ASIAN CITIES IN THE 21ST CENTURY

Contemporary Approaches to Municipal Management
CONTENTS

PREFACE v

FOREWORD vii

I. INTRODUCTION 1

II. THE CHALLENGES OF CHANGE IN MUNICIPAL MANAGEMENT 7
   Keshav Varma
   Former Commissioner, Ahmedabad Municipal Corporation

III. ECONOMIC AND URBAN DEVELOPMENT 17
   Richard Gordon
   Chairman and Administrator, Subic Bay Metropolitan Authority

IV. MUNICIPAL LEADERSHIP AND CHANGE 29
   A. THE NAGA CITY EXPERIENCE 30
      Jesse Robredo
      Mayor, Naga City, Philippines
   B. LEADERSHIP AND CHANGE 42
      IN THE CITY OF COLOMBO
      Omar Kamil
      Deputy Mayor, Colombo, Sri Lanka
   C. LEADERSHIP IN THE AGE OF GLOBAL MANAGEMENT 45
      Glen S. Fukushima
      Vice President, AT&T Japan Limited
   D. LEADERSHIP AND CHANGE 48
      Asad Ali Shah
      Manager; Water Supply, Urban Development and Housing Division East
V. CREATING DIRECTION: DEVELOPING VISION, MISSION, AND STRATEGIES 51
   A. VISION AND MISSION IN MUNICIPAL MANAGEMENT 52
   B. ORGANIZATIONAL PLANNING 54

VI. CREATING A CUSTOMER FOCUS 69
   A. CREATING AND SUSTAINING CUSTOMER FOCUS 69
      Rod Oxley
      *Chief Executive Officer, Wollongong City Council*  
      *Australia*

   B. CREATING A CUSTOMER FOCUS IN CITY GOVERNMENT 74
      Jesse M. Robredo
      *Mayor, Naga City; President, League of Cities of the Philippines*

VII. FINANCING URBAN DEVELOPMENT 91
   A. EVOLVING ROLE OF LOCAL GOVERNMENTS 91
      Asad Ali Shah
      *Manager, Water Supply, Urban Development and Housing Division East*

   B. FINANCING THROUGH PARTNERSHIPS 93
      Keshav Varma
      *Former Commissioner, Ahmedabad Municipal Corporation*

VIII. LOCAL GOVERNMENT INNOVATIONS IN JAPAN 103
   A. LOCAL GOVERNMENT IN JAPAN 103
      Jiro Kubota
      *Secretary General, Council of Local Authorities for International Relations*

   B. INNOVATIONS IN MUNICIPAL MANAGEMENT 108
IX. CONCLUDING REMARKS

A. ASIAN DEVELOPMENT BANK
   Preben Nielsen

B. AUSTRALIAN INSTITUTE OF MUNICIPAL MANAGEMENT
   Barrie Beatti and John Martin

C. ASIAN DEVELOPMENT BANK INSTITUTE
   Jesus P. Estanislao

LIST OF PARTICIPANTS

ABBREVIATIONS
Leadership and Change in City Management
The Asian Development Bank Institute (ADBI) was established in December 1997 in Tokyo through the joint efforts of the Government of Japan and the Bank. The Institute is primarily engaged in research on development issues, as well as capacity building and training based on our own research. In the field of capacity building, we aim to help the Bank’s developing member countries address deficiencies in institutional capacity through training, exchange, and dissemination of effective development strategies, paradigms, and best practices.

Until recently, local government has been largely overlooked in the developing member countries. However, as central governments increase their focus on policy, and devolve responsibilities for service delivery, the role of local governments has expanded proportionately. But local governments in general lack the trained professionals they need to address the difficult issues they face. Local governments range in size from small rural towns to megacities like Bangkok, Calcutta, Shanghai, and Dhaka. Yet all face similar problems.

Because ADBI recognizes the extreme importance of enhancing the capability of local government to meet the new challenges, one of its first activities was the Forum on Municipal Management held in Tokyo from 16 to 20 February 1998. This volume summarizes the proceedings from that Forum.

The objective of the Forum was to provide an opportunity for officials from cities in Asia to share their experiences and learn about more effective ways of managing their city organizations. Thirty-one officials from 14 Asian cities participated.
Leadership and Change in City Management

in the Forum and discussed issues and techniques relating to leadership, corporate and business plans, human resource management, and customer focus. Many of them have been trying to put into practice what they learned in Tokyo, and several of cities represented there now participate in the Bank’s ongoing project for Enhancing Municipal Service Delivery. Others have sent officials to ADBI-hosted forums for senior local government officials.

The second forum, held in Cebu City, Philippines, in December 1998, inaugurated the Asian Mayors’ Network for fostering better relations, exchanging knowledge, and sharing experiences. The third forum will bring together mayors from at least 20 Asian cities in Colombo, Sri Lanka, in mid-1999. The main objective is to improve the effectiveness of local governments by exposing key decisionmakers to new management techniques and successful experiences of other cities.

The search for better models and methods continues among both practitioners and researchers of local government. It is critical that municipal leaders squarely face the challenges brought about by the information and communication revolution, global competitiveness, and rapid urbanization. To this end, ADBI is developing a comprehensive long-term research program on New Challenges for the Public Sector with a special focus on physical infrastructure, information and urbanization. This present volume represents an important component of the Institute’s forthcoming research program.

Masaru Yoshitomi
Dean, Asian Development Bank Institute
Tokyo, Japan
Municipal managers in Asian cities today are faced with the formidable challenge of finding effective and innovative ways of dealing with rapid urbanization, growing demand for improved public services, and declining financial support from central governments. Moreover, in developing countries in Asia, the infrastructure requirements of the urban sector are so large that the multilateral development banks and other donors can at best contribute only a small fraction of the total. However, there is a solution to this apparent dilemma. Because economic activity and wealth in these countries will be largely generated by the expanding cities, the resources needed for municipal infrastructure development will be available. Tapping these resources, however, will require significant improvement in the management of the cities.

Toward this end, and in recognition of the important roles that municipalities will play in the areas of economic growth, human development, and environmental management, the Asian Development Bank (ADB) has identified improvement in management and public service delivery at the municipal level as a priority area in its governance agenda.

In 1997 and 1998, ADB and the Asian Development Bank Institute (ADBI) organized a number of workshops aimed at creating awareness of recent developments in public sector management at the local government level. Participants shared experiences of successes in reforming municipalities and in motivating citizens and municipal managers to embrace change. Two of the workshops were organized under ADB’s regional technical assistance on Governance and Development, which facilitated citizen initiatives to promote municipal government

The Bank has identified improvement in management and public service delivery at the municipal level as a priority area in its governance agenda.
leadership and change in city management. The third was the ADBI-sponsored Municipal Management Forum in Tokyo, Japan, which was attended by over 30 municipal managers from 10 countries.

The three volumes on *Asian Cities in the 21st Century: Contemporary Approaches to Municipal Management* are the outcomes of these initiatives.

- **Volume I, *Leadership and Change in City Management***, discusses concepts such as leadership, vision, mission, planning, and customer focus to which participants of the Tokyo forum were exposed. It also provides examples of the application of these concepts by municipalities in tackling their problems and implementing change programs.

- **Volume II, *Municipal Management Issues in South Asia***, discusses issues in selected South Asian cities, with a special emphasis on organizational problems in Lahore. It also provides a review of municipal reforms and urban governance issues in India and Sri Lanka.

- **Volume III, *Reforming Dhaka City Management***, discusses the institutional issues, financial management, and solid waste management of one specific city — Dhaka — and provides recommendations on organizational reforms to deal with these issues.

We are indebted to many individuals for the completion of these publications. We recognize the contribution of the participants and speakers in the workshops, who continue to do their best, every day, to make their communities livable through better municipal services. Naved Hamid coordinated the workshops and supervised the preparation of the
reports. Rosario Belen and Merly Mallion assisted in organizing the workshops and preparing the materials for publication. Eric McGaw provided editing services and Ramiro Cabrera did the cover design.

We trust that this set of publications will make a positive contribution to the literature on municipal management. Further, we hope that it will prove a useful resource for city managers in their efforts to improve the quality of life for their citizens, and thus promote the development of responsive and effective local government.

Yoshihiro Iwasaki
Chief, Strategy and Policy Office
Asian Development Bank
I. INTRODUCTION

Increasingly, cities are defining the way people live in Asia. The management of cities and their expanding infrastructure is therefore of crucial importance. The Municipal Management Forum, which was hosted by ADBI in Tokyo 16-20 February 1998, provided an opportunity for officials from various Asian cities to learn about more effective ways of managing their city organizations.

The Forum was jointly developed by ADBI, the Bank, the project consultants, and professional and academic staff from the Australian Institute of Municipal Management. During the month prior to the Forum, the consultants traveled throughout East and South Asia to meet with participants and their colleagues to discuss management issues in their cities.

This report is a summary of the Forum. It attempts to capture the highlights for the busy city manager while providing examples of innovation in city management in various parts of Asia.

Over the last two decades, public administration everywhere has gone through dramatic changes in line with ever broader political, social, and economic reforms. Governments have tended to discard large bureaucratic structures in favor of greater emphasis on the process of governance. They have looked to the market and other mechanisms to develop, regulate, and deliver goods and services to the community. To this end government organizations have become smaller and more focused on the long-term strategic issues facing their communities.

Recognizing this broader context of change, the Forum ensured that the subject was treated as an important cornerstone of debate and discussion throughout the five days. While the rate
Leadership and Change in City Management

of administrative reform is different for different cities, the general consensus was that there is no going back to the large monolithic structures of government that existed in the past. What comes out of the discussion is the importance of a strong sense of community and the need for visionary leadership in municipal management. City managers are vested with the responsibility of empowering communities to take ownership and control of their situation and to become engaged in the decisionmaking that concerns their collective futures.

Contemporary approaches to effective city or municipal management look to innovative and creative ways of addressing the many issues before us. The complexity of functions across Asian cities means that there are many ways of managing cities to improve the delivery of works and services. There are, of course, also generally accepted approaches to effective municipal management. In this chapter, a brief overview is provided of these approaches, followed by an outline of the report.

Effective municipal management is characterized by:

- appropriate leadership and the management of change,
- clear direction,
- an appropriate organization culture,
- a range of appropriate techniques for change, and
- a performance orientation for implementing and managing change.

Effective leadership advocates a clear vision of what is possible. It is also one that recognizes and responds to the challenges of change. Effective leadership gives ownership to key stakeholders, vesting in them responsibility commensurate with
the authority they seek. In turn, the stakeholders’ vision provides clear direction for the organization through strategic, corporate, and business plans. Underpinning leadership and direction is a concern for organizational culture, the use of specific techniques for change, and an effective performance monitoring system. These concepts are presented in Figure 1.

The structure of the rest of the report is as follows.

Chapter II identifies the challenges of change and discusses the need to alter our ways of thinking if we are to effectively address the issues facing municipal management. Keshav Varma’s presentation on the challenges he faced as Commissioner for the city of Ahmedabad in India describes a vivid example of such a paradigm change.

