration occurrence in 1995-2000. It is almost established that economic difficulties led to the observed population outcome. Managing the challenges that faced the populace of Iligan, both those who moved out and remained, and that caused altered the population pattern in the process will thus be focused on.

5 The Episode of Economic Slowdown

5.1 General Industrial Slowdown in the late 1990s

5.1.1 Feature of Industrial Strength

Since the industrialization boom in the 1950s, Iligan City has been known as the Industrial City of the South. In fact, it has been attached with various titles referring to its industrial faculty including as The Industrial Center of Mindanao, The Power City and Symbol of RP's Industrialization among other names. Its role as an industrial center is recognized in national, Mindanao and region wide development perspectives. It is also considered as a major component of the increasingly rising Cagayan-Iligan Corridor and a major player of the Metro-Iligan Agri-Industrial Center.

Rich natural resources, suitable location and geologic condition give Iligan its competitive advantage. The coastal areas in which the industrial zones are located have deep harbor lines that allow wide-scale maritime production transport. Iligan is a major trans-shipment point of agricultural and industrial products to East Asian growth areas and major cities in the world. Iligan also lies in an earthquake and typhoon proof area that renders safety to the structures of industrial plants. It is however the abundant power and water sources that gives the City its biggest edge as a suitable industrial site. The City is home to the National Power Corporation, which generates hydro-power, and to the Northern Mindanao Power Corporation. These power corporations provide relatively cheaper power costs that benefit other resident industries.

Until the late 1990s, the City had been home to 17 large manufacturing industries. In broad definition, these are industries with capitalization of over one million pesos. These include the National Steel Corporation, Mabuhay Vinyl Corporation, Iligan Cement, Mindanao Portland

Cement, San Miguel Corporation-Iligan Coconut Oil Mill (SMC-ICOM), Granexport Manufacturing Corporation and others.

Top dollar earners for the City were coco-based products like crude coco oil and copra solvent expeller pellets. Other main exports were cement and silicon manganese. In 2003, total exports for all the industries amounted to \$103 million. In 1994-98, average annual exports totaled \$150 million. In terms of job creation, these manufacturing industries used to provide on the average some 4,000 direct employments annually.

5.1.2 Factors Leading to the Slowdown

The industrial crisis was caused by both natural factors and structural changes in international trade. The El Niño and La Niño phenomena badly hit the coconut industry and significantly reduced its output. The scarcity of coconut supply adversely affected the production and exports of two leading coco-industrial exporters, the Granexport Mfg and SMC-ICOM. On the other hand, policy shifts towards globalization and trade liberalization took its toll on the domestic industries located in Iligan. Competition in international markets became stiffer. Trade liberalization also opened up the country to cheap imports of steel and cement. Low-priced cement primarily from Taiwan and Indonesia flooded the local markets and ate up large percentages' of domestic manufacturers' sales. Iligan Cement Corporation and Mindanao Portland Cement Corporation (MPCC) suffered the blow, as well as Alsons Cement in the neighboring municipality of Lugait, Misamis Oriental. MPCC later on shut down, along with other cement plants throughout the country, displacing nearly 4,000 workers nationwide.⁶

An interesting tale, though unverified, said that one local cement company would import cement from overseas, repackaged them under its own brand and re-sell them domestically. The cost of cement imports was so low that, even after factoring in transport and transactions costs, this 'renaming' scheme proved to be a profitable business. Some blame this setback on the leniency in the enforcement of the anti-dumping law. Others believe that some of these imports came in through illegal means. On the other hand, some view this as a penalty for the protectionist policies that long shielded these industries from competition and hence stunted their efficiencies.

In addition to bad climatic conditions and trade policy shifts, another factor that disadvantaged the industries was the overall global economic slump. The Asian financial crisis and the economic slack in the US weakened export demand. The significant peso depreciation also raised the costs of imported raw materials for the production of some of Iligan's industries.

5.1.3 Economic Manifestations of the Crisis

Major industrial firms affected. In 1998 and 1999, at least 10 leading firms reported closure and cessation of operation due to economic reasons including lack of market, business losses, and economic crisis (DOLE-Iligan Office). Iligan Cement Corp reduced its production while Northern Cement suspended operations in 1999. Mindanao Portland Cement later on followed suit and shut down its operations. The coco-based firm SMC-ICOM also temporarily closed in 1999. The biggest upshot, however, was the suspension of operations of the National Steel Corporation (NSC) in 1999 that had a domino effect on industries that heavily relied on its operation. Later sections discuss these effects in detail.

⁶ From 'The fall of the industrial giant', newspaper clipping obtained from Iligan CPDO, date unknown.

The trend in volume of production for most industries shows a significant decline from 1997 to 1999 (Table 5.1).

Table 5.1 Volume of Production of Major Industries (in MT), 1995-2001

Name of Establishment	Product Line	Volume (in mt)						
		1995	1996	1997	1998	1999	2000	2001
1. Azkcon Metal Ind. ***	Angle Bars	-	-	-	-	-	-	-
	Z Purlins	-	-	-	-	-	-	-
	Steel Pellets	-	-	-	-	-	-	-
	Tin Cans	-	-	-	-	-	-	-
	Prefabricated Buildings	-	-	-	-	-	-	-
2. Fil-Eslon Mfg. Corp.	Pipes	4,553	1,738	-	2,259,758	1,780,961	1763 **	1295 **
	Extrusion Pipes & Fittings	50	1,119	-	28,171	28,073	37 **	83 **
	Injection-in-house fittings	-	-	-	75,110	55,055	63 **	-
3. Granexport Corp.	CNO	-	-	126,827	107,659	56,741	156,572	196,558
	Cochin Oil	-	-	47,304	32,317	33,842	28,620	56,119
	Edible Oil	-	-	6,873	8,443	33,255	9,901	18,852
	Coco Pellets	-	67,516	-	59,894	5,666	82,172	100,388
	Acid Oil	-	1,377	-	1,521	1,747	1,019	-
	Degummed Oil	-	4,297	-	3,912	-	3,335	-
4. Iligan Cement Corp.	Cement	555,360	584,800	618,000	485,966	368,258	752,011	391,991
		448,570						
5. Iligan Steel Service Center ***	Packaging Material	-	-	-	960	720	-	-
	Structural	-	-	-	108	90	-	-
	Trading	-	-	-	180	100	-	-
6. London Biscuit Co.	Assorted Biscuits	1,289,745	-	-	-	-	-	-
	Corn	460,800	-	-	-	-	-	-
	Prawn	250,000	-	-	-	-	-	-
7. Mabuhay Vinyl Corp.	Polyvinyl Chloride Resin	18,564	18,994	18,080	19,001	17,154	16,524	-
	Caustic Soda	15,430	15,686	14,522	10,586	15,590	14,705	17,881
	Hydrochloric Acid	11,798	12,102	9,941	10,586	9,896	9,422	11,004
	Liquid Chlorine	2,568	2,542	3,223	4,282	4,283	3,881	5,222
	NaHypochlorite	-	-	-	-	-	-	1,219
8. MCCI Corporation	Calcium Carbide	29,948	21,957	27,800	-	-	15,663	7165.77
	Acetylene Black	1,115	1,240	940	-	-	360	68.88
	Acetylene Gas	-	-	1,592	-	-	-	120.27
	Lime	-	-	-	-	-	-	-
	Crstina Hydrate	-	-	-	-	-	556	489.10
9. Mindanao Portland Cement Corp.	Type 1 Cement	83,894	76,066	8,140	485,966	368,258	60,132	60,132
10. National Steel Corp. ***	Cold Rolled Coils/Sheets	513,170	484,000	421,000	-	-	-	-
	Hold Rolled Coils/Sheets	785,284	787,000	692,760	-	-	-	-
	Billets	221,458	297,000	290,320	-	-	-	-
	Tin Plates	70,750	61,000	116,400	-	-	-	-
	Hot Rolled Plates	-	83,300	-	-	-	-	-
11. PILMICO Foods Corp.	Flour	121,043	126,250	190,000	147,500	180,000	-	200,000
	Feeds	44,501	-	-	-	-	-	108,000
		612	-	-	-	-	-	-
12. Refractories Corp. of the Philippines	Burned Bricks	5,158	7,582	9,180	5,613	2,539	2,145	2,439
	Unburned Bricks	171	125	130	130	246	-	160
	Monolithics	6,074	6,412	7,159	9,167	6,030	258	695
	Others	-	-	429	-	-	-	-
13. RS Dy Pico	Recapped Tires **	-	-	-	4,300	4,300	1,800	1,800
	Brand New tires **	-	-	-	4,500	4,500	-	-
14. SMC-Iligan Coconut Oil Mill	Coconut Oil	145,242	90,000	136,323	123,374	41,418	114,688	126,319
	Solvent Pellets	54,582	49,000	53,117	44,590	22,228	51,031	49,487
	Expeller Cake	23,476	20,000	20,674	21,956	-	10,467	16,139
	Copra Crushed	-	-	-	182,682	61,210	-	-
15. Southern Industrial Gases, Inc.	Acetylene *	2,500	32,000	31,200	-	-	-	-
16. Summa Alta Terra Industries ***	Burnt Lime	-	10,500	8,490	-	-	-	-
	Hydrated Lime	-	-	4,520	-	-	-	-
	Granulated Charcoal	-	1,400	1,460	-	-	-	-

Source: CPDO Survey;

- no data available

* by cylinders

** - by pieces

*** not operational

This also caused a decrease in the volume of usage of raw materials, some of which were locally acquired (Table 5.2).

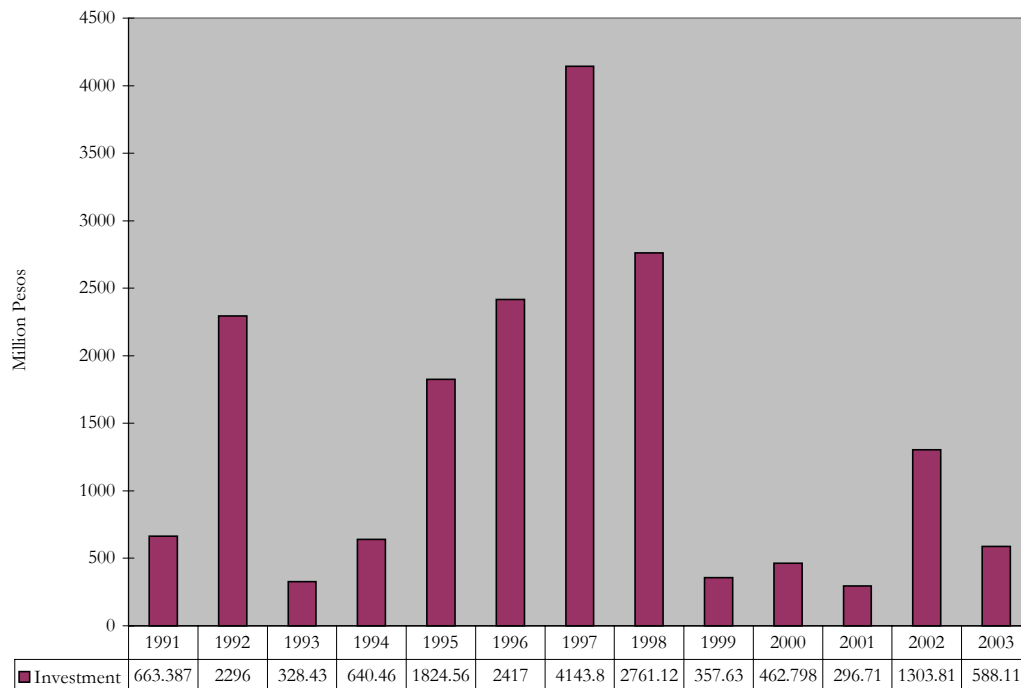
Table 5.2 Volume of Raw Materials of Major Industries (in MT), 1995-2001