Chapter III highlights the challenges inherent
Leadership and Change in City Management

in creating economic development to sustain the communities within Asian cities and the need to enhance urban infrastructure so that its use is optimized for the benefit of the whole community. Richard Gordon’s dynamic presentation on his role as Chairman and Administrator of Subic Bay Metropolitan Authority shows how one city reversed a perception of economic doom and gloom into one of optimism and enthusiasm for the new Philippines.

Chapter IV focuses on the importance of effective leadership in municipal management. A case study is presented by the mayor of Naga City in the Philippines, Jesse Robredo, an exemplary leader who demonstrates through action and involvement with people at all levels of the municipal hierarchy that action and involvement are key ingredients in effective leadership. This chapter also includes presentations by Omar Kamil, Glen Fukushima, and Asad Ali Shah.

Chapter V summarizes the conceptual material presented in the Forum. The chapter highlights comments made by participants relating to developing implementation strategies to achieve a city’s vision, especially those relating to organizational structure and human resource management.

Chapter VI discusses the idea that municipalities provide services to customers — people who live and work in the city — not just those who own land. Mr. Oxley’s and Mr. Robredo’s two quite different approaches to creating a customer focus are covered here.

Chapter VII opens with a comment on contemporary approaches to financial management before reviewing Mr. Varma’s presentation on how the City of Ahmedabad developed the capacity to issue municipal bonds.

Chapter VIII highlights the system of local government in Japan as presented by Jiro Kubota and innovations in municipal management in Tokyo.
The participants had the opportunity to visit several urban development innovations in Tokyo as guests of the Tokyo Metropolitan Government and CityNet. These innovations included a land readjustment project, a new waterfront city, and a public-private joint venture urban development project in Yokohama.

Chapter IX presents the closing remarks of representatives of ADB and the Australian Institute of Municipal Management, as well as the Dean of the ADBI.
Leadership and Change in City Management
II. THE CHALLENGES OF CHANGE IN MUNICIPAL MANAGEMENT

If the predictions concerning the rate of urban growth in Asia are dramatic, so too is the amount of funding required for the additional infrastructure needed to ensure the economic and social well being of the expanding urban population. The challenges of change in municipal management are therefore enormous. The ADB video Cities under Siege identifies the challenges facing municipal management. These include population growth, economic sustainability, and infrastructure issues involving clean water, transport, and environmental quality.

The challenges of change in municipal management demand that mayors and city managers think in new and creative ways to address the new issues. They need to challenge the way in which we have traditionally managed our cities. This is nothing less than undertaking the business of discovering the future.

Driven by the increasing challenges facing Asian cities, the scope of municipal management is changing. The challenge for municipal managers is to identify the paradigms they currently use and ask if these boundaries and behaviors are appropriate today, and will be in the future.

Keshav Varma’s presentation to the Forum is provided as an example of paradigmatic change. As Commissioner of the Ahmedabad Municipal Corporation, he changed the community’s perception of the Corporation from that of a
reactive and ineffective organization to one characterized as responsive and in which citizens were willing to invest by buying municipal bonds.

Keshav Varma  
Former Commissioner  
Ahmedabad Municipal Corporation

I have the privilege of presenting to you the case study of the city of Ahmedabad, the capital city of the state of Gujarat, in the western part of India. Ahmedabad has a population of about 3.6 million people and has long been known as the ‘Manchester of India.’

I am proud to have been the Municipal Commissioner of this city for three years. What I will do today is relate to you an experience of convergence, an experience of pride, which I believe is so important in managing cities. City governance is not just the provision of infrastructure. City governance is much more than merely providing underground utilities. City governance has to be built very differently.

My fear is that we are not keeping pace with what needs to be done. The current professional level of city management is a matter of serious concern. Cities are the engines of growth. But what is fueling the engine? Is an old Indian locomotive driver throwing coal into the furnace, or is it being run by professionals?

Engines of growth are often run by people who do not appreciate the complexity of municipal management. They do not appreciate the role of the economy of a city and the damage that a city can cause to its neighbors. A badly governed city can make rural, agricultural, educational, and family health policies ineffective. For example, you can’t have family health if you don’t have basic infrastructure, and you can’t have basic
infrastructure if you don’t have the right city governance.

What I want to say here, very clearly, is that there is no scope for weak governance in city management. The time for skepticism and tentative approaches is gone. We have almost lost the race. We have to be aggressive, strong, and professional in developing and governing cities.

In presenting the case of the city of Ahmedabad, let me give you a profile of the Municipal Corporation. It is a large organization, encompassing all civic services and the provision of related infrastructure. These include education, water supply, sewerage, street lighting, medical services, fire service, roads and public transport, parks, and dike maintenance.

The story starts in 1994 when the city was hit by bubonic plague. This disease represents the ultimate in the failure of city management. When plague broke out in the city, the people were so angry that it was impossible for the Chief Minister to even enter the city without being threatened. I was assigned the daunting task of coordinating efforts to control the outbreak. In 10 weeks, we removed 65,000 tons of solid waste from the city.

Tensions ran high during this period. Once, while carrying out our work, we were nearly beaten up by members of the Jain community, who under normal circumstances are the most peaceful of the citizens of India. The reason for their animosity was the inaction of the Municipal Corporation and the unresponsive attitude of its employees. The spark that ignited this incident was the camera crew that was following us to document our efforts to clean the city. The Jains got the impression that we were more interested in cheap publicity than solving the problem. Fortunately, during the following months our relationship with the citizens steadily improved. In the end, their support for the Municipal Corporation became the main reason for...
Leadership and Change in City Management

our success.

I was appointed Municipal Commissioner in November 1994. The Corporation had been coping with great difficulties over the previous 20 years. The situation was so bad that public servants were reluctant to serve in Ahmedabad. There was a general perception that the Municipal Corporation smacked of corruption, and few people understood what was actually going on. Corporation staff members were reluctant to engage in a dialogue with the citizens about their problems. The Corporation was in such a defensive position that it ceased to be proactive.

Ninety percent of expenditure was going into salaries while only 10 percent was spent on actual maintenance and running the organization. On top of this, a very aggressive labor union exploited the situation. The institution thus represented vested interests with no concept of public service.

We received a contempt order from the High Court in which the Commissioner was asked to be present. The condition of roads was appalling. There were potholes two feet deep. Solid waste was not taken out of the city.

Such was the situation when the new management took over. Our challenge was how, in the face of all this adversity, to create credibility, hope, and confidence.

The first decision we took was that Ahmedabad would not turn to the state or central government for financial assistance. The city, we felt, needed to develop the capacity to raise its own revenue. This proposition was put to a town hall meeting of about 2,000 people. Many of these people were incredulous about our intentions. One administrator said, ‘You people are talking strange things!’ But we held firm that the city must be responsible for itself. My personal belief is that money is never the problem in city management. Using this concept as a guiding principle, we got
We decided to begin with something with high visibility, something that would make people stand up and take notice — taxes. The recovery of dues at the time was only 8.2 percent. Property tax had been taken over by the local mafia. Nobody believed in any kind of enforcement. When we announced that everybody would have to pay taxes, nobody took us seriously. That was one of the biggest problems. We wanted to send a message to the city that would make the seriousness of our intentions clear. Unless we were taken seriously, we would not be in a position to serve the people.

At the time the worst delinquent was the state government. After giving a single notice, we shut down the water and drainage connections of all state government offices and public sector corporations simultaneously. Despite the inevitable hue and cry that ensued, we held firm. The City Corporation of Ahmedabad, we affirmed, could not run an efficient operation by continuing to subsidize the state. They had to pay.

A huge controversy ensued. That was fine. We wanted controversy. Why? Because previously nobody took city government seriously. When the press took up the issue, we stridently told them that we were no longer in the business of subsidizing. A lot of feathers were ruffled, but a signal was given that nonpayment of taxes was no longer acceptable. The result? Within 15 days the state government paid its dues.

Another difficulty with which we had to contend was the influence and power of the local mafia, which controlled transport completely and assigned motorcyclists to escort the trucks through the checkpoints to avoid payment of the octroi (entry or exit taxes on goods). They had guns. One day, after monitoring the streets on a 24-hour basis, we caught a major underworld
figure escorting six trucks. He was apprehended, brought into the center of the city, and given the third degree in front of the public. More than 10,000 people witnessed the operation.

The apprehension and castigation of this man was important because we were trying to revive pride and confidence of people in the governance of their city. Three days after this incident, our income went up 25 percent. In five months the bank overdraft was eliminated, and in 2.5 years our annual income rose from $35 million to $65 million in spite of no increase in tax rates and no new taxes. Income from property tax went up from $16 million to more than $30 million per year during this period. The Municipal Corporation suddenly started to show a surplus.

The High Court of Gujarat issued several orders to stop the tough measures we were taking. However, while the Court was recessed for the winter vacation, we did a thorough cleanup job around the area of the court building. When the High Court opened, the Chief Justice was so surprised that he called me to ask what had happened. ‘There seems to be a lot of good work taking place,’ he said, adding that he would support the Corporation in all the tough measures it was taking.

Our next move was to start a cleanliness drive in public areas and night markets. We made these areas completely litter free. We began repairing important roads, making sure that the work was visible to government officers and politicians. We provided better lighting, including sodium lighting on major roads. People started talking. Impressed by our earnestness and hard work, they began to participate. Realizing they were finally appreciated, Corporation staff members began feeling better about themselves. Although only the surface of the problem had actually been scratched, people started saying that things were changing. The attitudinal difference was manifested in small but meaningful ways. When our officers queued for
fuel at service stations, people would step aside and allow them to get through so they did not have to wait.

Once our credibility had been established, partnerships with people began to emerge. Industrialists, professionals, nongovernment organizations (NGOs), children — we engaged them all. Our message was very clear: you are special, this is a special city, you should be proud of it. One of our pride-engendering campaigns was that, unlike Mumbai, Calcutta, or Chennai, Ahmedabad was never governed by the British. We built on the role played by Gandhi, who came from Gujarat, in the freedom movement.

Partnerships started cropping up everywhere. Both NGOs and the private sector came forward. Together they established the city’s first slum networking project, a $100 million enterprise involving 1.2 million people. We were also the first city to seek a credit rating. Previously nobody was willing to provide a loan to us, but after Ahmedabad earned an A+ rating it was not difficult to raise capital.

We also started professionalizing the city’s workforce of 48,000. Officers’ qualifications were changed from mere graduate degrees to MBAs. We employed qualified chartered accountants and environmental engineers. Employment with the Municipal Corporation of Ahmedabad started to become a mark of distinction.

At all levels open and direct recruitment accounted for 30-40 percent of positions, as opposed to 100 percent by promotion earlier. Introducing the concept of direct recruitment of professionals into the Corporation did much for its prestige. Officers now had to go through our open interview/selection process. Automatic upgrading to officer level no longer existed. In the first round of recruitment we acquired 40 MBAs and chartered accountants to assist with fiscal and
Leadership and Change in City Management

corporate planning. We started developing modern and sensible business processes like rolling plans. Things started happening in a very different way.

Industry started forging partnerships with the city. We called in Mr. Allan Jacobs from Berkeley, who started the first road partnership. We created the first commercial street, subsequently recognized by the Chairman of Marks and Spencer as the first classic business street in India. The private sector, which developed the commercial street, was given advertising rights. We forged a green partnership with NGOs and industry, and an urban forest sprang up. Some 31 parks and gardens were developed. When we handed over parts of the city to the private sector, a very interesting competition was engendered. At a recent international conference, Ahmedabad received a commendation from among 600 cities for its initiative in this area. Bangalore and Delhi did well, but Ahmedabad, never before known for its parks or gardens, was among the 23 cities to receive a commendation.