Name of Establishment	Raw Materials Used	Origin	Volume (mt)						
			1995	1996	1997	1998	1999	2000	2001
1. Azkcon Metal Ind. ***	Steel		-	-	-	-	-	-	-
2. Fil-Eslon Mftg. Corp.	PVC Resins **	Local	1,591,000	1,787,513		2,213,516	1,776,995	1,709	2,240
	Additives **	Local	54,000	128,991		173,577	143,163	139	191
3. Granexport Corp.	Copra	Local	-	-	-	-	-	27,396	297,280
4. Iligan Cement Corp.	Pyrite/Silica	Local	-	-	7,612	34,068	20,246	-	16,119
	Shale/ Pozzolan	Local	55,210	30,128	26,819	-	-	-	124,181
	Gypsum	Japan	20,670	21,933	25,139	19,439	16,475	-	-
	Limestone	Local	27,940	31,276	30,502	-	-	-	452,042
	Coal	China	-	60,586	58,806	-	-	-	-
	Others-Clinker		-	-	-	52,048	69,318	-	-
5. Iligan Steel Service Center ***	Hot Rolled Coils	Local	-	-	840	108	720	-	-
	Cold Rolled Coils	Local	-	-	30	180	180	-	-
	Steel Plates	Local	-	-	40	960	-	-	-
6. London Biscuit Co.	Flour	Local	-	-	-	-	-	-	-
	Corn Grits	Local	-	-	-	-	-	-	-
	Chicharon	Local	-	-	-	-	-	-	-
7. Mabuhay Vinyl Corp.	Industrial Salt	Australia	31,427	31,205	29,293	34,967	33,590	30,957	33,416
	Vinyl Chloride Monomer		187			19,875	18,035	17,497	-
	Bunker Oil ****	Japan	17,782	19,865	18,873	-	-	-	5,478,676
8. MCCI Corporation	Limestone	Local	66,760	5,434	58,420	-	-	-	19,566
	Hongai Coal	Vietnam	10,142		19,000	-	-	-	3,154
	Electrode Paste	Norway	1,075	78	780	-	-	-	638
	Graphite Electrode	Germany		176	40	-	-	-	-
9. Mindanao Portland Cement	Shale	Local	-	53,984	81,177	-	-	-	-
	Pozzolan	Local	-	40,785	40,589	-	-	-	-
	Silica Sand	Local	-	885	2,286	-	-	-	-
	Gypsum	Japan	-	5,471	8,147	-	-	-	-
	Limestone	Local	-	185,339	169,656	-	-	-	-
10. National Steel Corp. ***	Slabs	Braz, Kor,Chn	820,745	822,100	692,000	-	-	-	-
	Hold Rolled coils	Australia	574,281	511,980		-	-	-	-
	Scrap	Local	243,720	273,890	112,568	-	-	-	-
	Tin Anode	USA, HK	299	330		-	-	-	-
	TMBP	Foreign	76,771	63,990	42,000	-	-	-	-
11. PILMICO Foods Corp.	Wheat Grains	USA, HK	150,000	140,000	210,000	-	-	-	1,738
12. Refractories Corp. of the Phil.	Spinel Clinker 30		-	-	-	165	163	107	-
	Spinel Clinker 50		-	-	-	383	333	70	-
	RKB		-	-	-	247	213	-	-
	Refcon		-	-	-	71	2	-	-
	Chrome Ore	Local	3,440	2,836	2,880	1,845	1,237	-	960
	Magnesia Clinker	Japan	1,500	-	7,157	-	-	-	1,169
	Natural Magnesite	China	3,000	-	8,256	-	-	-	1,285
	Denka Alumina		-	-	-	54	-	-	-
	Methocel		-	-	-	0	0	-	-
Other Local RM	Local	-	4,948	-	-	-	25	-	
13. RS Dy Pico	Camel Back**	Local	-	-	-	30,700	30,700	38,000	-
	Rubber**		-	-	-	-	-	-	38,000
14. SMC-Iligan Coconut Oil Mill	Copra	Local	216,975	12,947	213,357	191,842	71,591	213,900	198,658
15. Southern Industrial Gases, Inc.	Calcium Carbide *	Local	420,000	420,000	330,000	-	-	-	-
	Acetone **	Local	17,784	14,784	18,840	-	-	-	-
16. Summa Alta Terra Industries ***	Limestone	Local	-	-	5,320	-	-	-	-
	Coconut Shell	Local	-	-	15,150	-	-	-	-

Source: CPDO Survey - no data availab * by ** by kilograms *** not operatio **** by liter

Decline in investments. Investment inflow declined by 33 percent from P4.1 billion in 1997 to P2.8 billion in 1998 (Figure 5.1). More startling, investments plunged by 87percent in 1999 amounting only to P358 million. After the surge of investments in 1994-1997, with an annual average level of P2.3 billion, investment inflow only averaged P962 million in 1998-2003.

Figure 5.1 Annual Investment, 1991-2003



Decrease in exports. The data on the value of exports did not reflect the crisis until 1999 (Figure 5.2). Exports were drastically halved to \$84 million in 1999 from \$178 million in 1998, after averaging at \$150 million in the preceding five years. Exports have not yet recovered to this average although it increased to \$103 million in 2003.

Reduction in employment. Employment in industries (as registered in the Department of Trade and Industry) sharply declined as early as 1996. That is, from 10,449 in 1995 employment went down to 3,944 (Figure 5.2). (These figure seem questionable though.) After it slightly recovered in 1997, it decreased again in 1998 and 1999 and remained stable until an increase in 2003.

Data from the National Statistics Office (Figure 5.3) show that overall employment did not decline until year 2000. The 12 percent increase in 1999 was exactly negated in 2000 when the City lost 12,000 jobs. Industrial employment had a constant annual decrease from 1997 to 2000, with 9,000 jobs lost over the four years. The agriculture sector saved the City by absorbing more and more employment since 1999. Employment in services was more erratic over the years although this sector absorbed displaced labor from agriculture and industry in 2000. In general, employment picture only improved after year 2000.

Decline in the number of financial intermediaries. One indication of a slowdown in overall economic activity in the City is the decrease in the number of financial intermediaries. Total number of financial intermediaries fell from 163 in 1996 to 129 in 2000. The number of banking institutions fell from 43 to 29 in the same period.

Figure 5.2 Value of Exports and Total Employment in Manufacturing, 1991-2003

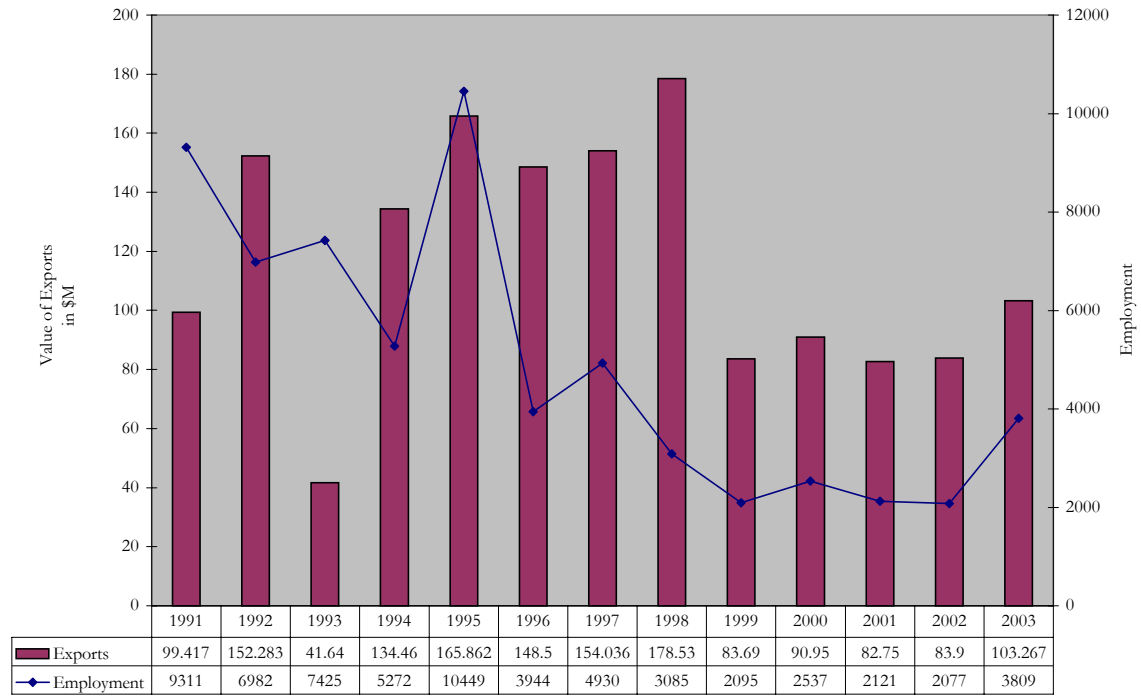


Figure 5.3 Employment by Industry, 1997-2002 (NSO)



5.2 Closure of the National Steel Corporation

5.2.1 Significance of the NSC to Iligan City

The National Steel Corporation without a doubt blessed the city for years since its establishment in 1972. In its halcyon days, the NSC used to provide almost 4,000 regular employments. And before it stopped operating in 1999, it was employing 1,817 workers. For an average family size of six, this could be translated to about 11,000 Iliganons directly benefit from the existence of the NSC.

The lowest basic salary of an NSC employee in the late 1990s was roughly P14,000 per month (Padilla, per comm 2004). Monthly payroll would sum up to about P50 million each month. Apart from monetary compensation, the NSC employees and families enjoyed generous non-salary benefits including free health services. The NSC had its own private clinic with six in-house doctors (CHO, per comm, 2004), nurses on 24-hour rotation and a dentist. Medical consultations are free and unlimited. The clinic also used to provide basic laboratory services like x-rays and give free medicines. Apart from health-related benefits, the NSC used to educational assistance and scholarships to the dependents of its employees. The company was also well acknowledged for its assistance in housing finance. Steeltown is the location of the on-sight NSC housing project. The NSC paid in advance the construction of 600 housing units. Afterwards, the employees were assisted in their loan applications to the Social Security System (SSS), PCI Bank, and other financing institutions.

During the prime of the NSC, employment in the steel company was a guaranteed credit line to most of the business establishments in the City. Tales say that in entertainment places, for instance, if an NSC employee runs out of cash, he could merely leave his polo shirt with the NSC logo on it and he would be allowed to put his expenses on charge.

With 11,000 people having sure disposable income each month, the NSC implicitly provided a stable source of consumption, production, employment and income opportunities in the city economy. The steel company thus served as a stimulant to other local businesses including small ones like sari-sari stores, market vendors, karaoke bars, and others.

In addition, other big industrial firms also were relying on the operation of the NSC. These included the Refractories Corporation of the Philippines, which manufactures industrial bricks for the NSC's furnaces.

The other inarguably significant contribution of the NSC was the revenues it was providing to the City government. In the 1990s, revenue payments of the NSC accounted for as high as 75 percent of the total tax revenues of the City and 35 percent of the City's overall income. In 1990, the entire real property tax collection of the city virtually came from the steel company. In 1998, where its operation was still relatively stable, it was paying about P130 million in taxes which were 50 percent of the total city tax collection. Moreover, multiplier effects on tax revenues through stimulation of other businesses should also be taken into account.

5.2.2 Facts about the Closure

5.2.2.1 Reasons Behind and Extent of Difficulties

The reasons behind the difficulties experienced by the NSC were combined internal and external factors. Some believed that the NSC's troubles started from its privatization in 1995 (although it could very well be even before that) when it was bought by the Wing Tiek Holdings Bhd of Malaysia. Tiek had financial troubles and sold the NSC to another Malaysian company, the Hottick Investments Ltd. Some claim that management was not effective because the Malaysians were in the first place steel traders not steel makers⁷.

The shifts in trade policies and changes in the global markets as earlier discussed put strain on the company. Many studies show that the steel industry in the country has historically been protected. Hence, when liberalization was allowed, domestic steel manufacturers faced serious problems. Cheap steel imports from countries like China, Russia and Korea flooded the local markets.

The Asian financial crisis in 1997, substantial peso depreciation and surge in interest rates worsened the financial situation of the steel company (City Government presentation material, undated). Its debt ballooned to P12 billion of which more than 50 percent was attributed to the depreciation of the peso. Interest rates rose to 38 percent and interest payments reached approximately P2.4 billion per year. The NSC then had difficulties servicing its loans.

Poor internal management was also held responsible for the downfall of the NSC. Some systems of checks and balances were removed, internal audits were clipped and the bidding and pricing committee was abolished. There were also suspicions of money laundering and salting that prodded the City government to request for an investigation by the Securities and Exchange Commission (SEC) and the Board of Investments.

Because of the accumulated financial woes, the NSC reported heavy losses amounting to P2.6 billion in 1996 which increased to P4 billion in 1998.

5.2.2.2 Efforts to Prevent the Closure

The City government was seriously active in seeking for national interventions in the possible prevention of the closure of the NSC. Together with the NSC workers' union NASLU (National Steel Labor Union), Iligan's Chamber of Commerce, various associations of market vendors, transport drivers, and other sectors, the City government negotiated for remedial measures and long-term policy re-alignments regarding the condition of the NSC and other concerned industries.

5.2.2.3 The Shutdown Point

The production of the NSC started to significantly decrease in 1997. Early in 1999, the operation of the hot mill plants stopped. In November 1999, all operations stopped although retrenchment of workers did not actually happen until June 2000.

In June 2000, about 500 workers took optional retirement and 1,248 were retrenched. The NSC closure was not, however, intended to be a permanent shutdown. The steel company, in fact, was aiming for rehabilitation. The workers hoped for this to happen sooner rather than later. They expected the temporary closure to last only for a few months like in the past. However, it

⁷ Same as footnote 3.

is known that the NSC was closed for almost four years. Normal operations have not yet resumed even after the company re-opened in April 2004.

After June 2000, the company retained around 100 people for maintenance and preservation of its plants. In 2001, the NASLU suggested to the SEC to have a rotation of workers in the preservation of the plants to distribute employment opportunities to more people. From 2001-2003, around 900 workers obtained part-time employment, each normally lasting for 3 months.

5.2.3 Impacts of the NSC Closure

The closure of the steel company made a literally visible impact. For instance, the previously lively towns of Suarez and other barangays populated by former NSC employees and their extravagant *fiestas* were subdued. Houses in Steeltown and other subdivisions were abandoned due to the consequent inability to finance the loans. Most also claim that the nightlife of the City died after the steel company took its rest. However, apart from the visual downcast spirit, the effects of the NSC closure were real and quantifiable.

Loss of employment. A total of 1,817 workers were displaced from regular employment. This is only from direct employment provided by the NSC. The figure does not include employment losses from industries directly dependent on the operation of the NSC, that is, the upstream industries that used to supply the inputs of the NSC. Also, employment were reduced in businesses that were indirectly dependent on the earning capacities of the NSC employees including food establishments, private schools, retail shops including sari-sari stores, househelp, security agencies, transportation, and others.

The typical annual payroll of the NSC was P540 million. If, for instance, 80 percent of this were being spent in Iligan, then about P432 million was lost in money circulation and economic activities in the City. This implied general economic slump in Iligan and neighboring cities, and smaller income opportunities even for agriculture including farmers, fishermen and small-scale vendors and traders.

Loss of income support industries and livelihood sources. The overall estimated losses (ex ante) for support industries were P1.44 billion per year. This refers to Local Scrap Purchases (P300 million), Local Supplies (P858 million), and Local Service Contracts (P283 million). This excludes the volume of business losses incurred by other industries supporting the NSC in its operations, e.g. chemical industries, packaging industries, machine and fabrication shops, etc. Refractories Corp, a supplier of bricks to the NSC, shut down while Mabuhay Vinyl cut down on production.

Loss of revenue incurred by the National Power Corporation due to the unconsumed power brought about by the NSC's shutdown was about P700 million per year, out of which P500 million were local. The losses were feared to be passed on to other users in the region that could result to higher power rates particularly to the ferro-alloy producing companies

As mentioned, small and medium businesses also suffered. Occupancy of market stalls, for instance, which were normally at 90 percent, went down to about 80 percent. Retail establishments closed shops. Noticeable too was the death of nightlife in the city due to bars and other entertainment centers having forced out of business. Also, the number of financial institutions decreased due to lack of financial activities. A number of security agencies also shut down.

The City also considers the NSC closure as a trauma on local businesses, providing a ‘defeatist psyche’ that if such a big business as the NSC can go down, there is no reason why they could not.

Impact on the City Government. Among the most concrete, quantifiable effects and of equal hurt caused by the NSC closure was the impact on the City government’s revenues. The NSC was by far the City’s biggest taxpayer (Table 5.3).

Based on the 1998 revenue payments of the NSC, the city is losing annually more than P130 million worth of forgone NSC revenues. This comes from P120 million in real property tax (RPT), almost P10 million in local business tax (LBT) and other regulatory fees.

In 1998, the NSC’s share in the City’s income was as follows: 67 percent in the City’s RPT collection, 13 percent share in LBT; 50 percent share in total tax revenues, and 20 percent share in the City’s entire income sources. (Figure 5.4) The NSC paid taxes until the third quarter of 1999 and some in 2000. As of April 2004, the company owed the City government about P780 million in total revenue collectibles for 1994-2000.

Additional tax losses came from industries that suffered the domino effects. Effects by other factors as natural phenomena and trade policy shifts in the cement industry could not, however, be isolated. Total tax revenue of the City started to decline in 1998. Local tax revenue decreased by 2.3 percent in 1998, 15 percent in 1999 and 35 percent in 2000. Overall income though only decreased in 1998 by 5.2 percent. This could indicate the fiscal intervention and adjustment which the City government implemented to cope with the revenue losses brought forth by industrial slowdown.

As revenues declined, demand for basic services, on the other hand, increased as income capacities of private individuals were weakened. The City government had to think about possible sources of livelihood for its constituents who lost their income sources. Moreover, the 11,000 NSC workers and their dependents that were previously enjoying free health services from the steel company had to be adopted by the City health office. Share of enrolment in public schools also increased as some families could no longer afford to send their children to private schools.

5.3 Consequences of the Crisis on the Socio-Economic Welfare of the City

5.3.1 Income and Poverty Situation

5.3.1.1 Welfare of displaced NSC employees

Staggered separation pays. As mentioned, a total of 1,817 NSC employees inevitably lost their permanent source of income in June 2000 alone. In case of job loss, the hope for a less painful transition to a new source of income is usually the separation benefits from the previous employer. However, in the case of its own financial woes, the NSC was not able to give all of these legitimate claims at the time of employment termination.

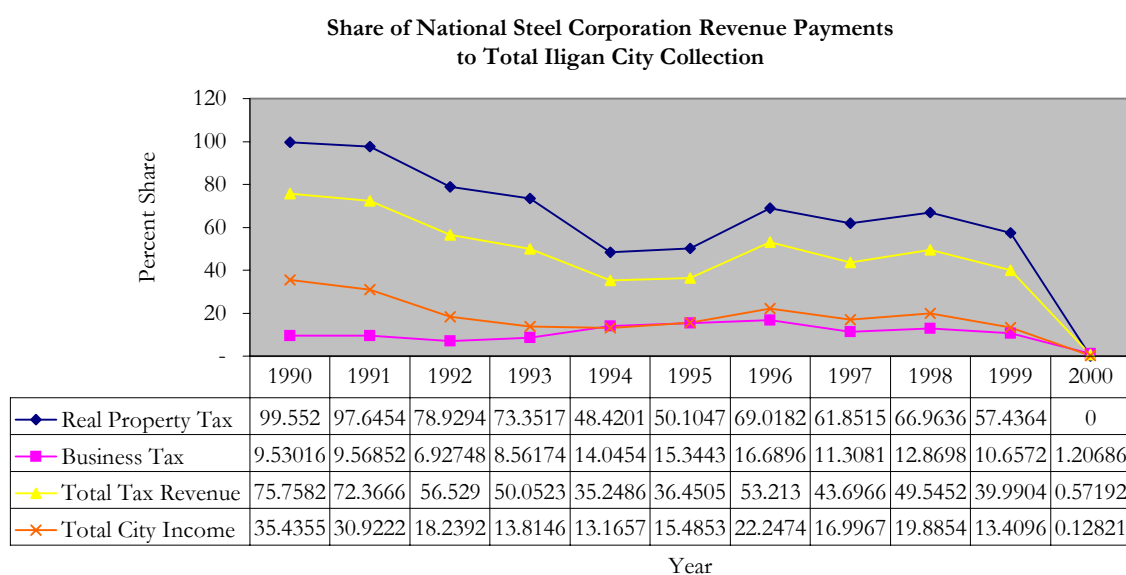
Table 5.3 NSC Revenue Payments to Iligan, 1990-2000

**NATIONAL STEEL CORPORATION
REVENUE PAYMENTS TO ILIGAN CITY GOVERNMENT, 1990-2000**

Revenue Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 (1-3)	2000
Real Property Tax	38,787,316	38,787,316	38,787,316	38,787,316	54,428,953	58,274,676	113,121,304	107,271,925	120,189,176	86,673,457	-
Basic	21,548,507	21,548,507	21,548,507	21,548,507	30,222,298	32,374,821	62,876,343	65,936,736	66,771,765	48,151,921	
SEF	17,238,809	17,238,809	17,238,809	17,238,809	24,206,655	25,899,855	50,244,961	41,335,189	53,417,411	38,521,536	
Business Tax	1,226,437	1,403,049	1,433,146	2,415,550	6,676,522	9,528,532	10,430,045	10,067,156	9,898,347	7,126,550	839,759
Domestic	1,226,437	1,403,049	1,433,146	2,415,550	6,676,522	8,745,816	9,883,888	9,542,747	9,249,560	7,126,550	816,058
Export	no export	no export	no export	no export	-	782,716	546,157	524,409	648,787	-	23,702
TOTAL TAX PAYMENTS	40,013,753	40,190,365	40,220,462	41,202,866	61,105,475	67,803,208	123,551,349	117,339,081	130,087,523	93,800,007	839,759
Other Fees	287	287	287	287	287	5,525	5,525	5,525	5,525	5,525	5,525
Total Revenue Payments	40,014,040	40,190,652	40,220,749	41,203,153	61,105,762	67,808,733	123,556,874	117,344,606	130,093,048	93,805,532	845,284
**Collectibles											
Total		781,469,478									
Real Property Tax 1994 (4) -2004		776,014,562									
Business Tax 2000 (2-4) + Surcharge & Interest		5,416,448									
Regulatory Fees		38,468									

Source: City Treasurer's Office

Figure 5.4 Share of NSC Revenue Payments to Local Collection



The total claim for separation fees of all NSC employees amounted to approximately 700 million pesos, which translates to 400 thousand pesos per employee on the average. Retrenched employees were not able to get full separation pays upon termination of employment in June 2000. This was also true even for some who took optional retirement in the same period. Only those who filed their retirement from November 1999 to 19 January 2000 got their separation pays in full.

Separation pays were then given in installments but only a small portion of the total claim has been given hitherto. The first partial payment was an equal pay of P20,000 for each employee regardless of the individual's previous rank or position in the company. The next payment which came in January 2004 was another P20,000. The third installment was pro-rated where 10 percent of each employee's receivables from the company were granted. Evidently, the actual payments as of April 2004 do not take up a significant percentage of the total claims. For an average claim of 400 thousand pesos, for instance, only 20 percent had been granted.

Alternative source of income. Some of the displaced workers of the NSC were absorbed by the domestic economy of Iligan City. However, the tight economic situation of the City itself prevented full and effective absorption. As discussed, the overall employment in the City significantly dropped in 1998 and 1999. Not to mention, the substitute employment for the former NSC employees were not for the most part of the same level as what they used to have.

The City government, for its part, tried to provide jobs through casual and part-time employment in the City Hall. This is however only a transitory solution as the expansion of government personnel is not fiscally sustainable. The local government also embarked on labor intensive projects like housing and road constructions to accommodate greater excess labor in the market.

On the other hand, some of the employees opted to venture into self-employment and entrepreneurship. Some resorted to small-scale vending in the markets, in schools and even in the streets. Those who were fortunate to have obtained considerable sum from their separation pays chose to put up businesses. The more popular business options were sari-sari stores, restaurants and small-scale livestock farms. This could be one of the factors in the increase in

the number of new establishments in year 2000. A total of 1,405 new business permits were issued in 2000, a 21 percent growth from 1999 issuances. Unfortunately however, many of these businesses failed. This is because, in the first place, the former NSC employees were not trained in business management and secondly, the general fall in income in the city did not provide a conducive environment for business.

Out-migration. Not surprisingly, there was a serious lack of alternative employment opportunities for the displaced NSC employees considering that the City's overall economy was suffering as well. It was a natural response therefore to seek for income opportunities in other places. Several migration studies suggest that labor mobility is positively correlated to the skill of the individual. This is believed to be true in the case of Iligan's outward migration phenomenon especially referring to former NSC employees. Many of the steel company's technically-skilled people moved out of Iligan after its closure although there are no official data to quantify this specific form of out-migration. Some of them are believed to have moved to Metro Manila, Cagayan de Oro, Cebu and other more economically active cities. Some are even believed to have gone overseas.

However, not the entirety of this movement is permanent out-migration. Those who found jobs in nearer places like Cagayan de Oro have maintained their permanent residence in Iligan, as where their families are still located. Those who chose to relocate with their families, on the other hand, contributed to the estimated net negative migration that happened during the period of 1995-2000.

5.3.1.2 Overall Income and Poverty Situation

The average family income rose notably from 1994 to 1997 (Table 5.4). In real terms (1994 prices), average family income increased by 81 percent from P65,692 in 1994 to P118,836 in 1997. However, in year 2000, this figure declined by 22 percent in real terms. Same pattern is true for the average family expenditures where after a 70 percent increase in 1997, it dropped by 24 percent in year 2000. These trends indicate economic difficulties experienced by the City translated to the household level.

The effect of the economic crisis on poverty, however, could not be verified due to lack of more recent data. In 1991, the percent of family living below the poverty line was 54 percent. It rose to 58 percent in 1994 but went down again to 54 percent in 1998. Figure for a more recent period is not yet available to confirm the effect of the economic slowdown on poverty. In any case, more than half of total number of families, that is, 22,196 families living in poverty is still worryingly high especially for a highly urbanized city.

Table 5.4 Average Family Income and Expenditures

1991, 1994, 1997 & 2000
At 1994 Prices

YEAR	TOTAL NUMBER OF FAMILIES	AVERAGE INCOME	% Change	AVERAGE EXPENDITURES	% Change
1991	44,580	64,357		55,641	
1994	48,306	65,692	2.07	55,577	(0.12)
1997	53,455	118,836	80.90	96,219	73.13
2000	60,388	92,605	(22.07)	73,469	(23.64)

Source: CPDO, National Statistics Office, Family Income and Expenditure Survey

5.3.2 City Government's Fiscal Situation and Delivery of Social Services

The economic crisis created a heavy fiscal burden on the local government. From 1990 to 1994, the City government's percent of savings to income had always been in double-digits (Table 5.5). Even net of aids, borrowings and interfund transfers, saving rate averaged about 21 percent over this period. It declined in 1995 but remained positive until 1996. Notably in 1997, saving rate went down to negative 0.46 percent. For the more difficult years, 1997-2001, it averaged around 1.68 percent. Saving rate then remarkably leaped to 17.64 percent in 2002 from 4 percent in 2000. This is due to the high increase in revenues, 13 percent growth in 2002, and a reduction in expenditures by about 7 percent. This trend continued in the following rate where the saving rate increased further to 21 percent in 2003.

The City government borrows externally from government financial institutions particularly the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP). Other loans come from international financing agencies mainly the Asian Development Bank (ADB). These loans are always linked to specific projects which consist predominantly of infrastructure development undertakings. Among the completed and on-going projects that were financed through borrowing were the Integrated Bus and Jeepney Terminal, road widening, construction of a circumferential road, urban water supply expansion, and expansion of the city hospital.

5.3.2.1 Trend in Resource Generation

Table 5.6 presents the revenue sources for Iligan City government from 1990-2003.

Percent share of income sources. In 1990, the City government used to obtain more than half of its income from local revenues. However, over the decade until 2003, the City's revenue distribution has been tilted towards income sources other than local revenues.