We also developed partnerships with professionals by subcontracting work to them instead of relying on Corporation engineers to do all the work. Public/private partnerships led to the creation of the first development board. Undertakings like Ahmedabad’s first international finance and trade center were handed over to professionals.

The Corporation completely changed its standards of quality control. Let me cite an example. Many Indian civil servants are accustomed to disregarding politicians in governance. In my experience, once these people are accorded the respect that is their due, they will support you, thus becoming part of the whole development process. A major political party was thus persuaded to agree to the removal of 24 temples from the main streets. When we took some very serious action against
the unions, the politicians sided with us even though the unions belonged to the same party as the union membership.

Ahmedabad is also known to be a community-sensitive city. How then could we remove the temples obstructing the street and traffic? Because of the emotional integration that the city had achieved, we were able to remove certain temples and mosques, as well as a gurudwara — all of which were creating a problem for traffic flow.

One of the most important cultural changes was to completely open the City Corporation instead of allowing it to be a mystery. We drew aside the curtains so that everybody could see what was going on. People responded strongly.

The budget of Ahmedabad Municipal Corporation rose from $115 million to $265 million in two and a half years. I believe the budget has crossed $280 million this year, which probably makes it the second largest budget in India next to Bombay. The Municipal Board gave Ahmedabad, which previously had a very dubious financial record, an AA credit rating. When the sale of municipal bonds opened on 16 January 1998, it soon closed due to oversubscription.

We have entered into a project programming joint venture. We also run future projects with Montgomery Watson for which we pay 2 percent. We have created two separate companies, one for project programming and one for converting solid waste to biofertilizer.

The concept of better land use and urban planning will make a difference of over $60 million to the income of the city. We have also included an aspect of cultural heritage by encouraging the city in its development control regulations to try to express itself in terms of its past. Ahmedabad was known for its modern facade and for the way it was planned. We have now included cultural
Leadership and Change in City Management

I want to emphasize that throughout this campaign about municipal governance we listened to the people. Throughout all our campaigns, even in the first polio campaign, we went directly to the children because the people of Ahmedabad had to be a party to this entire change process. This is fundamental to city governance. If the people are not with you, you cannot long remain in the driver’s seat.

During the past three to four years, Ahmedabad has had no communal disturbances. We took serious action in our first polio campaign and immunized minority children. Similar successes were recorded in dealing with unions, providing clean water, and civil service reform. The most difficult accomplishment, the professionalization of the Municipal Corporation, will likely have the greatest impact.

One of the biggest problems in South Asia is that civil servants in city postings have a high turnover rate. They rarely stay for more than six to seven months. I therefore request ADB and the World Bank to help develop some kind of municipal management service for both the Indian Administrative Service and the Pakistan Civil Service.

I have told you the story of a city undergoing dramatic change. Under the new Commissioner, I believe the city is doing even better. An extremely dynamic person, he is leading in the right direction. Very soon Ahmedabad’s Municipal Corporation will have a budget of over $300 million.

So this is the story of Ahmedabad. I am very proud to have played a part in it.
Creating economic development within Asian cities is an important challenge for city managers if they are to lead their communities into the next century. The Bank has identified the link between urbanization and economic development. Economic activity is the engine that both creates and sustains urbanization. Economic activity also provides the resources with which city managers provide the necessary infrastructure and services.

This chapter presents the dramatic story of one city’s attempt to address a major change in its economic potential — the withdrawal of the United States Navy from its long-established base in Subic Bay, Philippines. The Mayor of the City of Olongapo at the time, Mr. Richard Gordon, engaged his community in a campaign designed to maintain the base as a community asset and use it to develop Olongapo into a major transport hub for the region. This is a story of courage and leadership, often in the face of personal threat, that saved a community from stagnation and decline.
It is a great pleasure and honor to be here this afternoon on behalf of my community to share with you some of the experiences of Subic Bay. What we have done in Subic can be represented in a phrase I suggested when I became Mayor of Olongapo on 3 March 1980:

*This country needs not just a change of men, but a change in men!*

Attitude is very, very important. It takes leadership and people to form a partnership for change.

I come from a community that was considered a ‘sin city’ because it was totally dedicated to serving the US Navy, its shipyard facility, logistics work, and so on. Outside the base, the city was nothing but houses, bars, and nightclubs.

When I became the Mayor of Olongapo it was a crime-ridden area. I was Mayor of a town that was totally dependent on the US Navy. It had no agriculture, and all commerce and industry was dedicated to the service of the US Navy. So what did we do? We sat down with the people and asked ‘What are Subic and Olongapo going to be like in the year 2000?’

We held a conference and invited everybody: jeepney drivers, lawyers, doctors, even bar girls. It was a very big group. We said we can make this into a free port side-by-side with the US Navy, and we produced a master plan. We submitted it to the national government. We decided we would pursue a program to become a model city. We concluded that crime could not be eradicated because the national government
We controlled the police. However, if peace and order were not maintained we would not succeed in attracting investors to our community.

We created a system that gave responsibility to the ordinary people of Olongapo by making each of them a ‘miniature mayor.’ I said you can become Mayor of this part of the street. You have to keep it clean, you have to have a dustpan, you have to have a broom, you have to have a uniform so that people will recognize you, you have to have an ID card, and you have to report crime. When you see crime happening you must report it. If you don’t report it, you will be replaced by somebody more responsible. We told them that they could not bring their children onto the streets because we didn’t want them growing up as street children. We wanted them to have an education. We accompanied this with slogans like *Aim high, Olongapo! Let’s have ambition! Let’s have a free port! Let’s be the cleanest and most peaceful city in the Philippines!*

We also used slogans like *Bawal ang tamad sa Olongapo* (Lazy bones are forbidden in Olongapo). We also encouraged education across the community. When we started all these programs, walking the streets became safer. They were a lot cleaner. We then decided to work on the public transportation system.

The central government taxed jeepneys and tricycles without consulting the local government. They said, you have to grin and bear it. We imposed controls as they should have been imposed. We told drivers that they had to paint their jeepneys a particular color. There had been no accountability whatsoever. We said we will color code them, put numbers on them, make the drivers wear uniforms with their names on their back, and issue photo ID cards every year so we could have some control. There had been lots of abuses in the jeepneys and tricycles. People were robbed. In fact, the person who murdered my father...
boarded one of these tricycles and it could not be traced. This is one personal reason why I believe we should have accountability in our public transport system.

There was an outcry. Political will was necessary. We had meetings with all the jeepney operators and the tricycle drivers. We said we had to do this because there must be public accountability. Operation of commercial public vehicles, we said, is a privilege, and that if they did not meet their responsibilities we would take the privilege away. I said you have to wear uniforms with your name on your back because you are professionals. I am a lawyer and when I appear in court I have to wear a suit. A doctor has to wear a gown when he operates. I told them to wear a uniform, have a body number and a color code, and have yourself photographed. To cut a long story short, traffic on the streets of Olongapo became accountable. Drivers could no longer abuse passengers, cut trips, or be involved in crime. In fact we became so successful that the Government of Sri Lanka sent a delegation to Subic in the late 1980s to copy our system.

Then we proceeded to get people to volunteer for services such as garbage collection. People were so used to having their garbage picked up that many of them just threw it onto the streets. We announced that we would collect garbage twice a week, that garbage must be put in plastic bags, and that everybody would have to pay garbage collection fees. In the Philippines a lot of people are used to throwing their garbage on the street, but over time attitudes have changed, at least in Olongapo.

The citizens asked where they could get the plastic bags. We said you are going to buy them from us at City Hall and we will use the money to provide new trucks. Of course there was some resentment about all these new fees. But then
people saw that the garbage trucks arrived on time. They noticed that the scrappy-looking garbage collector had improved his image, no longer smoking while working or asking for gifts for Christmas. Now he was well paid and wore a uniform with his name on the back along with the title Sanitary Technician. People were impressed. Soon we had more volunteers lining up to help the city.

Let me tell you about our hospital situation. We received no funding from the national government. Volunteers contributed equipment, beds, air conditioners, microscopes, and laboratory equipment. Finally we had a better hospital. We employed young doctors and allowed them to treat the wealthy for pay, provided they also provided free medical services to people who could not afford the treatment.

After that we got involved in relief work after natural disasters in other communities. We helped out in Baguio City after that city was hit by an earthquake. People saw that Olongapo was typified by community participation. Even our markets were cleaner than elsewhere. In short, we became a model city.

Then we got hit by Mount Pinatubo — the eruption of the century. Earthquakes every two minutes, a blizzard of ash accompanied by typhoon, five inches of ash, buildings collapsing. We had to bring down 9,000 aborigines from the mountain. In the middle of that evacuation, there was another eruption and many more buildings collapsed. We never gave up. In the middle of saving people’s lives we coined the saying **Fight on Olongapo!** The next day we posted *Fight on Olongapo!* signs everywhere. We never gave people a chance to pity themselves. We were always putting out messages that encouraged people to think positively about their circumstances.

After we got over Pinatubo and rebuilt homes, schools, and hospitals, we found out that
12 senators decided there would be no foreign military bases in our country. Clark Air Field, the other large American base in nearby Angeles City, had been closed down during Pinatubo, and then suddenly the US Navy decided to pull out of Subic Bay. During the pullout there was a lot of looting and pillaging. Lack of vision and leadership showed clearly. We said withdrawal of bases at this time was inappropriate. Agriculture in central Luzon was at a standstill, fields were covered with lava and volcanic ash. A coup d’etat attempt occurred in Manila and power interruptions lasted 16 hours a day. We said that it was simply the wrong time for the US Navy to withdraw.

The national government would not listen and told us not to worry, that they were determined to kick the Americans out, and that support from Manila was forthcoming. Well, we did not listen to these people. Although we lost the initial debate, we decided to take the fight to Congress. This we did — literally. We loaded buses with people and headed for Manila to lobby Congress. We said ‘You broke our rice bowls, but we want to replace them with our own bowls, not with your promises. And we want a free port, and we want to have control of it. We want the Mayor of Olongapo to be in charge of it. We want people from the local community to be on the Board.’

They gave us $6 million. The base had been run for $178 million. Of course the Navy had downscaled everything. They took away the telephone system. They took away the power plant, leaving only 28 megawatts to go with the radar and the electronic equipment at the airport. We told people if you want economic revival in this community you have to be a part of the change process. We asked the people to volunteer to guard the facilities under a slogan called Protect and Preserve to Prosper. Protect the reputation of our country, we urged, preserve its facilities, and we...
will prosper.

More than 8,000 people volunteered. They guarded homes that did not belong to them. They cut the grass. They kept the base intact. They ran the power plant without pay for four or five months until we started to get investors to come in on a build-operate-transfer basis. We got a power company from Texas to set up a plant. Within a year we had 118 megawatts of power. People who had volunteered were getting jobs with better pay than during the time of the US Navy. The point was made that if you had volunteered to protect Subic, you were an original stakeholder. If you did not steal and worked without pay and were really hardworking, business opportunities would become available to you.