Table 5.5 Iligan City Government: Fiscal Balance, 1990-2003

	Total Income	Expenditures	Fiscal Balance (Net of Borrowings & Transfers)	Savings as % of Net Income
1990	112,920,901	88,846,049	24,074,853	21.32
1991	129,973,272	102,348,561	26,890,109	20.81
1992	220,518,519	143,477,404	53,041,115	26.99
1993	298,257,925	248,288,824	49,969,101	16.75
1994	464,128,062	363,173,287	75,444,125	17.20
1995	437,891,093	402,257,476	12,012,317	2.90
1996	555,376,058	507,248,813	43,127,245	7.84
1997	690,394,383	638,316,134	(2,921,751)	(0.46)
1998	654,214,162	593,473,230	60,740,932	9.28
1999	699,538,197	691,238,358	(31,700,161)	(4.81)
2000	659,271,903	632,917,530	26,354,373	4.00
2001	763,808,287	608,232,376	2,377,911	0.39
2002	688,879,868	567,360,744	121,519,125	17.64
2003	697,748,624	554,275,078	143,314,689	20.54

Source: City Accounting Office, City Treasurer's Office

Tax and non-tax revenues comprised about 59 percent of local total income in 1990. Its share to total income generally declined over the next decade until 2001 and bounced back in the later years when it accounted for 35 percent of total income. The sharp decrease in this share happened in 1999 to 2001. This is both a combination of decrease in tax revenues and increases in other forms of income. This figure went to as low as 28 percent in 2001 because of huge external borrowing in that year. On the other hand, the share of internal revenue allotment (IRA), borrowing and other income increased in general over the period and consistently from 1995 to 2003. The share of IRA to total income, in particular, grew from 40 percent in 1990 to 65 percent in 2003.

The share of the City's tax collection also declined significantly over the period. Its share was more than halved from 47 percent in 1990 to 22 percent in 2003. This is due to the drastic fall in the share of real property taxes (RPT) from 27 percent to 11 percent in 1999 to 2001, respectively. This captures the huge losses in real property taxes due to the slowdown of the NSC operations in 1999 and eventually its closure in 2000. The share of RPT improved in 2002 but declined again in 2003.

Table 5.6 Iligan City Government: Revenue by Source, 1990-2003

Revenue Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Local Revenue	66,736,586	71,933,757	88,245,690	100,747,446	202,714,248	213,498,438	267,423,767	307,560,998	309,338,968	295,778,580	214,816,004	213,457,655	245,119,997	245,347,777
Tax Revenue	52,817,699	55,537,176	71,150,098	82,319,564	173,355,665	186,014,225	232,182,651	268,531,422	262,563,310	234,556,264	146,832,869	155,950,840	166,855,723	155,793,311
Local Tax Source	52,817,699	55,537,176	71,150,098	82,319,564	161,226,828	180,093,665	228,430,082	264,079,758	257,971,620	219,335,596	144,139,795	154,017,086	166,073,962	148,947,519
Real Property Tax	38,961,859	39,722,608	49,141,774	52,878,551	112,409,894	116,305,898	163,900,699	173,434,668	179,484,225	150,903,231	73,118,876	83,142,423	108,967,127	90,427,222
Basic Tax	35,521,789	35,982,779	23,066,461	24,608,571	52,455,286	54,260,554	76,267,879	80,934,525	83,446,740	70,135,162	33,926,774	38,727,341	52,803,863	43,813,473
Special Education Fund*	3,440,070	3,739,829	26,075,312	28,269,980	59,954,608	62,045,343	87,632,820	92,500,142	96,037,485	80,768,069	39,192,102	44,415,082	56,163,265	46,613,749
Community Taxes	986,826	1,151,385	1,320,472	1,227,715	1,281,553	1,689,463	2,034,990	1,618,798	1,576,001	1,561,667	1,439,029	1,738,641	2,472,603	6,113,491
Business Tax	12,869,014	14,663,183	20,687,852	28,213,297	47,535,381	62,098,305	62,494,393	89,026,292	76,911,394	66,870,698	69,581,890	69,136,022	54,634,231	52,406,806
Share & Utilization of the National Wealth	-	-	-	-	12,128,837	5,920,560	3,752,568	4,451,664	4,591,690	15,220,668	2,693,074	1,933,754	781,762	6,845,792
Non-Tax Revenue	13,918,887	16,396,581	17,095,593	18,427,882	29,358,583	27,484,213	35,241,117	39,029,577	46,775,658	61,222,316	67,983,136	57,506,815	78,264,274	89,554,466
Receipts from Eco Enterprise	5,399,416	6,352,450	6,285,741	6,634,248	10,681,936	10,341,057	13,112,728	15,034,834	16,444,243	18,184,815	16,561,187	19,151,375	43,568,804	51,334,694
Fees, Charges & Other Receipts	1,251,298	1,549,160	2,031,104	5,791,255	10,958,427	10,537,274	12,157,955	15,264,789	14,884,528	16,107,124	17,552,151	14,566,399	15,117,334	20,782,599
Miscellaneous Income	7,268,173	8,494,971	8,778,747	6,002,379	7,718,221	6,605,882	9,970,434	8,729,954	15,446,887	26,930,377	33,869,797	23,789,041	19,578,136	17,437,173
IRA & Other Income	46,184,315	58,039,515	132,272,829	197,510,479	261,413,814	224,392,654	287,952,291	382,833,385	344,875,194	403,759,617	444,455,899	550,350,632	443,759,871	452,400,847
Internal Revenue Allotment	46,184,315	57,304,913	108,272,829	197,510,479	235,903,164	200,771,354	282,952,291	327,833,385	344,875,194	363,759,617	423,761,417	369,880,151	443,759,871	452,241,989
Unprogrammed IRA	-	-	-	-	-	-	-	-	-	-	20,694,482	-	-	-
5% 1998 Reserve for IRA	-	-	-	-	-	-	-	-	-	-	-	18,444,117	-	-
2000 IRA	-	-	-	-	-	-	-	-	-	-	-	8,828,364	-	-
Aids and Borrowings	-	734,602	-	-	310,650	621,300	-	-	-	-	-	-	-	158,858
Loans and Borrowings	-	-	24,000,000	-	25,200,000	18,000,000	5,000,000	55,000,000	-	40,000,000	-	153,198,000	-	-
Interfund Transfer	-	-	-	-	-	5,000,000	-	-	-	-	-	-	-	-
TOTAL INCOME	112,920,901	129,973,272	220,518,519	298,257,925	464,128,062	437,891,093	555,376,058	690,394,383	654,214,162	699,538,197	659,271,903	763,808,287	688,879,868	697,748,624
IRA as % of Total Income	40.90	44.09	49.10	66.22	50.83	45.85	50.95	47.48	52.72	52.00	64.28	48.43	64.42	64.81

Source of Raw Data: City Accounting Office Trial Balance

*SEF data for 1990-1996 are taken from City Planning Development Office database

**Data for 2002 is taken from the Statement of Income and Expenditures, City Treasurer's Office

***Data for 2003 community taxes was computed by subtracting RPT & LBT from Total Taxes; This may include other taxes.

Table 5.7 Percent Share in Revenue by Source, 1990-2003

Revenue Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Local Revenues	59.10	55.35	40.02	33.78	43.68	48.76	48.15	44.55	47.28	42.28	32.58	27.95	35.58	35.16
Tax Revenue	46.77	42.73	32.26	27.60	37.35	42.48	41.81	38.90	40.13	33.53	22.27	20.42	24.22	22.33
Local Tax Source	46.77	42.73	32.26	27.60	34.74	41.13	41.13	38.25	39.43	31.35	21.86	20.16	24.11	21.35
Real Property Tax	34.50	30.56	22.28	17.73	24.22	26.56	29.51	25.12	27.44	21.57	11.09	10.89	15.82	12.96
Basic Tax	31.46	27.68	10.46	8.25	11.30	12.39	13.73	11.72	12.76	10.03	5.15	5.07	7.67	6.28
Special Education Fund*	3.05	2.88	11.82	9.48	12.92	14.17	15.78	13.40	14.68	11.55	5.94	5.81	8.15	6.68
Community Taxes	0.87	0.89	0.60	0.41	0.28	0.39	0.37	0.23	0.24	0.22	0.22	0.23	0.36	0.88
Business Tax	11.40	11.28	9.38	9.46	10.24	14.18	11.25	12.89	11.76	9.56	10.55	9.05	7.93	7.51
Share & Utilization of the National Weal	-	-	-	-	2.61	1.35	0.68	0.64	0.70	2.18	0.41	0.25	0.11	0.98
Non-Tax Revenue	12.33	12.62	7.75	6.18	6.33	6.28	6.35	5.65	7.15	8.75	10.31	7.53	11.36	12.83
Receipts from Eco Enterprise	4.78	4.89	2.85	2.22	2.30	2.36	2.36	2.18	2.51	2.60	2.51	2.51	6.32	7.36
Fees, Charges & Other Receipts	1.11	1.19	0.92	1.94	2.36	2.41	2.19	2.21	2.28	2.30	2.66	1.91	2.19	2.98
Miscellaneous Income	6.44	6.54	3.98	2.01	1.66	1.51	1.80	1.26	2.36	3.85	5.14	3.11	2.84	2.50
IRA & Other Income	40.90	44.65	59.98	66.22	56.32	51.24	51.85	55.45	52.72	57.72	67.42	72.05	64.42	64.84
Internal Revenue Allotment	40.90	44.09	49.10	66.22	50.83	45.85	50.95	47.48	52.72	52.00	64.28	48.43	64.42	64.81
Unprogrammed IRA	-	-	-	-	-	-	-	-	-	-	3.14	-	-	-
5% 1998 Reserve for IRA	-	-	-	-	-	-	-	-	-	-	-	2.41	-	-
2000 IRA	-	-	-	-	-	-	-	-	-	-	-	1.16	-	-
Aids and Borrowings	-	0.57	-	-	0.07	0.14	-	-	-	-	-	-	-	0.02
Loans and Borrowings	-	-	10.88	-	5.43	4.11	0.90	7.97	-	5.72	-	20.06	-	-
Interfund Transfer	-	-	-	-	-	1.14	-	-	-	-	-	-	-	-
TOTAL INCOME	100	100	100	100	100	100	100	100	100	100	100	100	100	100
IRA as % of Total Income	40.90	44.09	49.10	66.22	50.83	45.85	50.95	47.48	52.72	52.00	64.28	48.43	64.42	64.81

Source of Raw Data: City Accounting Office Trial Balance

*SEF data for 1990-1996 are taken from City Planning Development Office database

**Data for 2002 is taken from the Statement of Income and Expenditures, City Treasurer's Office

The share of non-tax revenues, on the other hand, was not as variable as that of the tax revenues mainly because it was accounting for a small percentage share in the first place. Nevertheless, a notable point in this sector is the increasing share in income of receipts from economic enterprises. It increased substantially from 2.5 percent in 2001 to 7.36 percent in 2003.

Absolute changes in income sources. Overall local revenues were continuously increasing from 1990 to 1998 (Figure 5.5). The most remarkable increase though was in 1994 when local revenues more than doubled, due to the doubling of tax revenues and also the significant rise in non-tax revenue receipts. The effect of the crisis on revenue generation became evident starting 1998. In 1999, total local revenues declined by 5 percent and subsequently by 27 percent in 2000. Much of this decrease was contributed by the drop in tax revenues, both RPT and local business taxes (LBT) (Figure 5.6). Real property taxes significantly dropped by 59 percent from almost 180 million pesos in 1997 to 73 million pesos in 2001. This again was largely caused by the lost RPT from the NSC. Business taxes were also dwindling since 1998. From its peak of 89 million pesos in 1997, local business taxes were 40 percent lower in 2003.