It worked. Soon we had a total of 68 tanks of petroleum with 2.4 million barrels of oil. A new pipeline between Subic and Clark Field supplied a 14-day supply of oil to the country. Tankers began arriving at Subic Bay daily.

We also worked on infrastructure. We had three strategies. First, the moral infrastructure — the people. Honest, hardworking people, volunteering without pay. Second, the legal infrastructure. We have the rule of law. We got the free ports established by Congress. And, with the help of the World Bank, and later with ADB, we created rules and regulations that were predictable, consistent, and enforceable. Finally, we concentrated on the physical infrastructure, the modernization of Subic Bay. We modernized the power plant, the petroleum tank farm, and the telephone system. We did this in a joint venture with the Philippine Long Distance Telephone Company. They had a monopoly at the time, but we told them that they were not going to win unless they participated in a joint venture with the multinational corporation AT&T. Subic Bay Metropolitan Authority would also have a share
Leadership and Change in City Management

in the operation. Eventually it became a 40/40/20 arrangement. We insisted that they put in a modern switch for telecommunications, which they did, even if there was not a strong market at the time. So communications were established.

Then we went on to the airport. The airport had no radar, no electronics, nothing. We went after DHL, the courier service, but they were not interested. We went to the United States to talk to Federal Express and invited them over. Of course we used our heads a little bit when we found out that the Chairman of Federal Express was once a US Marine who had visited Subic. And we managed to get him to visit the city. He saw the volunteers, saw the wonderful workforce, and was impressed. But he said:

*I’m sorry Dick, but we’re going to go to Taipei because according to our analysis that is a better location. They have an airport that can handle 747s. Your airport is made for jet fighters and occasional landings of heavy aircraft. But that airport pavement is going to collapse unless you replace it with one foot of concrete. Besides, you don’t have a radar or an ILS, and you have time constraints. We want to start our Asian hub this year.*

At that time the World Bank was giving us money for infrastructure work and the airport was part of this. We just said, ‘Well, we need to accelerate!’ And we did. In 29 weeks we had built an airport. Working together on the runway from end to end we cemented in one foot of concrete. In addition to that we were able to borrow money from local banks to get a state-of-the art radar. Then we tapped Mr. Smith on the back and told him that we were ready to rock and roll with Federal Express.

FedEx came to Subic. Others followed. Subic Bay has become a business hub for the Philippines.
and for Asia itself. Every day aircraft land in Subic Bay from the US, Tokyo, Osaka, Shanghai, Taipei, Korea, and Kuala Lumpur, sometimes even from Australia. Speed is the name of the game. Goods arrive every night for sorting and distribution throughout Asia and the United States. Because of our hard work in attracting Federal Express we now have over 300 companies in Subic Bay who have invested a total of $2.6 billion in four and a half years.

It is now only five years since the US Navy pulled out. During that time we have created more than 67,000 jobs in Subic and we make everything from ships to telephones. We even have a Subic Bay Industrial Park in partnership with Taipei, China and a Japanese industrial park called Subic Technopark. These are all joint ventures. We provide the land, we borrow money at concessional rates, develop the land, and finally lease it at very concessional rates so as to attract business. We generated $24 million from exports in 1994. In 1995 the amount increased sevenfold to $174 million. In 1996 it doubled to $328 million, and last year increased to $530 million. That’s a billion US dollars in exports in just four years of operation. And what’s more, we no longer receive any financial assistance from the national government. As of two years ago, we have been returning 2.5 billion pesos to the government in taxes and duties.

Subic has literally risen from the ashes of Mt. Pinatubo. We have six flights a day between Subic and Taipei, China, three flights a week to Hong Kong, three flights a week to Kuala Lumpur, and three flights a week to Kuching. We have just started scheduled flights with Japan Air Systems. We expect to have more regular flights from Japan soon.

Subic is not just a transshipment facility. Our deepwater port, Subic Bay itself, is able to handle many ships. The Philippines lies in a very strategic position.
location of the world. The fact that 60 percent of
the world population is only a few hours away is
an important strategic advantage. This is why we
are pursuing transportation by land, air, sea, and
communications by satellite and cyberspace. Our
workforce speaks English and has high levels of
skills. Filipinos themselves are a unique blend of
East (we are ethnic Asians) and West (400 years
of colonialism by Spain and America).

The most important aspect of all of this
change is the human resource aspect. Giving
confidence to individuals who were previously
downtrodden is a most important outcome. We
have discovered that by creating a partnership
between leaders and people and keeping a positive
attitude makes all the difference. Saying that we
can bear the burden if we bear it together, that we
can actually create business ourselves, is another
important outcome.

Today the city of Olongapo is alive and well.
We have new banks and new hotels and we are
expanding all the time. One unfortunate outcome
is that there is a culture of envy borne by political
leaders elsewhere who are terrorized by the fact
that they are being shown up by a neighboring
province or town. This is something, I guess,
endemic to developing areas where the culture of
envy, the culture of fear, exists. This is where
leaders must try and convince their neighbors to
try and realize that there is, in fact, a positive
outcome for all. When you look at our objective
over the next two years, to have both Subic and
Manila as viable seaports, our efforts will flow to
other parts of the country. We envision three viable
airports — Subic International Airport, Angeles
International Airport (the former Clark Air Base),
and the Ninoy Aquino International Airport — all of
international caliber. And all of these are within two
hours by land from each other. Thus, development
can be pushed into the hinterland between these
areas, decongesting the megacity of Manila and dispersing industries northward.

I have been preaching the gospel of volunteerism all over the Philippines, seeking a vision, recreating the old values of the country, and holding up volunteers as stakeholders in a shared vision. A national bureaucracy can at times be more of an enemy than an ally, but it can be made an ally by making it believe that it was the originator of the idea.

The story of Subic, I’m sure, is not unique in the Philippines. It’s happening elsewhere in the Philippines. Cebu, for example, advertised itself as an island in the Pacific — not just a part of the Philippines. They were able to make do with what they had and prevent the national government from getting into their dreams and aspirations. Today you also have places like General Santos and Zamboanga in Mindanao becoming free ports. One of my assistants that helped me run Subic is now heading the Cagayan free port in the north, creating new development in that area.

And let me tell you one thing, faith in our people, trust in each other, and teaching people to trust each other are very, very important. Our young people, for example, worked with the former base workers to make Subic what it is today. Young people from Harvard and Stanford Universities and from Wharton Business School in New York have returned to work with us. We have many, many young people who volunteer their time for Subic. Through this kind of action you can defeat apathy and indifference. You can get ahead. By developing new ideas, by building faith in your people, and by enjoying the risk-taking, you can bring new life to your country.

This is Subic Bay today and I am glad to have had the opportunity to share our story with you. I would like to thank ADB, our partner, as well. We are not just thinking of Subic alone —
we’re thinking of creating a ripple effect. The World Bank has also come to Subic Bay. ADB has now created a master plan for other areas and we have invited all the other towns around Subic Bay to participate in the ADB project because we know that development is soon going to flow from Subic into these other communities.

Lastly, let me say that if you as a city manager want to do something for your people, if your cause is true and if you are sincere in your efforts, your goal should not be to attain individual glory. It should be to uplift your people.
The importance of leadership in municipal management has become more evident in recent years as officials tackle the many issues facing Asian cities. However, we often find ourselves grappling with the concept of leadership in our efforts to determine the most appropriate way of addressing major issues.

It is clear from the many examples in this report that leadership is both a very personal and a very public phenomenon. Individuals have to act in ways that are timely and relevant within the context of their city. Yet their actions also need to be very public for others to take direction and encouragement. It is this leadership through action that is seen in effective city managers. The first presentation by Mayor Jesse Robredo from Naga City in the Philippines is an outstanding example.

This chapter presents several different and valuable perspectives on leadership and change. The presenters besides Mayor Robredo, are Mr. Omar Kamil, Deputy Mayor, Colombo, Sri Lanka, and Mr. Glen S. Fukushima, Vice President, AT&T Japan Limited. Final comments are contributed by Mr. Asad Ali Shah, Manager of ADB’s Water Supply, Urban Development and Housing Division East.
A. THE NAGA CITY EXPERIENCE

Jesse Robredo  
Mayor, Naga City, Philippines

I am honored to be with you today in the inaugural Municipal Management Forum of the Asian Development Bank Institute. My presentation will focus on how the change process we introduced contributed to the attainment of our vision for Naga City.

1. Conceptual Framework

a. The Change Process

Conceptually, the change process moves from the ‘present state’ toward the so-called ‘desired state.’ Bridging these two endpoints is the transition phase where the pain brought about by the process must be managed effectively to ensure that the change is sustainable.

Operationally, the process covers four areas:

- sponsorship, where the need for change is articulated;
- resistance, where objections to change are manifested, mostly by beneficiaries of the status quo;
- transition, where the pain must be managed and given appropriate remedy; and
- culture fit, where the change finally becomes accepted and sustainable.

b. Role of Leadership

Leadership plays a critical factor in successfully
managing the process of change. An effective leader must exhibit both charismatic and instrumental qualities to see the process through. The charismatic qualities inspire, allowing leaders to visualize and articulate their goals, energize groups, and enable people to accept the needed changes. On the other hand, the instrumental qualities enable leaders to manage well, maximizing their authority to structure, control, and reward to overcome resistance. These qualities include personal mastery as well as skills in the following areas.

- *Communication:* speaking, persuading, and listening
- *Hard work:* energy, persistence, and organization
- *Analysis:* diagnosis and problem solving
- *Networking:* mobilizing support and nurturing present and potential allies
- *Goal-process integration:* pursuing a vision with results-driven planning and process-driven implementation
- *Capacity building:* support and mentoring, confidence building, recognition, and affirmation

### 2. Problem Setting

Let me set the stage by introducing you to what my city is *not*.

*Naga is medium-sized, not big.* Of the 68 Philippine cities today, Naga is 44th in land area and 38th in population. Our 77.5 square kilometers (km\(^2\)) pales in comparison with the area covered by Davao and Puerto Princesa, the country’s largest, whose metropolitan areas exceed 2,000 km\(^2\). Our population of 130,000 is not even 10 percent of the total population of Metro Manila.
Leadership and Change in City Management

Naga is landlocked. Because Naga is not a port, we do not have a shipping industry to speak of. All we have is the Naga River, which can only accommodate small motorized boats. It might perhaps allow a small yacht, but there are none. Naga is not an enclave of the rich and the famous. Situated at the heart of Bicol’s agricultural peninsula, our landlocked location places us at an obvious disadvantage compared with port cities such as Manila, Cebu, Davao, Puerto Princesa, Olongapo, or General Santos.

Naga is peripheral, not central. Our city is 500 km from Manila. It is equally far from Cebu City, the Philippines’ second largest urban center. Naga’s location and distance from these urban centers is another disadvantage, especially in comparison with cash-rich metro cities such as Makati, Mandaluyong, Manila, Pasig, Quezon City, and Caloocan to the north, and Cebu and Mandaue to the south. From all indicators, therefore, Naga is a typical rural Philippine city, one of those faceless, ordinary urban centers dotting the countryside.

3. Success Indicators

In spite of all these disadvantages, Naga is one of the Philippines’ most livable cities. It is not as highly urbanized as our bigger cities, but Nagueños do not have to suffer the traffic, congestion, urban decay, and filth that characterize megacities. In Naga, the air is still clean and fresh, the water abundant, and the land and river unspoiled by toxic wastes. Of course, we do contend with our own unique problems such as squatting and the silting of Naga River, but these are manageable problems.

What makes life in Naga quite pleasant is the presence of basic urban services and amenities. In fact, Naga is ahead of bigger
Philippine cities in several categories. Consider the following points.

a. *Income*

We raised the average monthly income of Nagueños by 62 percent from P3,532 in 1988 to P5,710 in 1991, based on a UN study on shelter strategies. The same study placed Nagueños’ average monthly income at least 34 percent higher than other Bicolano urban dwellers with low incomes, and 132 percent higher than those with high incomes.

b. *Health and nutrition*

In 1994, Naga emerged as one of the consistent top performers among 62 Philippine cities in advancing child welfare. This is based on a progress report of UNICEF and the League of Cities of the Philippines. In that report, Naga figured prominently in the top ten in seven of eleven major indicators for child survival, protection, and development.

For instance, we succeeded in reducing the incidence of first, second, and third degree malnutrition among our children. The 3.5 percent incidence of third degree malnutrition in 1987 was brought down to only 0.1 percent last year, practically eradicating it as a health concern. We brought down second degree malnutrition from 26.7 percent in 1987 to only 6.9 percent, and first degree malnutrition from 46.4 percent in 1987 to only 21.7 percent in 1997. All told, 67.5 percent of preschoolers in Naga are of normal nutritional status, a remarkable 48.5 percentage point improvement in just 10 years of sustained program
Leadership and Change in City Management

implementation.

c. Cable TV

As early as 1987, Nagueños were already enjoying quality cable TV services in the comfort of their homes, much ahead of most other Philippine cities. This enabled us to become part of the emerging global village. Today, we have three local cable TV operators, each trying to outdo the others to provide the best service to customers.

d. Internet

In Naga, the Internet has become an important telecommunication medium, thanks to the presence of three local Internet service providers. By midyear, the number will grow to four with the entry of a provider catering exclusively to local private schools. This guarantees easy access to the Internet and the host of services it provides — e-mail, telnet, worldwide chat, remote data transfer, and access to the World Wide Web.

The city government already had an Internet presence as early as March 1996 (our web site is <http://www.naga.gov.ph>). Today, all departments at City Hall enjoy Internet access through our local area network. And in December 1996, the Naga City Public Library became the first local government-owned library in the Philippines to provide Internet service to its clients.

e. Telecommunications

In 1995, when the telecommunication industry was liberalized in the Philippines, the country was subdivided into 10 service areas. Two of the newest and best performing telecom service providers came to Naga, as did the two leading cellular phone
service providers and the country’s leading paging company. Naga now boasts of world-class telecommunication facilities and a telephone density higher than the national average.

All these factors have contributed to the most important legacy of my 10-year administration — the restoration of Naguenos’ pride in themselves and the city they love so well. Naga has become a livable, progressive, and people-friendly city, and is surely one of the Philippines’ best-governed local government units.

4. How did we do it?

What made this transformation possible? A review of what we did when my administration took over in 1988 will illustrate the keys to our success.

a. A city for the people.

When I ran for mayor in 1987, my campaign was anchored by a vision to transform Naga into the city its citizens deserved by attaining growth with equity. The emphasis on transformation was impelled by the results of a situational analysis my core staff and I undertook before embarking on the campaign.

b. Situational analysis.

Naga was certainly not in top shape in the post-Marcos era. It had to contend with the following problems.

• The tradition of old politics that disdained change and sought to maintain status quo.
• Naga’s distinction as Bicol’s premier city was fast eroding. A former first-class city, Naga had been reduced to third-class income status by the Department of Finance. Its coffers were

The most important legacy of my administration is the restoration of people’s pride in themselves and in their city.
empty, strained by overspending that had left a deficit of almost a P1 million.

- Its three-story public market — considered in 1969 Southeast Asia’s biggest — was already in shambles when it was ravaged by a fire that ate up a third of the available space.
- The central business district (CBD), its size unchanged for more than four decades, was overcrowded, keeping potential investors away. Traffic volume, swollen by countless buses and jeepneys claiming terminal rights in the district, was unmanageable.
- The local economy was sluggish.
- Employment was scarce.
- Basic services, particularly for health and education, had been deteriorating.
- Smut films and lewd shows proliferated.
- Illegal gambling was rampant, unchecked by the police and military who feared to move against powerful syndicates.
- The number of homeless urban poor was gradually growing.

Combined, these social, political, and economic problems led to the loss of faith and confidence of people in their local government.

Moreover, I was a minority mayor, winning only 24 percent of the vote and defeating my closest opponent by a margin of less than 1,000 votes. This added a sense of urgency to my task. Although I had the leadership mandate, it was not solid. This impelled me to produce tangible results quickly to reinforce that mandate.

5. Elements of the Vision

In the visioning process, we identified three ‘do-ables’ that would propel the city’s transformation.

- Inspiring governance. We aimed to restore the
people’s faith in their government. The situation called not only for good governance, but for an inspiring one. Our message was not only ‘Government works!’ but ‘City Hall always does things better!’

- **Renewing community pride.** We restored Naga’s distinction as the Bicol region’s premier city. The benchmark was its restoration to first class status by the Department of Finance.
- **Recovering economic stability.** We aimed to turn the local economy around by creating new economic opportunities, encouraging fresh investments, and expanding the business district.

In the elections, this vision was summed up succinctly by our battlecry: *Kauswagan kan Naga kun bako ngonian, nuarin pa?* This highly effective slogan has a clear, definitive Bicolano ring to it that no translation could fully capture. Literally, it means ‘Naga’s progress — if not now, when?’ My victory in that election over older, more seasoned opponents confirmed that the people of Naga — at least those who voted for me — shared my vision.

### 6. Implementing the Vision

It is very evident when we took over that for us to accomplish our covenant with the electorate, the first step was to restore Nagueños’ faith and confidence in their local government. And because charity begins at home, we clearly should start with City Hall.

#### a. Reforming City Hall

We launched a number of measures aimed at sending out the message that we meant business. Guided by the recognition that our workers at City
Leadership and Change in City Management

Hall were our most precious resource, we sought to empower them by applying private management systems in a government setting.

Acting with dispatch, we immediately implemented:

- a better compensation package for the rank and file,
- reorganization of the bureaucracy based on aptitude and competence,
- activation of a Merit and Promotions Board that eliminated patronage, and
- implementation of a reward-and-punishment scheme.

In a matter of weeks, these efforts paid off, firmly securing rank-and-file support and cooperation for our programs and projects. Noted *Balalong*, a Naga-based weekly: ‘Mayor Robredo has done it. Barely two weeks in office, the youthful mayor has shaken city hall’s tradition-bound and lethargic bureaucracy to the very roots of its being.’ Commenting on the impressive change that we brought to City Hall, *Vox Bikol* wrote prophetically: ‘If Mayor Robredo holds on throughout his term, Naga will not see the summer solstice, but the sun dancing in the sky.’

Building on these confidence-building measures, the city government conceptualized and began implementing its award-winning Productivity Improvement Program (PIP). This program focuses both on employee empowerment (people change) and improvements in systems and procedures (systems change) to improve the quality and quantity of frontline service delivery.

b. Anti-vice Drive

The remarkable improvements in City Hall operations, particularly in the delivery of its frontline
services to customers, set the tone for another confidence-building measure — the eradication of illegal vices, especially smut films, lewd shows, and gambling (*jueteng*, an illegal numbers game, in particular) in Naga City.

The crackdown on illegal gambling by our own anti-vice squad was so thorough that in no time Naga became a *jueteng*-free city. My arch critic in the local media, who supported my opponent during the elections, was finally convinced of our sincerity and determination. In his column, he confirmed that Naga, of the province’s two cities and 35 towns, is the only place where *jueteng* does not exist because it is not tolerated by local authorities. And it is still *jueteng*-free today.

The supposedly untouchable smut films and lewd shows suffered the same fate, though it did not take lightning raids to do the trick. My stern warnings ignored, we merely waited for the beginning of the new fiscal year (when all local business establishments are required to register) to make our point. And the courts agreed with us in every instance when the powerful nightclub operator filed a string of cases questioning that decision not to renew his business license. Today, Naga is perhaps the only Philippine city that does not have these seedy nightspots.

c. Jumpstarting the Economy

At about the same time, we started tackling the challenge of reviving Naga’s economy from stupor. Again, it entailed introducing concrete confidence-building measures directed at the business sector. This took the form of the Urban Transport and Traffic Management Program.

The program’s innovativeness stems from the fact that we used traffic management, as well as the local government’s police and regulatory powers, as tools for directing and controlling
urban growth.

The program also sought to improve access to the urban district, primarily through road development and upgrading projects, and brought about the relocation of all bus and jeepney terminals to the peripheries of the CBD.

By tremendously easing traffic flow within the CBD, the program restored life and vitality to the city’s prime commercial hub. As a result, 21 banks opened new branches, several others renovated their branches, and most of the 33 banks upgraded their service delivery to include ATM service in line with Naga’s role as the regional financial center.

At the same time, the relocation of terminals perked up economic activities outside the CBD, particularly in the formerly moribund diversion area where most of the bus operators chose to settle. In the urban district, three sleepy neighborhoods in Tabuco, Blumentritt, and Barlin sprang back to life after the jeepney terminals relocated there.

The above accomplishments may appear easy, but in reality they were not. Again, as with our anti-vice drive, we had to hurdle a total of 30 court cases filed by disgruntled terminal operators affected by relocation. In the end, however, we won them all.

d. Forging Sustainable Partnerships

These confidence-building measures and displays of political will made it possible to tap community resources to implement economic projects that would benefit the city as a whole.

For instance, we were able to access these resources to implement the Panganiban Upgrading and Beautification Project under a build-operate-lease scheme as early as 1989. This enabled the city to develop a kilometer-long eyesore into a bustling business corridor at practically no cost to the city government, and the establishment of
privately owned satellite district markets through a build-operate-own arrangement under the Pagtarabang sa Kauswagan (Partnership for Progress) Project. This later inspired the rise of community markets through joint ventures with barangay (neighborhood) governments.

As a result, the local economy rebounded, and business flourished again. The city government attained its goal of reclaiming Naga’s first class status from the Department of Finance in 1991 after the first mandatory review conducted by the department during my incumbency.

The business sector’s cooperation was immensely helpful. In addition to an enhanced system for collecting revenues and no-nonsense cost-cutting measures institutionalized under PIP, and on the basis of renewed trust in city government, we were able to convince the business sector to declare more realistic sales. This translated into increased revenues for the city. When the Department of Finance conducted its review, local revenues accounted for around 75 percent of Naga’s total income, with national allotments accounting for the balance.

Having already won the hearts and minds of most Nagueños, we then proceeded, always in partnership with NGOs, to implement other innovations that took longer to achieve.

7. The Keys to Success

Looking back, the following observations stand out.

Successful change leadership starts with a vision. When I ran for mayor in 1987, I knew clearly what Naga was (problem definition), what I wanted it to be (vision), and what had to be done to get us there (strategic management). An important corollary is that a leader must be competent and adequately prepared for the demands of leadership, a capability
Leadership and Change in City Management

I developed during my previous stint in the private sector.