Figure 5.5 Revenue by Major Category, 1990-2003

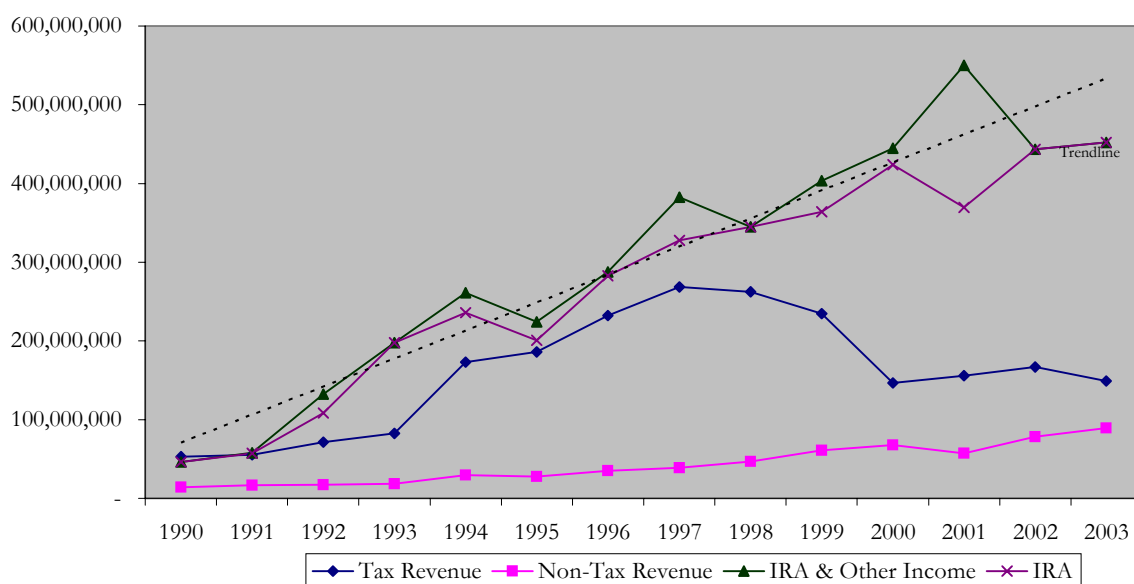
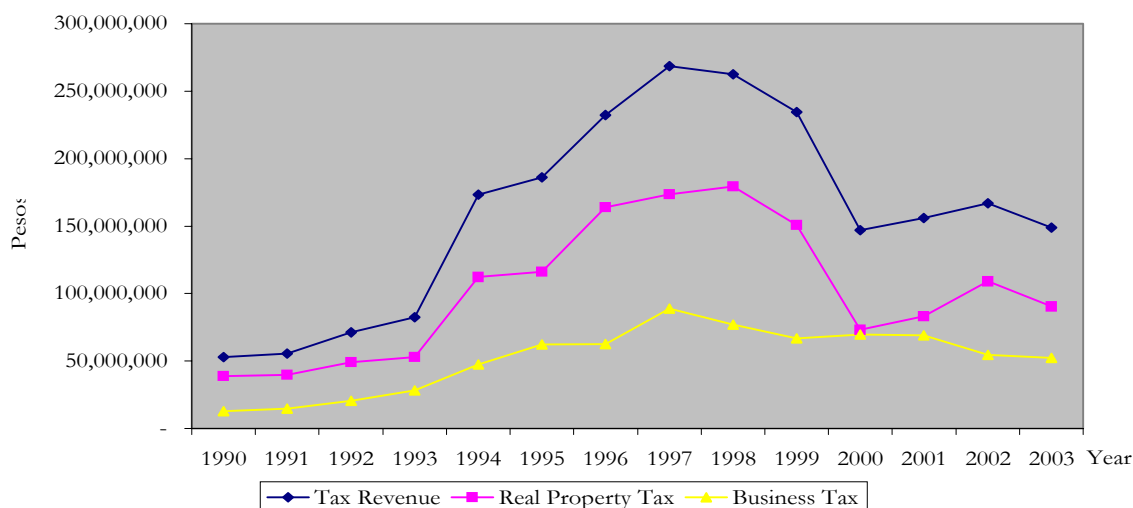


Figure 5.6 Major Tax Revenue Sources, 1990-2003



On the other hand, non-tax revenues generally increased over the period. Again, noteworthy were the increases in the receipts from economic enterprises since 2001. In 2002, in particular, income from these enterprises rose by 127 percent.

Total local revenues recovered in 2001 and 2002 but declined again in 2003. Annual total income was supplemented in some years by borrowings and increases in IRA. The internal revenue allotment increased almost constantly each year.

5.3.2.2 Trend in Resource Allocation

Sectoral allocation. The share to total expenditures of social services (broadly encompassing expenditures in education, health, employment, housing and social welfare services) has been generally higher than other major categories since 1993 (Figure 5.7). (The great variability in the figures from 1990 to 1992 makes it a bit questionable.) The share of social spending averaged about 33 percent for the 10-year period of 1993-2003. From 1992, it was generally increasing until 1998, after which it began to decline accordingly with the economic slowdown and tighter government fiscal resources. From about 38 percent in 1998, the share of social services fell to 31 percent in 2003.

The drop was caused by a significant decrease in spending on education especially in 2000 (Figure 5.8). The share of education expenditure was almost halved from 17 percent in 1998 to less than 9 percent in 2003. Health spending, on the other hand, stably fluctuated around an average share of about 12.5 percent in 1998-2003. The share of housing expenditures, on the other hand, annually increased from 1998 to 2003. This reflects the major housing projects that the City government spearheaded coinciding with the start of the slack period.

Figure 5.7 Percent Share in Expenditure by Major Category, 1990-2003

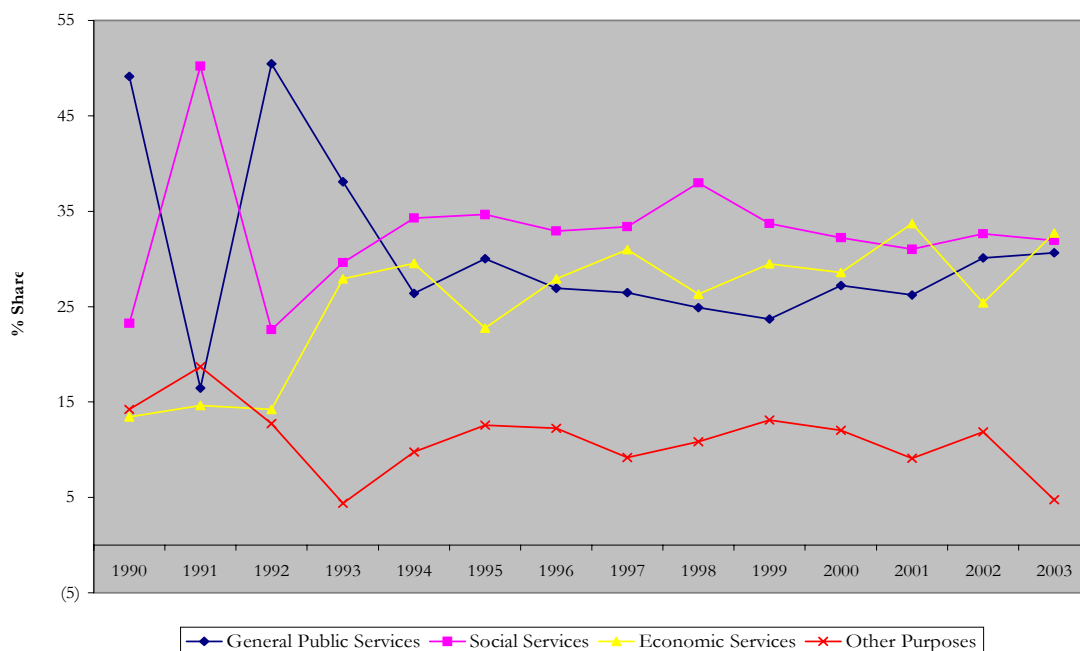
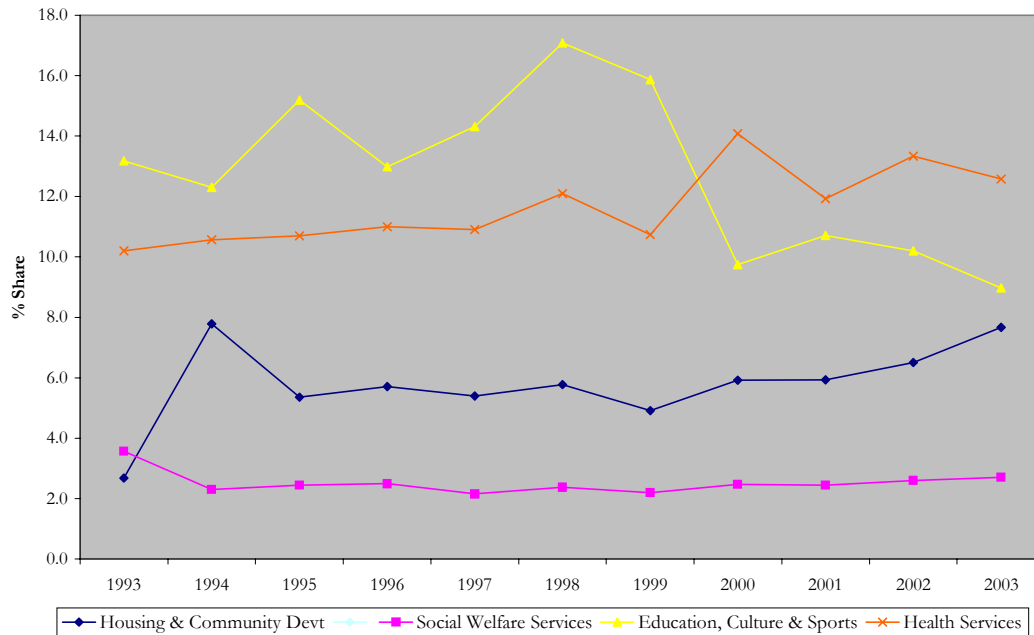


Figure 5.8 Share of Social Services to Total Expenditures, 1993-2003



The share of expenditures on general services marginally declined in 1997 and 1998 but rose in the following years. In contrast to social services spending, the share of general services expenditure increased by around 6 percent from 1997 to 2003. The same is true for economic services, the share of which also grew by about 6 percent in the same period.

Absolute changes in spending. It is notable that the absolute amount that goes to social expenditures, broadly defined as expenditures excluding general and economic services and other expenditures, was rising from 1992 to 1999 (Figure 5.9). The ensuing drop after 1999 was remarkable. It declined by about 21 percent from 1997 to 2002 before slightly recovering in 2003.

Breaking this down into components, the decrease was again substantially caused by the huge drop in education expenditures (Figure 5.10). Education spending was cut by 44 percent from 1999 to 2000. Much of the cutback was made in capital outlay as the number of personnel (teachers and support staff) was relatively stable until 2002. The biggest decrease in teachers only happened in 2003 when the number of teachers at the elementary level fell to 65 from 77 in 2002.

According to the Department of Education, when the NSC was still open in 1999, the budget for the Department coming from the Iligan government was about 110 million pesos. This dropped to as low as 46 million pesos after the closure of the NSC. All government teachers used to receive a 700-peso monthly allowance but it was removed when the budget tightened. Around 80 percent of the budget of the Local School Board (LSB) goes to salaries and wages of teachers and personnel. When its budget allocation fell, it is the non-mandatory expenses that were squeezed. For instance, purchase of equipment exceeding ten thousand pesos was not allowed and capital outlays for school buildings were limited to simple repairs. Nonetheless, the LSB believes that the City government has been very supportive and generous given its own fiscal difficulties.

Figure 5.9 Expenditure by Major Category, 1990-2003

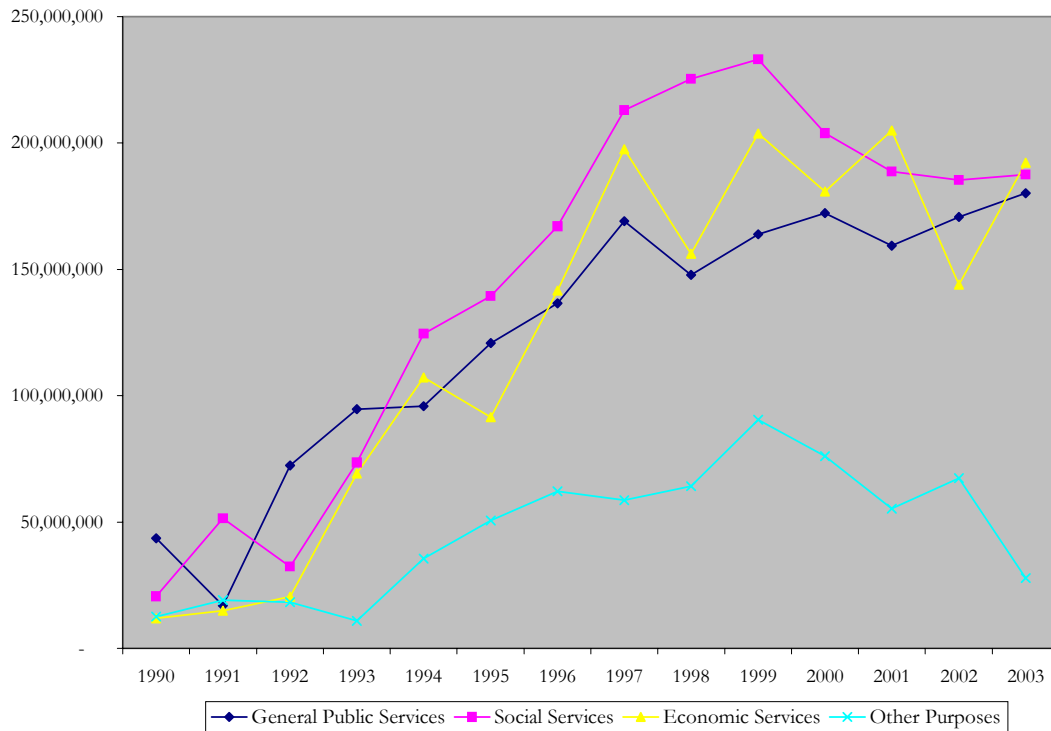
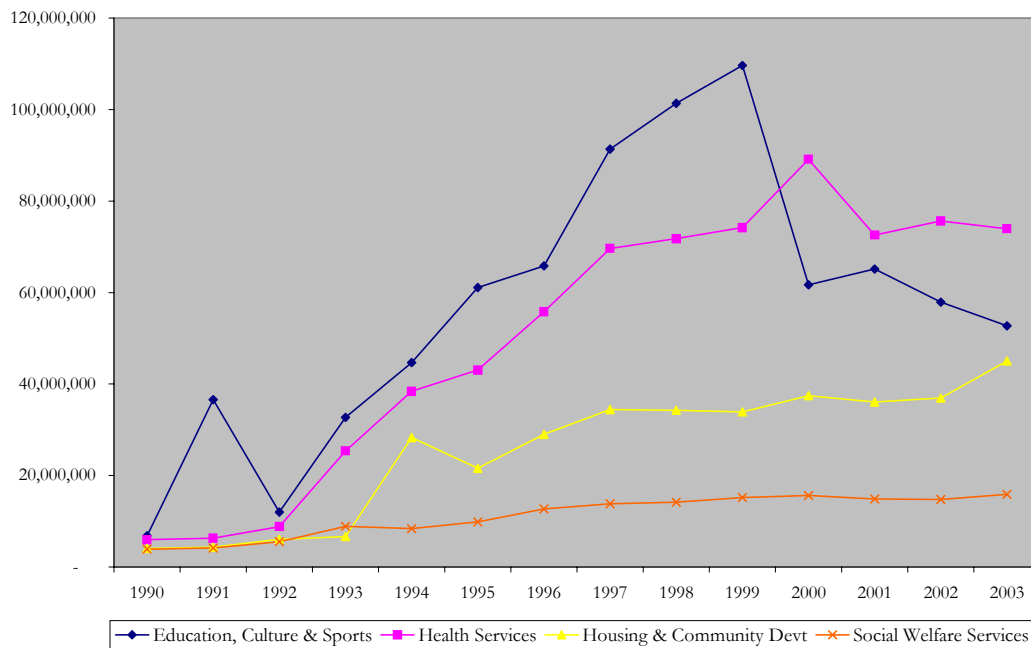


Figure 5.10 Expenditure on Social Services, 1990-2003



With regard to health expenditures, it suffered as well albeit not as much as in education. In fact, health expenditure even had an increase of 20 percent in 2000. However, this was entirely

reversed when it dropped by 19 percent in 2001, after which the expenditure level was just maintained in the following years. As generally the case, expenditure on personnel services in the health sector was not much affected except on the occasion when the local health workers did not receive the supposedly nationwide 10 percent increase in salary due to the domestic fiscal strain in Iligan. It is mostly the non-mandatory expenditures that were curbed including capital outlay. Construction and expansion of health centers generally stopped except when the City Health Office could get some financial aid from national departments or international agencies like the UNFPA. The budget for free medicines and medical supplies was also reduced.