*This vision must be shared by the community.* My victory in the election not only gave me the mandate to lead, it also affirmed that Nagueños shared my vision at the very outset. An important corollary that must be stressed is that a leader must successfully communicate his vision to his people. If a community is to share one’s vision, they must first understand it, and then relate to it. In my case, the slogan *Kauswagan kan Naga kun bako ngonian, nuarin pa?* (Progress — if not now, when?) did the trick.

*Confidence building is critical.* A leadership mandate is time-bound. It must therefore be reinforced by concrete, decisive action, without which it will be eroded by inaction. Thus the vital need for confidence-building measures. My leadership mandate was reinforced through City Hall reform, action against illegal gambling and lewd shows, and economic initiatives.

*The change process must be impelled by a greater good.* When change is introduced, resistance from certain sectors and interest groups is inevitable, particularly from those who stand to benefit by maintaining the status quo. But this can be overcome by support from those who are likely to benefit from the change, i.e., the majority of citizens. The massive public approval for reforms we introduced at City Hall drowned resistance. This also proved true in our effort to rid the city of illegal gambling and lewd shows, as well as the initiative to relocate bus and jeepney terminals to the periphery.

B. LEADERSHIP AND CHANGE IN THE
CITY OF COLOMBO

Omar Kamil
Deputy Mayor, Colombo, Sri Lanka

Since the Municipal Council of Colombo was instituted over 130 years ago, it has faced many challenges with varying degrees of success. In recent years, however, for a host of reasons, staff morale and productivity had become very low. As a result, when the new Mayor assumed office, he was confronted with the necessity of bringing about a complete transformation.

The Mayor had a vision — to make Colombo a modern, clean, friendly city. He firmly believed that government should be grounded in clear ethical values, transparency, stability, and high quality. Therefore many new measures were introduced to reduce interparty conflict. To develop this vision, the Mayor constituted his ‘A-team,’ a steering committee that meets every Monday. It comprises the Mayor, the Deputy Mayor, the Chief Operating Officer, the Municipal Commissioner, the Municipal Engineer, and the Municipal Treasurer. The Mayor also has a top middle management comprised of professionals for implementing the decisions of the steering committee.

The Mayor and his team got straight to work. Highlights of the program and the achievements of the last nine months are as follows.

1. Increased Standing Committees and Participation of the Opposition

The Municipal Council comprises of 53 members elected by the people. They are members of the government as well as the opposition. In order to create a healthy climate among the opposition, the Mayor decided to devolve power through the standing committees. We increased the number of standing
committees from the original 12 to 15, and opposition Council members were offered chairmanship of five of them. This was the first time such an arrangement had been made. The 15 chairmen of the standing committees are like an inner cabinet. They meet once a month or whenever it is necessary. This strategy was aimed at defusing inter party politics. Within a period of five to six months, conflict in the council had reduced considerably.

2. Involvement of the Stakeholders

The Mayor also introduced a 100 Day Program. He invited the private sector, the corporate sector, the NGOs, and all other institutions to come and participate in providing services to the citizen, as the city belonged not only to the Council but to every citizen.

The Mayor invited the private sector and the NGOs to assist the Council by redeveloping the 25 municipal dispensaries and to adopt them as one of their community development projects.

The corporate sector was then invited to assist in maintaining the city roads by providing financial or material assistance. The Mayor offered each contributor a one-kilometer stretch of road to maintain, and in return let them advertise their company logos and products on that portion.

To help shape his vision of the city, the Mayor invited local architects to participate in city building. The architects were requested to prepare a vision of the City of Colombo for 2005. Similarly, the Institute of Engineers was invited to undertake a study and prepare a report on the city’s infrastructure requirements.

The Mayor then formed City Watch, a group of leading businessmen, professionals, and academics to provide him with constructive suggestions and criticism. He set up voluntary
advisory boards for each standing committee. Comprised of leaders in various fields — doctors, academics, businesspersons, and retired public servants, these groups meet regularly to submit reports on suggested improvements to the Mayor.

The Municipal Council also holds regular dialogue with the Provincial Council and the Central Government.

3. **Achievements**

So today — although our administration is only nine months old — we are a committed team, determined to bring about change. We have direction and a destination. We have found ways to involve all sections of the people. With regular dialogue, sincerity of purpose, and commitment to the provision of services, the Mayor has been able to win over the confidence of opposition parties, foreign governments, and the citizenry.

We have begun a privatization program. Although privatization is a term that evokes suspicion in our part of the country, we have been able to allocate services previously undertaken by the government to the private sector, and the results have been favorable.

This is a brief overview of what effective leadership and direction have done for the City of Colombo.

**C. LEADERSHIP IN THE AGE OF GLOBAL MANAGEMENT**

**Glen S. Fukushima**  
*Vice President, AT&T Japan Limited*

Although I am not a specialist in municipal government, I was invited to speak on the subject of leadership in the age of global management. I
Leadership and Change in City Management

hope that you will find that my comments about the issues confronting us as businesspeople have some relevance to your work as municipal managers.

I have addressed various groups in the United States and Japan on the theme of leadership in the age of global management since becoming Vice Chairman of the Japan-US Friendship Commission four years ago. My ideas are based on my experience in government for five years and in the private sector for eight years. So it is from a perspective formed by considerations of policy, business, and culture that I speak to you today.

In explaining the globalization of management, at least in the business sector, I think there are at least six factors in the environment that have necessitated a globalization of management.

a. Politics

World politics have changed dramatically in the recent past, largely due to the end of the cold war. The other important factor affecting global politics is the fading of boundaries in countries and regions previously characterized by barriers that inhibited business. Examples are the new and growing markets in China, Viet Nam, and Eastern Europe.

b. Economics

On the global level, the World Trade Organization has liberalized telecommunications services. On the regional level, the European Union and the North American Free Trade Agreement have agreed on standards of facilitation and investment. On the national level, liberalization and deregulation of trade have been adopted in many countries, notably those that until recently were
c. **Globalization**

Because more people are traveling around the world, companies, in order to keep up with the customer demand, must offer seamless global products and services. Increasingly, uniformity is seen across such industries as the airlines, shipping, and telecommunications.

d. **Competition**

More and more, companies are competing for global customers and clients. Recently, when British Telecom tried to acquire MCI, an American company, the regulatory authorities of neither country objected to the merger. However, other companies intervened and in the end the merger could not be consummated. This is one example of how in the future we are going to see more cases of mergers and alliances to gain economies of scale and to be more competitive internationally. Global management is in many ways seen as a strategic competitive weapon. Global companies are willing to pay large fees to obtain capable people to run their local operations. These companies see these managers as competitive weapons whose skills give their employers a strategic advantage.

e. **Technological innovation**

The continued pace of improved technology, whether in transportation, financial services, distribution, or telecommunications, requires the globalization of management. The best example is the Internet.
Leadership and Change in City Management

f. Changing workforce

Because the global workforce is characterized by mobility and diversity, management must also be globalized to maintain effectiveness in managing the workplace.

Whether at the level of manager or factory worker, there are five sets of basic values highly important in the workforce. These are:

- respect for individuals,
- dedication to helping customers,
- high standards of integrity,
- innovation, and
- teamwork.

During my experience dealing with American, European, and Japanese corporations, I have identified qualities of particular importance for global leaders in the business setting. Despite the thousands of books that have been written about leadership, very few deal with cross-cultural leadership. Attributes traditionally associated with good leaders are intelligence, strategic vision, good interpersonal skills, and physical and psychological stamina. In addition to these classical leadership attributes, however, I would add 10 others of importance for successful global leaders, at least in a business setting. He/she should have:

- global, integrated, holistic vision;
- flexibility, adaptability, and resilience;
- openness to different ways of doing things;
- ability to deal with uncertainty;
- tolerance for ambiguity;
- ability to listen and learn;
- a long-term perspective;
- patience and persistence;
- consistency; and,
- ability to lead the best workforce.
When giving talks to Japanese management groups, I am often asked ‘What are the problems or challenges faced by Japanese leaders?’ Based on personal observation and experience, I have posed seven challenges.

• Rigid versus flexible leadership
• Exclusivity versus openness
• Particularistic versus universalistic rules and principles
• Nationalistic versus global
• Implicit versus explicit articulation of communication
• Organizational versus individual initiative
• Bureaucratic versus charismatic leadership

D. LEADERSHIP AND CHANGE

Asad Ali Shah
Manager; Water Supply, Urban Development and Housing Division East
Asian Development Bank

The question of vision that has been stressed at this meeting is worth commenting about. In addition to the need to have a vision, a dream, of what you want to achieve, there is also the need to have a shared dream that engages the whole community, the people. The challenge is to bring into alignment the entire resources of the society within which you live and work and to optimize the use of these resources. In other words, the challenge is not only to have a vision, but to share it.

Articulating a vision can be difficult. It is not easy to convince people to change when established practices have been in use for a long period of time. A proactive approach is required to convey the message that change is essential. To do this successfully one must be a good
What sets leaders apart from others is that they are not just theoreticians, they are also practitioners. They have the ability to translate their vision into practice.

Equal in importance to having the ability to communicate with people is translating the vision into a mission, and with that mission in focus, to develop an action plan. What sets leaders apart from others is that they are not just theoreticians, they are also practitioners. They have the ability to translate their vision into practice. There must be a linkage between the broad policy statement and the program’s implementation. The program has to be translated into projects: there are dates, deadlines, and schedules to be met. In this hard work, leaders need to be able to motivate people and to communicate to them the sense that by working together, the whole community benefits.

The other message that came across quite clearly during this Forum was that of self-reliance. In the past, cities relied heavily on the higher levels of government to provide resources to address local needs. But when government support is diminished, local resources must be mobilized to ensure the sustainability process. These resources, be they financial, institutional, or human, must be mobilized at the community level.

One aspect that sets this Forum apart from the Bank’s earlier initiatives is that previously there was high profile participation from central government agencies. Now we are more focused on the cities themselves. Support for the cities, formulated within a long-term perspective, can create partnerships that can be strengthened over the next few years.

Finally, I think the Mayor of Naga City made a very good point when he emphasized the development of institutions. If we are really interested in sustainability — making long-term impact — it is the institutions, rather than personalities, that matter. Personalities may be important in the short term, but institutions are what
sustain long-term processes. We need leaders with long-term vision in order to build institutions that promote change and maintain momentum.
V. CREATING DIRECTION: DEVELOPING VISION, MISSION, AND STRATEGIES

In this chapter we summarize the conceptual material presented in the Forum and highlight the comments made by participants relating to developing vision, mission, and strategies to implement plans to achieve the city’s vision.

It is clear from the proceedings that for a widely accepted sense of what is possible, a vision for the whole urban community is essential in effective city management. Forum participants have discussed various ways to create such a vision, one that includes all stakeholders and that provides direction for the provision of works and services.

We have also identified the characteristics of an organization’s mission. The mission statement provides a sense of purpose. Who are we as an organization and what is it we are trying to do? Mission follows vision. Only after we have a sense of where we want to go can we prepare a mission statement defining how we will get there.

Finally, effective leadership must be backed up with valid and comprehensive corporate and business plans. Without a long-term corporate plan and individual business plans it is very difficult to know what is required in the management of the city, and whether we are meeting our goals. These plans also provide the best insight as to how to structure the organization and to align human resources to ensure we have the most appropriate people in the right jobs working together to achieve the city’s vision.

Only after we have a sense of where we want to go can we prepare a mission statement defining how we will get there.
A. VISION AND MISSION IN MUNICIPAL MANAGEMENT

Four discussion groups, whose conclusions are summarized below, were asked to address the question:

*In order to gain commitment to change, how do you create a vision in which all stakeholders have ownership?*

**Group A Comments**

In order to create direction in municipal management, the first step is to find out who the stakeholders are and what their stake is. For each group of stakeholders, what are their concerns with the organization?

Second, it is important to identify current strengths and weaknesses in the organization. If we do not have a genuine sense of who or what we are as an organization, it is difficult to engage stakeholders in genuine discussion and to move forward toward a vision.

Third, stakeholders must be assured that the vision is a ‘win-win’ situation for everyone. We must therefore identify any possible adverse effects on all stakeholders from the implementation of specific strategies. It is a question of smoothing out the adverse short-term effects so that in the long run everyone is benefited.

The final step is to involve people in the process of creating genuine stakeholder ownership through the process and the outcomes of better municipal management. To do this it is necessary to get stakeholders to see the common ground. Then assign specific tasks to the stakeholders so that after developing the vision, they continue to remain involved in fulfilling that vision. Most importantly, the process must be constantly
reviewed so that all stakeholders can monitor the collective vision and their particular roles in it.

**Group B Comments**

The first requisite in developing a vision and mission in municipal management is effective leadership. The leader initiates thinking about the vision and what needs to be done to achieve it.

The mission statement evolves out of the process of bringing the vision into focus by putting together a detailed corporate plan. The corporate plan is directly linked to the needs of all stakeholders — NGOs, interest groups, and individuals. Out of this process more detailed tasks are identified for city management.

Developing a vision and articulating a mission is a process that works both top down and bottom up in organizations. Linkages with external stakeholders are also very important.

It is a presumption to assume that a recognized leader already exists. Often leaders — or people exercising leadership — emerge from the group. A potential leader should appeal to the constituency, to the people, and above all to the stakeholders. The stakeholders come first. The leader derives from the stakeholders, the vision he articulates.

**Group C Comments**

To have a vision, you must first understand the current situation. You have to identify the prevailing conceptual framework. We have heard much in this Forum about the importance of paradigm change. We interpret paradigm change as first understanding the influence of our current conceptual framework and the way in which we approach issues and problems in municipal management, and then looking for fundamentally
new ways of tackling the problems.

Through an understanding of our current strengths and weaknesses, the way forward toward our common vision will ultimately emerge. Importantly, this must be done in an open, structured way involving key stakeholders

**Group D Comments**

We believe a vision needs to be evolved, not created. Evolving a vision demands a participatory approach with all stakeholders. In this process an important role for the municipal authorities should be to create credibility in order to obtain participation from all stakeholders. It is insufficient to simply call people to meetings and expect commitment on whatever is agreed to. Credibility must be developed and communications improved between municipal authorities and the political elements of government.

Stakeholders should also be involved in a genuinely participatory approach. Visions will probably vary between stakeholder groups. The process of identifying aspects of a common vision is therefore very important in bringing different groups together. If all parties concerned can agree on a common vision within which different groups may have their own particular strategies and goals, this is a good outcome.

**B. ORGANIZATIONAL PLANNING**

1. **Planning Hierarchy**

One of the benefits of traditional bureaucratic administration is that it is directed at the regulation, coordination, and control of organizations — especially large ones. This coordination and control is typically achieved through a hierarchy
of plans.

a. **Strategic Plan**

A strategic plan is a concise statement of the future context within which we expect to live and work in pursuit of our vision. A strategic plan indicates how we will influence the future, and the broad goals and strategies we will employ to achieve our vision.

b. **Corporate Plan**

A corporate plan is the engine room of organizational planning. Out of this plan comes clarity about what is expected, who is responsible for implementation, and the resources needed to achieve the goals.

The corporate plan includes a restatement of the vision with greater clarity about where the city expects to be in, say, five years. The time frame needs to be far enough ahead to challenge the creativity of staff, yet not so far as to be unrealistic. There also needs to be sufficient time for people to innovate and learn new ways of working. The corporate plan also states the organization’s mission. While vision is an indistinct view of an ideal future scenario, mission is what we as an organization will look like as we attempt to create the vision. Under each goal statement, a comprehensive corporate plan will identify performance indicators, measures, and targets. Without a system of assessment and evaluation, a corporate plan serves no real purpose in municipal management.

c. **Business Plan**

In effect, business plans are microcosms of the city’s corporate plan. They provide the detailed planning outcomes and assumptions for specific
areas or business units: water and sewage, roads and drainage, community services, and so on. These plans also include more detailed accounting information relating to asset management. This identifies capital and recurrent budgeting issues as well as revenue matters relating to fees and borrowings.

It is important to distinguish between the plans and the planning process. A preoccupation with documenting strategic, corporate, and business plans without appropriate consideration as to how these plans are developed can mean that they lack the organizational commitment to implement. Effective city managers are aware of the importance of engaging stakeholders in the development of plans to increase the certainty of successful implementation.

The final caveat that should be made about this type of organizational planning is that, inevitably, plans change over time. This occurs for all sorts of reasons, not the least being that as we solve problems or implement the plans, we learn more about the service or function, and realize that our original assumptions were either naive, wrong, or inappropriate. Therefore the planning process we adopt is critical to ensure we are able to adapt the plan to the changing circumstances and our own learning.

2. Organizational Structures

It is axiomatic that structure follows strategy. We design working arrangements to reflect what we want to achieve. This idea is tempered by the cultural and social reality within which the organization exists. It is also clear that as the number of employees in organizations increases, the organization needs to seek economies of scale and to demonstrate synergy. Municipal authorities are no different in this regard from large private or
state-owned business undertakings. Three discussion groups were asked to address the question:

*What objective should be kept in mind when designing organizations?*

**Group A Comments**

When designing organizations we need to have a customer focus. We also need to recognize that every individual in the organization has potential and to involve them in decisionmaking. While people will have divergent opinions, it is our task to try to bring these together into the municipal strategy.

We also need to look at the skills that exist in the organization. What is the skill mix? What is the need for training? Not everybody has similar or requisite skills. Having done that, it is important to involve people to develop usable job descriptions that are useful in meeting the strategies developed in a participatory manner.

The next step is monitoring and ensuring the quality of their involvement in matters affecting their work. One way of doing this is to improve communications between management and employees. We have heard examples of regular meetings, but sometimes meetings are insufficient because many people remain silent. One-on-one discussion between manager and employee is one sure way to obtain feedback. In hierarchical cultures, senior managers summon their employees to tell them what he/she wants them to do. Instead, why not just visit colleagues’ offices and talk to them in their own places of work? This helps break down barriers and improve communications.

We also have some thoughts on the traditional pyramid structure and how that might

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We would like to suggest turning the traditional pyramid structure upside down, so that every unit of the organization is involved in the thinking process.
Leadership and Change in City Management

be reversed. We do not really believe in the efficacy of the pyramid structure and would like to suggest turning it upside down, so that every unit of the organization is involved in the thinking process. If the main focus of activity is the customer, the customer is in a sense the city’s manager.

In recognizing that everyone in our workforce has potential, several questions need to be answered.

• What is the skill mix in our organization?
• Do we have a list of all the employees, their qualifications, their competencies, the things they can actually do? Who can drive a truck? Operate a computer? Design a bridge? Manage the accounts?

We need to know our staff’s capacity and skill mix. Typically, job descriptions flow on from answers to these questions and provide direction to managers, supervisors, and, most importantly, to the employee themselves.

Group B Comments

When we design an organization, we should do so following a series of five steps.

• Identify the organization’s purpose.
• Identify the service it is to provide.
• Identify each employee’s competency, capability, and potential. At this stage we should start to think about reorganizing the group, differentiating the operations group from the strategic group. We should also bear in mind the size of the organization and the number of employees.
• Encourage interpersonal relationships between staff.
• Encourage the spirit of teamwork across the
Group C Comments

We must start with the current strengths and weaknesses of the organization. The next step is to initiate a goal-setting program. There is need for teamwork and participation, not only between municipalities and communities, but between private sector organizations. Of course, the work has to be supervised. The organization’s program has targets that have to be achieved. People who are working well must be rewarded. Those who are not need to be disciplined. This is not happening in many of the organizations represented here.

Comments by Facilitators

Mr. Oxley: An additional aspect to those raised here this morning is that of creating an attitude. Professional managers in municipal management must adopt a positive attitude, one that demonstrates that we get the best possible outcome for our communities. Concepts identified as good theoretical models will only be translated into practical application by having the right attitude to bring about change. This will lead to the outcomes that our communities desire and deserve from us as professional managers in local government.

Mr. Payne: The role of the manager is changing dramatically. Competent technical people are put into the role of managers by default. They are planners and organizers, not controllers. An old view of a supervisor’s job is that they are there to catch people out on the job. This leads to games between supervisors and employees. What we are trying to do is change the role of managers.
always see that they have a role. What we have got to do as senior managers is retrain them as planners, coordinators, and project managers with a key role in the corporate and business planning process.

3. Human Resource Management

The key idea behind the concept of human resource management is that people are managed so as to meet the goals of the organization. Quality management of people stems from and clearly reflects what the organization wants to achieve, and how it expects to do this. What follows are examples from participants as to how they have addressed human resource management issues in their city management.

Discussion

Mr. Zaidi: Personnel management and human resource management are different. Personnel management is about the performance of certain basic functions such as selection, training, and compensation. When the organization’s objectives come before us then this is about human resource management.

The pooling of resources under certain circumstances, especially emergency situations, is an example. In Karachi, when we were faced by an emergency situation to clear garbage from the city, we pooled staff resources to assist in the removal of garbage. This meant leaving a minimal number of staff to handle routine work while deploying extra staff with the health department. We achieved good results, and 95 percent of the garbage was collected during this operation. Pooling resources is an important human resource management strategy in municipal management, especially when certain critical jobs need to be
implemented quickly and efficiently.

Mr. Govindaraj: In our city we have experimented with two systems. In some areas, residents are actually taking responsibility for the door to door collection of their garbage. They pay the person who does the collection. In other areas we collect the garbage using our own employees. However, we find that the areas where the private people collect the garbage are much cleaner. The conclusion is that when people pay a private collector — even if it is a very small amount — they feel a kind of ownership. They feel they have to keep their own area clean because they are paying for it. They will not allow others to make it dirty. When the municipality does it, however, this attitude does not exist.

Mr. Martin: I have two observations. The first is that service delivery is part of a bigger issue within the municipality. What you are suggesting here is a financial incentive system that encourages the landholders, the people who live in a particular area, to take responsibility for garbage collection by paying a fee. The second observation is that we need to balance equity in service delivery with flexible fee structures.

Mr. Napitupulu: Surabaya is recognized as the cleanest city in Indonesia. The reward system in place there is such that garbage collectors can actually earn more money than employees of higher rank.