Expenditure on general services had a 13 percent decrease in 1998 but was generally increasing afterwards. On the other hand, spending on economic services was widely variable from 1997 to 2003.

5.3.3 Social Outcomes

Education. Iligan city has a high literacy rate. Overall literacy is about 95 percent, which is 7 percentage points higher than in the 1980s. Functional literacy, on the other hand, is about 90 percent. However, the City has high drop out rates. Also improvement in performance indicators in education seemed not to be sustained in the latter part of the 1990s and early 2000s.

In terms of public educational facilities and manpower though, Iligan does not have a very serious problem even after the tightening of the local budget. Classroom congestion does not seem to be dire, comparing actual class sizes to standard. Public school teachers also seem to be enough. However, the scope of access is a problem. Also, the quality of education is another matter.

Utilization indicators. Enrolment rate in the elementary level generally increased annually from 77 percent in school year (SY) 1995-96 to 109 percent in SY 2000-01, except in SY 1998-99 when it dropped by 4 percentage points (Table 5.8) . However, enrolment rate was more variable for high school. It alternately increased and decreased over the same period.

**Table 5.8 Education Utilization Indicators in Public Schools
SY 1995-96 to SY 2000-01**

School Year	Enrolment Rate		Participation Rate	
	Elementary	Secondary	Elementary	Secondary
1995-1996	77.62	65.38	115.87	88.18
1996-1997	76.93	72.11	124.38	90.12
1997-1998	78.01	71.59	120.8	94.61
1998-1999	82.64	73.86	116.28	84.3
1999-2000	93.22	72.59	121.45	81.37
2000-2001	108.95	73.63	120.2	77.93
6 year average	86.23	71.53	119.83	86.09

Source: CDS, Dep-Ed

The distribution of enrolment by sector reveals that enrolment in public schools vis-à-vis private schools remarkably in 1999 (Table 5.9). The percentage of public school enrolment went up

from 70 percent in SY 1998-99 to 76 percent in SY 1999-00, and further to 78 percent by SY 2001-02. This may indicate and verify the claims that households experienced financial difficulties in sending their children to private schools due to the crisis and the NSC closure and sent them instead to free tuition public schools.

Table 5.9 Education Performance Indicators in Public Schools
SY 1995-96 to SY 2000-01

	Elementary			Secondary		
	Drop-out Rate	Survival Rate	Completion Rate	Drop-out Rate	Survival Rate	Completion Rate
1995-1996	2.52	67.50	61.78	18.20	67.98	60.52
1996-1997	3.66	76.58	75.08	12.30	60.02	60.32
1997-1998	3.00	69.00	74.97	8.00	73.04	61.02
1998-1999	2.25	72.73	75.10	8.02	64.82	63.15
1999-2000	3.50	76.75	70.15	9.40	69.92	64.49
2000-2001	2.82	69.48	63.44	6.26	66.02	60.43
2001-2002	2.85	64.13	64.12	6.36	85.48	66.93
7 year average	2.94	70.88	69.23	9.79	69.61	62.41

Source: CDS, Dep-Ed

Participation rate, that is, the ratio of actual enrolment to the total population in a particular age range, declined in SY 1998-99 for both elementary and high school levels (Table 5.8). While the participation rate in elementary recovered, that of high school continued to fall until 2000 from as early 1997. The participation rate in elementary has been over 100 percent and suggest that aside from its own residents, the schools in Iligan City are also catering for the education needs of neighboring municipalities because of relatively better facilities in the City.

Performance Indicators. The performance results from SY 1995-96 to SY 2001-02 were mixed (Table 5.10). For elementary level, the data suggest an overall deterioration in performance indicators despite their initial improvement. Drop-out rate was higher in 2001 than in 1995; whereas survival rate, retention rate and completion rate were lower. On the contrary, performance indicators in high school showed a more positive picture and significant improvements.

Drop-out rates fluctuated over the period. According to Dep-Ed, this inconsistent trend could be due to financial difficulties experienced by households, distance and bad roads leading to the schools especially in the rural areas, and also because of unfavorable health conditions.

Noteworthy was the significantly improvement in the drop-out rate in the secondary level, albeit the figure is still relatively high. From 18 percent in SY 1995-96, the drop-out rate in high school decreased to 6 percent in SY 2001-02. Although it may not be due to economic reasons alone, in SY 1998-99, the drop-out rate in high school increased marginally. In the following school year, however, both the drop-out rates in elementary and high school increased by more than 1 percentage point.

Table 5.10 Distribution of Enrolment by Sector
SY 1996-07 to 2001-02

School Year		Sector		
		Total	Public	Private
1996-1997	No	100,925	76,432	26,081
	%Dist	100	75.73	24.27
1997-1998	No	108,250	76,483	31,767
	%Dist	100	70.65	29.35
1998-1999	No	110,779	77,561	33,218
	%Dist	100	70.01	29.99
1999-2000	No	101,861	77,455	24,406
	%Dist	100	76.04	23.96
2000-2001	No	101,895	78,909	22,986
	%Dist	100	77.44	22.56
2001-2002	No	101,266	78,938	22,328
	%Dist	100	77.95	22.05

Source: CPDO

There is also a concern on the quality of education. For instance, on the more recent assessment tests [i.e. the National Elementary Achievement Test (NEAT) and the National Secondary Assessment Test (NSAT)], the actual mean scores were far below the target mean scores. The 1998 NEAT and NSAT mean scores were 15.84 and 31.42, respectively. Both scores are very low when compared to the target mean score of 75. Relating this to the quality of education, much has to be done with it. Again, the Dep-Ed could not say whether this could be attributed to the effects of the economic distress on the families or on the reduced fiscal capacity of the Department. But certainly, greater budget would improve the provision of better facilities and greater access to education.

Public Facilities and Manpower

In 2004, there are 86 public elementary schools and 22 secondary schools in Iligan. Twenty six (26) of the elementary schools are in the hinterlands, while there are four high schools in these areas.

As in the nationwide problem in education, there is a substantial inadequacy in educational facilities in Iligan. The student-classroom ratios for both elementary and secondary levels are above the standard-ratios (Table 5.11). The ideal class size for a classroom is 40 students in elementary and 50 students in high school. In SY 2001-02, the student-classroom ratio was 46:1 in public elementary schools. This is higher than the standard ratio, however, still tolerable. On the contrary, public high schools are more congested. In the same school year, the average class size was 66 for a classroom. It could be observed that public elementary schools became more congested from SY 1998-99 to SY 2000-01 as enrolment increased while there was no addition

in the number of classrooms. Construction of 92 classrooms in high schools though alleviated the classroom congestion from 89:1 to 64:1. This manifests the effectiveness in problem identification and intervention.

Table 5.11 Student-Classroom Ratio in Public Schools
SY 1998-99, 2000-01 & 2001-02

School Year	Level of Education	Number of Students	Number of Classrooms	Student-Classroom Ratio	Standard S-C Ratio
1998-99	Elementary	47,304	1,060	45:1	40:1
	Secondary	20,730	233	89:1	50:1
2000-01	Elementary	53,534	1,060	50:1	40:1
	Secondary	20,733	325	64:1	50:1
2001-02	Elementary	49,388	1,060	46:1	40:1
	Secondary	21,592	328	66:1	50:1

Source: CPDO, Dep-Ed

Unlike the national picture though, Iligan City has enough public school teachers. In SY 2001-02, the student-teacher ratio for elementary in the City was 32:1, below the standard ratio of 40:1 (Table 5.12 Student-Teacher Ratio in Public Schools). The ratio for high school was also 32:1, also lower than the standard ratio of 50:1.

Table 5.12 Student-Teacher Ratio in Public Schools
SY 1998-99, 2000-01 & 2001-02

School Year	Level of Education	Number of Students	Number of Teachers	Student-Teacher Ratio	Standard S-T Ratio
1998-99	Elementary	47,304	1,465	32:1	40:1
	Secondary	20,730	640	32:1	50:1
2000-01	Elementary	53,534	1,479	36:1	40:1
	Secondary	20,733	769	27:1	50:1
2001-02	Elementary	49,388	1,547	32:1	40:1
	Secondary	21,592	726	30:1	50:1

Source: CPDO, Dep-Ed

Health and Sanitation. Mortality trend showed significant improvements from 1991 to 1998. However, mortality increased again since 1998, from 4.5 in 1998 to 4.9 per 1000 population in 2000. The leading causes of mortality are cardio vascular arrest and diseases of the heart, pneumonia, tuberculosis (TB), and accidents.

Morbidity trends, on the other hand, declined from 4.16 in 1998 to 2.05 per 1000 in 2000. This is believed to be attributed to the local Rural Health Unit which undertakes primary and

preventive health care services. Leading causes of morbidity are acute respiratory infections, diarrhea, accidents and TB.

According to the 5th National Survey conducted by the Food and Nutrition Research Institute in 1998, about 12 percent of the children population (aged 0-5). This is below the national average of 21.8, but cases of stunted growth which was registered at 6.5 percent exceeds the national average. Micronutrient deficiency in iodine, iron and Vitamin A is also significantly high among pregnant women.

The hospital bed ratio was relatively constant from 1994 to 2001. Increases in the number of hospital beds were just matched by the growing population. The number of hospital beds in Gregorio T Lluha Memorial Hospital, the lone public hospital in Iligan managed by the City government, has not changed since 1997.

The ratios of doctors and nurses in the public sector to population in 2001 are above the standard ratios. The number of doctors significantly increased from 7 in 1998 to 30 in 2001 and so is the number of public nurses. However, the ratios of other health manpower to population are far below the standard ratios.

The percentage of households with access to sanitary toilet facilities increased from 76 percent in 1990 to 81 percent in 1999. The percentage of household who have access to sanitary type of disposal is unchanged, exactly 77 percent in 1990 and 1999.

Housing. Intervention in the housing industry was among the major accomplishments of the City government in the recent years. Problem of growing number of informal household settlers rise as the population grows. In 1991, only 6 percent of total number of households constituted the informal settlers. This percentage grew to 20 percent in 1999 and 21 percent in 2003. In 2003, a total of 12,879 households were considered informal settlers. Although the percentage increased, the rate of increase improved from 12.5 percent (1991 to 1999) to only 4.02 percent (1999 to 2003).

For most projects, the city government did not provide the financing for the construction of houses but only provided resettlement sites and development expenditures. Through the support and cooperation of urban poor associations, non-governmental organizations (NGOs) and funds from donor agencies, the housing problem in Iligan was alleviated.

In 2001, the Iligan City government worked on 21 resettlement sites, accounting for 117 hectares. A total of 4,171 lots were allocated for resettlement sites. Qualified beneficiaries include those who were affected by government construction projects. Other beneficiaries were those who were evicted through court orders. In 2002, a total of 357 were relocated in different resettlement sites.

The City government received a Gawad Galing Pook award for the GK Missionville project, a multi-sectoral housing project in Barangay Tibanga. Over 200 housing units were aimed to be constructed for the 250 families left homeless by the fire in Barangay Saray. The local government provided the land while construction of houses was done through the collaboration of various private organizations. The award was given to the City government in recognition of its innovative approach in pooling resources from the local government and the private sector. Iligan had

6 Local Governance: Managing Economic Distress

Needless to say, the economic crisis posted a great challenge to the local government especially in acquiring substitute sources of income needed in supporting its development programs. The City has observed some recovery in 2002 and 2003 relative to earlier years. There were growths in exports, investments and employment, albeit far from their pre-crisis levels. The fiscal situation of the government has also improved, revenues were higher and expenditures on economic and social services increased. It is believed, even by some Iligan residents themselves, that part of the credit could be attributed to the efforts and adjustments made by the local government in coping with the economic challenge.

Mayor Franklin Quijano received a Local Government Leadership Award and was named as the Most Outstanding City Mayor in 2002. This is in recognition of his leadership in managing the economic crisis faced by Iligan. The former Mayor is an economist by training and also a lawyer. The Leadership Award was given to Mayor Quijano because despite economic hardships, the City government was able to pursue big development projects including road widening, drainage system improvement, and numerous housing projects for the urban poor.

The following sub-sections present some of the interventions made by the local government.

6.1 Exigency Response to the NSC closure

Because of its own fiscal strain, the City government could not afford to provide financial assistance to affected residents. However, the government provided assistance in directing the displaced workers towards replacement or transitional sources of income. It collaborated with the local branches of national agencies, led by the Department of Labor and Employment, on a program to train the displaced workers for new skills. Courses included technical and vocational programs, entrepreneurial and livelihood ventures, and business planning. These were just short courses, which ranged from 5 days to 1 week. The training program, however, did not prove to be highly successful because of lack of capital for business ventures and lack of job vacancies to apply for. Some of those who were avail to put up businesses also failed later on because of inadequate management experience.

6.2 Stabilization of the Economy

The City government also tried to pump-prime the city's economy by launching projects which were happened to be labor intensive. Projects on infrastructure development that were aimed to improve the competitiveness of the City also created jobs for the Iligan residents. Some of the main projects were the City Drainage Improvement Project, Road Widening Project, Integrated Bus and Jeepney Terminal Project and construction of city markets.

Investment in residential construction including public investment was about 117 million pesos in 2002. It went up by 30 percent in 2003 where investment reached 152 million pesos. Construction of commercial establishments, on the other hand, including those of public markets grew from 155 million to 241 million pesos. The construction industry is one of the main industries that have been helping the economy to bounce back. Total construction investment increased from 287 million to 537 million pesos. This implies more jobs and subsequently a wider tax base on real properties.

In addition, part-time and casual employments were provided by the City government in the city hall to at least marginally reduce cyclical unemployment.

5.3 Adjustments in Development Strategies

Iligan City has historically been proud of its industrial strength. However, when the crisis broke out, it learned an important lesson. It relied too much on industries and was not maximizing the full potential of other sectors especially agriculture and tourism. There were vast idle lands for agricultural development. It therefore had to realign its development strategies to widen its economic base. Although still foremost in its vision is to preserve the City's primacy in industries, the City now aims to diversify its income and employment sources.

The City government has started to develop the capacity of the City Agriculture Office. It aims for a long-term development in agriculture and part of the commitment to this goal was a citywide soil inventory and survey done recently. As of April 2004, the City government was waiting for the laboratory results of the inventory. This would be used for agricultural research including geographical identification of crop suitability.

Tourism is also being developed although it is less prioritized because it requires relatively larger investments which do not generate immediate returns. Iligan is home to 22 waterfalls, hence the title of "The City of Majestic Waterfalls". The City also has numerous caves and natural springs. These natural wonders present great potential for the tourism industry. Its proximity to Cagayan de Oro, where the tourism industry is already fairly developed, could also be an advantage in luring in tourists into the neighboring Iligan City.

6.3 Enhancement in Fiscal Management

6.3.1 Aggressiveness in Revenue Generation

To cope with the loss of its biggest taxpayer and the general weakening of the industrial tax base, the City government had to contemplate other possible sources of income. The situation was quite tricky though: the government was cash-strapped but so as the people. It was politically difficult and perhaps socially unjust, especially in the crisis years, to take away part of the already diminished private income. Still considering the economic condition of the people, the government had to intensify its revenue generation efforts. The underlying principle is not to impose new tax measures per se but to earn what the government was supposed to be receiving in the first place. These were the revenue sources that were being overlooked when income was still smoothly flowing from stable sources like the NSC.

Systematization of tax records. The local government began to systematize its tax records. This objective was greatly aided by the Philippine Regional Municipal Development Project (PRMDP). The PRMDP is an urban development project funded by the Asian Development Bank and the Australian Assistance for International Development (AusAID). In 1999, Iligan City was selected to be one of the high priority and medium-sized LGU beneficiaries of the PRMDP. The project was designed to enhance the capability of cities to plan, implement, maintain and operate infrastructure projects and provides technical assistance, equipment and training to enhance the capability to local government staff in the delivery of basic services (DILG News 2004). Through the PRMDP, Iligan City government developed the Tax Revenue

Assessment and Collection System (TRACS). It is a system which computerizes and integrates the tax records for the local government. The software was customized with the help of an outside consultant. Because of the software's technical effectiveness (i.e. free of *bugs* and other technical problems), Iligan's TRACS was made the pilot system for other cities under the PRMDP.

The orientation for TRACS involved three modules: Real property assessment, collection, and business permit modules. Computerized tax registration started in 2001. The TRACS summarizes a taxpayer's records covering real property, business, and permits, including building permits, clearance from the fire department, sanitation compliance, and even community tax certificate (CTC). For instance, a City Hall officer could easily verify from a computer if an individual applying for a business permit have already obtained a CTC (unless the individual got the CTC from a barangay unit which are not yet linked to the system). If not, the person would be asked to get a CTC first before being issued a business permit. The TRACS also consists of assessment calculations and issuance of billing receipts. The computerized system makes it easier for the government to identify and collect due revenues. The City Hall, however, needs to have additional computers to do the job more efficiently.

Intensification of tax mapping. The City government conducts business mapping in most areas of the city. The objectives of this is to identify new businesses that have been put up, know whether there has been a conversion or use of a residential area for business purposes, verify and update (if necessary) the true value of existing businesses, and validate the line of businesses as registered. The Treasurer's Office coordinates with the Planning Office by linking to the geographic information system (GIS) in order to identify new business and commercial areas more easily. One remarkable result of this was the registration of more small establishments. In 2001, the number of sari-sari stores, general merchandise, and dry goods shops were 35, 3 and 2, respectively. In 2002, these numbers went up to 2,490, 239, and 243.

The local government, through the Assessor's Office, also updated land classification and valuation of properties. This covers 44 barangays although some barangays would not be surveyed in entirety. The Assessor's Office coordinates with the Department of Environment and Natural Resources (DENR), CREBA and other agencies for additional information.

Updating of property assessment. The City Assessor's Office (CAO) recommended new assessment levels of properties based on new land classification and market values. The schedule of market values for properties was revised in 2002. Before this, it had skipped two revision years and had no adjustments since 1997 due mainly to political reasons. The CAO forwarded the recommendations to the Sangguniang Panglungsod (SP) which approved the proposal as is. However, there was strong public opposition to the ordinance because the increase would be too high given that there had been no prior adjustments since 1997. The SP then suspended the implementation of the ordinance. Later on, in order to compromise, the new assessment was made based on the classification rates of 1997 but adopted the new market values. The recommendation would have been closer to the real property values but nevertheless, with the new scheme, the government managed to get some increases.

Easier ways for tax payments. To motivate tax payments, the City government designed ways and venues that would lessen the actual time and effort devoted to payment. The City Hall would set up "one-stop shop" so the taxpayers would just need to be in one complex to get all the documents they need in paying taxes, and they could make all the necessary payments in the complex. This scheme is also applied to business registration and renewal of permits. Participating units include the departments of the City government like the offices of the

Treasurer, Assessor, Engineer, Health, Fire Department, and others. There are also representatives from local branches of national agencies like the Department of Trade and Industry, Bureau of Internal Revenue, DENR, and the Social Security System.

Tax payment advisory or reminder is also intensified before the tax payment period or permit renewal. This is done through advertisements like on posters, radio and television ads, a government vehicle touring the barangays making public announcements, and other schemes.

Pending Revision of the Revenue Code. The Revenue Code had a general revision in 2002 and this was submitted to the SP. Main revisions include an increase in the Local Business Tax rate from 2.5 percent to 10 percent, inclusion of untapped sources of taxes and fees (like charge fees for a copy of the City Map), and increases in some fees and charges. The Treasurer’s Office, however, had difficulties seeking the approval of the SP and the proposal is still awaiting an ordinance as of April 2004.

Collection Efficiency. Due to some improvements in the economic condition of the City and the aggressiveness of the local government in revenue generation, collection efficiency improved in the recent years. Collection efficiency is the percentage of estimated income that is actually realized. It deteriorated from 1997 to 2000 but recovered thereafter. (Table 6.1)

Table 6.1 Collection Efficiency, 1996-2002

	Revenue from Local Tax Source		Collection Efficiency
	Estimate	Actual	% of Actual to Estimate
1996	292,663,723	267,423,767	91.38%
1997	349,024,757	307,560,998	88.12%
1998	357,217,228	309,338,968	86.60%
1999	352,371,192	295,768,580	83.94%
2000	267,163,902	214,816,004	80.41%
2001	258,963,858	213,457,655	82.43%
2002	285,279,110	256,388,103	89.87%

Source: CDS

6.3.2 Innovative Financing Strategies

Each department of the City Hall was required to submit revenue enhancement measures or expenditure rationalization schemes. Good illustrations of this are the financing schemes done by the Economic Enterprise Development and Management Office (EEDMO).

Venturing into economic enterprises often necessitates huge capital outlay from the government. Given diminished finances though, the City government had to be innovative in crafting strategies in financing infrastructure needs of these enterprises with minimum fiscal burden. Primarily, these projects were carried out under public-private partnerships in infrastructures (PPI). More popular forms of PPI like build-operate-transfer arrangements were explored. However, other schemes were adopted where the government directly deals with a number of

stakeholders rather than one or two contractors. The following cases demonstrate the latter form of financing.

Reconstruction of the public market. The City Market was destroyed by fire in year 2000. Two hundred forty (240) stalls were needed to be re-built. The city government tried to source out funding from government financial institutions but interest payments to be too high and would eat up the city's finances. The government thought that it could work with the stall owners to raise resources for the re-construction.

The city government then entered into an agreement with the stall owners to each set aside an equity of twenty thousand pesos for the re-construction of each respective stall. With the P20,000 fund, the stall owner will buy the construction materials for the stall, hire construction workers and build the stall independently. However, materials, design and construction should follow the specifications of the City Engineer's Office. Stall owners had the opportunity to minimize costs though if they hire family members for the construction. All the receipts for the expenses were forwarded to the City Treasurer's Office. This money will then be charged as tax credit to the stall owner which would be consumed in 5 years. After 5 years, the stalls would be transferred to the City Government.

Construction of the Integrated Bus-Jeepney Terminal. To maximize revenues from the terminal, a commercial center is also built inside it. Allocation of stalls in the complex was done through a bidding process. Stalls were priced according to their locations which reflect their expected profitability. The City government gave minimum price for each stall and the bidding starts from there. This process generated prices that are more reflective of the stalls' market values.

The location and design of the terminal were conceptualized as part of the comprehensive land use plan of the city. For one, the terminal was built outside the city centre in order to defuse economic activities from the congested core. Also, an integrated terminal means easier administration and collection of fees and taxes. Moreover, by having traffic pass through the location of the terminal (e.g. bus stop-overs) enhances business for the commercial establishments in the complex.

Earnings of economic enterprises. As observed from the trend in revenue generation, income from economic enterprises has increased in the recent years (see Section 4.3.2.1). However, other issues need to be addressed like the adjustment in water tariffs and re-valuation of market rents.

7 Long-term Governance Issues

7.1 Planning and Resource Allocation Process

Planning. Iligan City's planning process seems to be a sophisticated and participatory undertaking, which has evolved over time. Its external links and participation in inter-city projects offered advantages in terms of benchmarking, fresh perspectives and networking.

The first systematic planning started from a zoning ordinance issued in 1975. This was followed by a simple development plan as required and approved by the Ministry of Human Settlement in 1978.

The next planning activity was in 1996 when Comprehensive Master Development Plan (CMDP) was conceptualized. The CMDP was approved in 1997 by the Sangguniang Panglunsod (SP) and

presented to the Housing and Land Use Regulatory Board (HLURB) through the Regional Land Use Committee (RLUC) Region 12.

As mentioned, Iligan City was selected to be one of the high priority and medium-sized LGU beneficiaries of the Philippine Regional Municipal Development Project (PRMDP) in 1999 (refer to 5.4.1). As part of the requirements for the PRMDP, the CMPD was superseded by the City Land Use Plan (CLUP), which is a 10-year development plan for the City.

The conceptualization of the CLUP started from the creation of Technical Working Groups (TWG) within the City government. There was one TWG for each sector. For example, there was a TWG for the economic sector and this was composed of relevant city departments (Planning, Budget, Treasurer, EEDMO, etc), local branches of national departments (DTI, Department of Agriculture, DOLE, etc) and other participants. Sectoral TWG outputs were then integrated and drafted into a CLUP proposal. Outputs at every level were reviewed by SAGRIC, a foreign firm consultant hired by AusAID.

The draft CLUP was then presented to the public. Even though the barangay is the lowest local government unit, the city government also invited *purok* leaders in order to better reach the communities. Fifty percent of *purok* leaders represented their respective barangays. Public sectoral groups were also invited including representatives from labour groups, farmers, teachers, students and others. The participants were divided into clusters and the consultations were held in 11 occasions. Eight of the sessions were held in urban areas and two were held in the upland areas. The last was held in the city hall together with all department representatives. Each cluster was composed of less than 80 participants to make sure that discussions were easy to manage. In each consultation session, the plan was presented and a workshop for questions and comments were conducted. The series of public consultations largely verified the proposals laid down in the draft CLUP. After the public consultations, the Plan was then presented to the Sangguniang Panglunsod by sector which took four sessions.

After the comments from the public and the SP were incorporated, the Plan was presented to the City Development Council for final endorsement. The Plan was approved by the SP in 2001. It was forwarded to RLUC Region 12 for the HLURB approval. However, in the middle of the review by the RLUC, Lanao del Norte including Iligan City was transferred to Region 10. This caused a delay in the review of Iligan City's CLUP which until now is still awaiting the approval of the HLURB.

While the CLUP was under review, Iligan City became part of the City Development Strategy Project, a technical assistance grant funded by Cities Alliance and supported by the World Bank and UN-Habitat. The CDS Project was developed in response to the need to introduce an integrated, comprehensive, and participatory approach to urban management. The CDS Project also includes other Asian cities like cities from Vietnam and China.

Iligan City then had to develop a plan for the CDS Project. Although the content of the CDS was mainly based on the CLUP, it is more focused on strategic planning and development strategies. The CDS for each city is presented in a national consultation workshop and enters a continuous feedback system. After the inter-city workshops, the CDS was presented to the City Development Council for approval. The CDS Project for Iligan City culminated in 2003.

Resource allocation process. The CDS serves as the medium-term plan of the City. Annual investment plans (AIP) should be in accordance with the CDS. The process in the development of the AIP starts with the submission of projects by the different departments of the City

government. These projects are submitted to the Planning Office for evaluation including their feasibility and urgency. Prioritization of projects is based on the commitments stipulated in the CDS. The AIP would also prioritize projects requiring counterpart funds or equity commitment for projects that are being financed by loans. After evaluation and integration, the plan is forwarded to the City Development Council for approval.

Historically, all the 44 barangays receive a lumpsum appropriation per year. The amount grew from 300 thousand pesos, 500 thousand pesos up to one million pesos in the most recent years. In the past, among the favorite projects of barangays is construction and refurbishment of barangay halls. The City government deemed that there are more important areas that the money should go to. Former Mayor Franklin Quijano thought that as part of barangay empowerment, the barangays have to come up with their own plans based on the needs of the barangays as asserted by their constituents. In the coming years, a Barangay Development Plan would be required before any appropriation would be granted (see next section).

The budget calendar starts with the budget call and the departments would need to submit their budget proposal by July 15. The Iligan City government has an expanded Local Finance Committee which is composed of the offices of Planning, Budget, Treasurer, Assessor, EEDMO, and a mayor's representative. Each department would attend a budget hearing to justify their proposals. This would be discussed with and be approved by the CDC. Changes to be made by the SP would be consulted to the Planning Office. If there would be substantial deviations, the Planning Office objects.

7.2 Civilian Participation in Governance

Civic Organizations. The opportunities given for participation in planning, decision-making and government programs of civilian organizations are recognized and accepted. There is an active collaboration of the City government, non-governmental organizations (e.g. church, environment, urban poor), sectoral associations (e.g. transport, market vendors, labor unions) and other organizations of citizens (e.g. urban poor associations).

As discussed, medium-term planning involved rigorous public consultations. The investment plan for the year also needs the approval of the City Development Council. Iligan's CDC includes 7 (?) select civilian organizations, which actively participates.

The case of the NSC closure demonstrated an active interaction between the City government and civilian organizations. The local government worked closely, in particular, with the steel workers labor union in negotiating for the intervention of the national government in the case of the NSC. Lobbying was also supported by other sectors.

Civilian organizations and other private entities also get involved in project implementation. The most heralded is the GK Missionville project as discussed earlier. The GK Missionville involved nearly a hundred partners in designing, financing, provision of supplies and construction of the village. These include private companies, business associations, NGOs organizations, religious organizations from different sects, urban poor organization, and other entities including the Philippine Army construction battalion. The City government received an award for its success in effectively fusing public and participation. The Missionville project was also referred by the United Nations Undersecretary General as an international model for urban poor housing.

Business associations such as the Iligan Bay Chamber of Industries and Iligan City Chamber of Commerce are also actively participating in the promotion of investments Iligan City and in the development of budding industries.

Barangay Development Program. To empower barangays and participatory governance, barangays are now required to formulate their own Barangay Development Plans (BDP). The program formally started in February 2003 through an Executive Order of the Mayor creating a Barangay Management Committee to assist the barangays in formulating their plans. In the next years, a BDP would be a prerequisite before a barangay gets its equal share in the city budget. The City Government is really proud of this project and the residents have accepted it with enthusiasm because of the increased opportunity for their involvement.

The BDP would use the Participatory Resource Appraisal (PRA) which is a tool for data gathering and comprehensive situational analysis of an area (ICG 2003). The PRA involves analysis of the barangay prospects for economic and social development, identification of priorities for investment and development assistance, and implementation of this vision through partnership-based actions. The process has three modules: (1) community orientation seminar; (2) socio-economic profiling; and (3) development of the BDP.

In the community orientation, all barangays attended a three-day seminar on local governance and development planning. There were 60 participants composed of barangay council members, *purok* leaders, representatives from peoples' organizations and traditional leaders in the barangays. This entire body was divided into seven (7) sectoral districts. Each district had as Technical Assistance Group whose leader came from the CPDO and the members were casual employees of the City Hall trained in PRA.

The second stage is the data gathering and validation. Respective representatives go back to the barangay to undertake surveys and gather information on the needs of the barangay directly from the residents themselves. The final stage is the planning proper. The representatives for the barangay will draft its own BDP. The draft BDP will be presented to the barangay General Assembly which is open to all the residents of the barangay. Representatives from the City government departments are also present to help in the question-and-answer part of the meeting. After the general assembly meeting, comments are incorporated and the BDP is finalized.

As of April 2004, three barangays have already finished their BDPs. The remaining 41 are in the consultation stage with the general assembly. The three barangays which finished first were made to present their BDPs before a diplomatic delegation who are development partners of Iligan. This was intentionally done to make barangay leaders better appreciate the program and build their confidence. The CPDO helped the barangay leaders in logistic preparations including preparation of Powerpoint presentations. The barangay leaders were obviously nervous in their presentations because they were not used to facing an external audience especially foreign representatives. The CPDO believes that the objective of the activity was achieved and that the barangay leaders appreciate their greater involvement in the whole process.

7.3 Development Strategies and Priorities

7.3.1 Economic Development

To mitigate the vulnerability of the economy to external shocks, the City government now aims to widen its economic base. In addition, unemployment is still a major problem. In 1999,

unemployment rate was registered at 12.7 percent, although the employment situation has shown some recovery lately. Therefore, while maintaining and strengthening its role as an industrial center, the City now intends to maximize the potentials of other sectors particularly agriculture and tourism. Among the major economic programs of the government are as follow:

Agricultural Development. For its long-term agricultural development program, it is prioritizing the formulation of a Strategic Agriculture and Fisheries Development (SADZ) Integrated Development Plan. This aims to comprehensively direct and coordinate all agricultural programs. Priority programs also include: (1) Crop Diversification and Upland Agriculture Development Project; (2) Agri-Business Support Project; (3) Livestock Improvement and Diversification Project; (4) Agri-Business Center at Dagki-laan; (5) Microlending Support Project; (6) High-Value Crops Intensification and Diversification Program; and (7) Provision of Pre- and Post-Harvest Facilities.

Among the agricultural industries that are being developed are those of coffee, abaca and cut-flower. The City started to rejuvenate its coffee industry. It invited Nestle Philippines Corporation to market Iligan's local coffee variety. This proved successful and the contract with Nestle provides the coffee industry with a ready market. The City government also discovered abaca plantations which were being managed and operated by cooperatives in one of the barangays. The government marketed this abaca variety and a cooperative venture was forged with New Tech Pulp using Iligan abaca fiber. The Iligan abaca variety is nearly-virus resistant and has a fair chance of competing with other locally-sourced abaca like those from the Bicol region. The city is also developing high value crops, which include cabbage, watermelon and cutflower.

Central Business District Redevelopment. Iligan aims to be a major economic hub in the Mindanao area. Iligan City is strategically located as a gateway to other major Mindanao zones. To maximize this network, it aims to diffuse economic development from the limited CBD that currently exists. A Market Research and Linkaging System will be part of this program.

Public Economic Enterprise Development. Priority projects include: rehabilitation of existing slaughter house; construction of Poultry Dressing Plant; and rehabilitation of Pala-o Market. The EEDMO was also contemplating of improving cemetery management which could also generate income for the government.

Planning and support activities. (1) Formulation of City Tourism Development and Marketing Plan; (2) Study on Metro Iligan Development; (3) Satellite Business Center Development Program; (4) Master Planning of North and South Business Districts; and others.

Iligan City also aims to be an information technology (IT) hub of the region.

7.3.2 Social Development

Iligan City registered a 54 percent poverty incidence in 1998. Lack of more recent data limits the analysis of the current poverty situation. Improvements in social outcomes especially in education also need to be addressed. The City government aims to improve access to health services and education particularly of marginalized sectors. It also intends to continue its commitment to alleviating the housing and tenure problem.

Among its priority projects are:

Education: construction of additional classrooms; establishment of elementary schools and high schools in some barangays to improve access; etc.

The City Social Welfare and Development is also conducting Peer Group Support Services and Community Based Services to out-of-school youth (OSY). In this program, youth are encouraged to go back to school. The DECS also reaches out to the OSY through the Parents, Teachers and Community Association (PTCA) where OSYs and parents are encouraged to go/send back their children to school.

Health: construction of 7 District Health Stations and lying in clinics; expansion of Gregorio T. Lluch Memorial Hospital; construction of 24 day care centers; etc

Housing: Resettlement of families displaced by the construction of Circumferential Road 3; redevelopment of blighted areas

Environment: Urban Sanitation Program (Sanitary Landfill Project); Watershed Development Program; Coastal Resource Development Program; Land Quality Monitoring System, etc.

Social welfare: construction of Women Crisis Center; construction of Holding Center for street children; construction of drug rehabilitation center

7.3.3 Financing and Governance

Among the priority projects in this area are as follows:

Fiscal administration: Installation of (a) Computerized Fiscal and Financial Management Plan, and (b) Computerized Asset Register.

Revenue reform: Updating of the City's revenue code

IT: Formulation of Information and Communication System Strategic Plan; Local Area Network and Website Development Project

Spatial Planning: Computerized Development Control System (Zoning Administration)

Good governance. Implementation and enhancement of Good Urban Governance Program (Transparent and Accountable Governance, Benchmarking and Continuous Improvement, Public Service Excellence Program, etc)

7.3.4 Population Management Program

In Rural Health and Family Planning, the City Government has an on-going Information, Education and Communication (IEC) campaign among married couples in reproductive age. The IEC is aimed at making couples aware of various family planning issues including responsible parenthood and birth spacing. This advocacy campaign is being intensified through the help of Muslim Religious Leaders. All these efforts are directed towards allowing couples make informed choices to help them avoid unwanted pregnancies. The City Government believes that unplanned pregnancies and unmanaged family size worsen poverty in the locality.

The Population and Development Program of Iligan is anchored on the Philippine Population Management Program of the country. Various advocacy activities were implemented to ensure that population development frameworks are integrated into the local development plan.

The City Government has also been very supportive of the Adolescent Health and Youth Development Program (AHYPD). Population education and IEC activities of POPCOM have enhanced awareness among young people on different adolescent health and sexual issues. The AHYPD is designed to help young people become responsible adults and reduce their reproductive health risks.

Gender and Development has also been a continuing program of the City Government. The program includes incorporation of gender sensitivity and awareness in regular education, training and service delivery programs as well as promoting equal access to resources, opportunities and benefits regardless of sex, culture or age.

8 Opportunities and Challenges

After four years of closure, the National Steel Corporation was re-opened on 3 February 2004 after the Indian firm Global Infrastructure Holdings, Ltd agreed to infuse P13.5 billion to keep the debt-ridden company afloat. Iligan recognizes the efforts of former Secretary Manuel Roxas III in facilitating the re-opening.

The re-birth of the steel company undeniably heaves the hopes of Iligan City. It is expected to re-fuel the economic growth of Iligan and improve the welfare of its people. It is also expected to bring back Iligan City's prowess as the Industrial Center of Mindanao. Once fully operational, the NSC is expected to generate 4,000 direct and consequent employments.

The re-opening of the NSC is good news to Iligan without a doubt. The challenge, however, is how much of the lessons it has learned from the crisis could the City retain. That is, how sustainable is its commitment to the more holistic development strategy. Furthermore, with the recent change in local administration, with Mayor Quijano losing to his former Vice Mayor Lawrence Cruz, the question is on the continuity of programs. Finally, reforms will depend on the political will of the new government in passing and implementing unpopular yet overdue resolutions.

Appendix List of Resource Persons for the Case Study*

Arch. Gil Balondo
City Planning and Development Office

Ms. Marina Jumalon
City Budget Office

Ms. Louela Maybituin
City Treasurer's Office

Ms. Joan Dueñas
City Assessor's Office

Mr. Oliver Yap
City Mayor's Office – Population Services Office

Mr. Arsenio Buac
Economic Enterprise Development & Management Office

Dr. Lourdes Tolod, PhD
Office of the Schools Division
Department of Education – Iligan City

Dr. Carina Garcillano-Barte, MD
City Health Office

Mr. Remiglio Cabaño
Department of Labor and Employment – Iligan City

Mr. Bernardo Roa
Chamber of Commerce and Industries Foundation of Iligan, Inc.

Mr. Cesar Padilla
National Steel Corporation, Employee
Worker Entrepreneur Multi-Purpose Cooperative (WEMCO)**, Former Leader

Ms. Psyche Paler
Director, POPCOM Region 10

Ms. Elizabeth Recablanca
Lig-Ong Hiniusang Kusog sa Kabus (LIHUK Iligan)
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* Affiliations as of April 2004

** No longer exists