Another thing is that people in Surabaya are conscientious about cleanliness. It is their tradition that they should always be clean and therefore the streets should be maintained. In Jakarta, on the other hand, since people come from many provinces in Indonesia where they have very different traditions, the attitude toward
cleanliness is different. It is harder to get people in Jakarta to collect their own garbage than it is in Surabaya. I think the important influence of the provincial tradition must also be taken into account.

**Mr. Sultan:** In Lahore, this exercise of pooling resources, mobilizing people from different departments, and partly from the community, is also put into practice quite frequently. If we have to launch a campaign, for instance, such as the campaign for removal of garbage, or for cattle eviction, then pooling of resources is done. But these are one-time exercises. Pooling is not a sustainable way to run a city. It should be seen as a reflection of the institutional weakness of the department concerned, something to which we should pay more attention. If we strengthen the relevant departments, obviously there will be less need for pooling of other staff resources.

**Mr. Martin:** I concur. If we are constantly dealing with crises, what does it say about our management strategy and the fundamental structure of our organization?

**Ms. Yicui:** Shanghai is facing the difficult task of infrastructure development. The majority of the laborers working in the 10,000 construction sites in the city are not local people. They come from rural areas. One of the difficulties we face is how to improve the quality of these workers and encourage their initiative.

In recent years, we have researched and introduced new practices in human resource management. We help staff understand the priorities by preparing an exhibition on urban planning, development achievements, and newly built infrastructure. Often the mayor will go to construction sites for a face-to-face exchange of
views with the staff to motivate them.

First, the workers are briefed on the function of these facilities. Second, we emphasize management at the very basic level. There is a description of each job and it is being reviewed and amended as circumstances change. On-the-job training is provided on that basis. Participants in relevant training are required to pass qualifications covering basic knowledge and the skills. We also hold competitions among employees. Third, reward and recognition through competition occurs. Both financial and non-financial rewards are formulated. Employees are encouraged to become model workers in regular or special competitions. Outstanding staff are financially rewarded with promotions, bonuses, and housing provisions. Non-financial rewards include recognition as model workers. In addition, the mayor and other community leaders express gratitude towards their families for their good work.

*Mr. Martin:* That is an outline of a comprehensive human resource management system, one that extends into the community and provides recognition of people involved in the construction industry.

*Mr. Payne:* I think the important feature of the Shanghai human resource management example is in creating champions among staff, using them as role models. If we have the champions out there doing good work, others will follow.

*Mr. Hamid:* I also found one very interesting point. You have to recognize the needs of your workers and to provide them with adequate facilities so they are not preoccupied with personal matters. This is something that, in many countries, has broken down.

There was an experiment in one locality in Karachi where law and order was a major issue. In
Leadership and Change in City Management

This particular locality the residents made monthly contributions toward provision of better housing, education, and environment for the police assigned to that locality. The result was that while in the city of Karachi the law and order situation continued to be bad, this locality had hardly any crime. So caring about your staff is a very important factor in motivating them. Taking care of the personal lives of employees and paying attention to their families is very important in effectively managing people.

Mr. Martin: Another way in which this is often described is career planning or career development. Everybody likes to think they have a future. Because work is so central to our lives having a future at work and looking after people is important in maintaining their motivation over time.

Mr. Shah: There are various types of professionals employed at the municipal level: engineering, planning, general management, finance, economics. One of the problems on the engineering side has been that some of these people are so overqualified that they try to use very high levels of engineering solutions on local problems. But not all cities are megacities. One very interesting case occurred in Bangladesh some 15 years ago, where the local government engineering department was highly regarded for its technical competence. The reason was that staff had worked with the municipal agencies and shown their flexibility and adaptability to local cost-effective techniques. As a result, they had become well accepted over a period of time. So one moral is, where you have a local government service at the national level that can supplement or support a program in a municipality, it should be encouraged to do so.

There is also a need for greater professionalism. One of the items we have discussed was whether there could be a career
for urban managers, a career where individuals could use broad municipal and financial management skills. There could be more specialized training programs to supplement their professional university education. I think a combination of various measures is needed. Mr. Stubbs from the ADB has developed a pioneering $70 million capacity-building project in Indonesia for urban managers that includes career mapping. The ADB is very happy with the attitude of the Government of Indonesia as they are ready to borrow money (not rely only on grants) for capacity building, mainly targeted at local government.

*Mr. Stubbs:* In preparing that project, the Indonesian Government looked at their urban sector, they looked at their policy, they looked at their institutions, they looked at their funding and implementation mechanisms, and they looked at their human resources. Out of all of those areas they identified human resources as the greatest constraint and problem facing their local government. So they put together a plan for improving human resources at the local level.

The human resource gap at the local level includes the need for engineering and other technical skills, but the greatest problem is how to bring management skills into local government. In the Department of Public Works, particularly at the senior level, the problems are management problems. Typically, they have engineers running programs who may have just post-high school education. So they are undertrained, even in their technical skills. Interestingly, there is no provision for a career path mechanism for a non-engineer in the public works department. So if they happen to be lucky enough to get a person with a degree in management, that does not help them very much in terms of career path development. In fact, it may...
Mr. Oxley: I work for an organization that underpins its management philosophy through a quality management approach. We emphasize the people process, the human resource side. We have developed a conceptual framework based around deployment, results, and improvement. These key elements drive the way in which we manage our people in the organization — how we manage the organization through the deployment of people, through the creation of job descriptions, business specifications, company standards, and by undertaking training need analysis. We develop contracts that clearly outline the performance measures we want from our people.

When we focus on the results we want to achieve we use techniques such as ‘360-degree feedback’ reports where we have appraisals both from senior levels and from peers and subordinates. We undertake staff surveys, asking them how they feel about certain aspects of their roles within the organization. We have an employment development and review program that allows employees to continue their professional development, skills development, or education program to ensure that they have the skills that match the requirements of a particular job.

We carry out a range of competence assessments as well. We identify the competencies required for individuals within particular workplaces and how these competencies can be uplifted. To give an example, we have a reward scheme whereby either individual employees or groups of employees can be nominated from throughout the organization and judged as to whether or not they should be awarded recognition for the work they have done over the year. Last year — it was pleasing to me personally — one of our work crews was able to win a team award. It was a great feeling for the whole
organization.

We emphasize training and development of our employees. We undertake quarterly reviews against set targets and measures, and there is also an annual review of the whole organization to ensure that the overall targets, our corporate goals, have been achieved.

We regard our people as the most valuable asset within our organization. We treat them with respect. We have developed a set of values that we try to promote throughout the organization. This comes about through strong leadership. This morning someone gave the example of a senior manager going out on the garbage truck to get a feel for how the job is done. I think it is important for the chief executives and senior staff to be very much involved, so that their interest in the way the organization works is clearly demonstrated. On a regular basis, one of our senior executives spends time on an inquiry counter dealing directly with customers. When we as managers demonstrate throughout the organization that we are extremely interested in things the staff do, we win in two ways — staff morale improves and we learn to look at the organization from their point of view.

Without people who are totally committed and have a positive attitude about providing quality service, we would not be the organization that we are today. I can’t emphasize too strongly how important it is to develop good people processes that are well understood and clearly articulated throughout the organization.

Ms. Prasad: In India we have a three-part system of performance appraisal. It concerns the personal qualification of the officers, the targets we have set for them, and what they have achieved. We are also asked to make an appraisal of the type of training required. The only sad part is that follow-up is rarely undertaken.
When we talk about management and human resources we are dealing with two things. One is skill and the other is commitment. Skill can be upgraded. Commitment on the part of the employee has to be developed. In a market-oriented situation where there is a goal, the immediate gain is clear, so you can motivate employees to achieve more. At the municipal level, however, it is very difficult to measure performance, and even more difficult to reward good performance.

Mr. Oxley: We measure satisfaction through an employee survey annually. All employees are asked to complete the survey on a voluntary basis, anonymously. The survey covers a whole range of issues concerning the organization. From the feedback we obtain, we can see what we need to modify in our management approach to the human side of the organization. Getting feedback on a regular basis, adjusting our management practices to ensure that our employees are motivated and satisfied, that they are contributing significantly to the overall good of the organization, is an important aspect.

We need to create an environment within the organization where people want to come to work, where they want to contribute to the overall good of the organization. Then we have a high level of employee satisfaction and certainly a high level of morale. It’s all about setting the direction. Over the last few days we have talked about a vision for the organization, setting a goal and a mission, and creating a set of values that rely on trust, integrity, and respect. These are all elements that contribute to achieving the attitude we have been talking about. It is not easy. At the end of the day, all employees come to work because they want to do a good job. I don’t know of any employee
who says ‘I don’t want to do a good job today.’

_Mr. Suwarnarat:_ I think in your position you have to give awards to people who have done something very well. How do you prevent that reward from having a negative effect in that you intimidate the rest of the people, or insult them for not being so good? How do you prevent that?

_Mr. Oxley:_ This is a very good question. It can be imagined that rewarding exceptional performers might demotivate others who think they are also good performers. That’s a risk you need to take. Our experience has shown that throughout our reward and recognition system, the overall attitude is that it is a good means of recognizing that there are people who are willing to make the extra effort.
VI. Creating a Customer Focus

Municipalities exist to provide services to customers, the people who live and work in the city and who use the city’s infrastructure and services. Municipalities also have an obligation to the community to ensure the public good; the health and well being of the citizens. The balance between community service obligations and customer needs varies from culture to culture and from city to city.

The first presentation by Rod Oxley discusses the relationship between the Wollongong City Council staff and the community. The second presentation is by Jesse Robredo, Mayor of Naga City in the Philippines.

A. Creating and Sustaining Customer Focus

Rod Oxley
Chief Executive Officer
Wollongong City Council, Australia

Customer focus is but one element in the way we manage our local government in Australia. In the context of the Wollongong City Council, customer focus falls within the auspices of our quality management system — what they want, what they need, and their expectations. It is linked to the vision, the mission, and the corporate goals of the organization. Customer focus has to be seen in the context of the totality of the management system. The emphasis on identifying the customers and looking after their needs is part of our overall management concept.
There are three aspects to creating a customer focus:

- knowledge of our customers’ needs and expectations,
- customer relationship management, and
- customer satisfaction.

1. **Knowledge of Customer Needs and Expectations**

A commitment to a customer-focused approach must be developed. It is paramount in my organization that commitment is developed and expressed from the Lord Mayor, through the Councilors, and down through the management structure of the Council’s organization. There is also a need to establish structures and processes to determine customer needs. Their needs and expectations should be prioritized and deployed within the corporate plan.

It is pointless identifying what the customer’s needs are, and assessing what customer expectations might be, unless they are translated into the planning process and the corporate plan. From that level, the functional business plans need to encompass these needs. Customer service standards and service level agreements need to be developed to meet expectations. These service level agreements should be put in place so that the customers — be they internal or external — understand what the delivery standards are going to be.

It is also important to conduct a customer survey to determine expectations and to assess them against the customer satisfaction levels. As a consequence of that survey, a gap analysis can be undertaken to ascertain the gap between expectations and satisfaction. The size of the gap will determine the level of focus that an
Creating a Customer Focus

organization needs to put into a particular service. It is essential to have a well-developed information database that can be used as a means of determining and assessing the direction in which customer services should go. It is no longer good enough to manage by gut feel or intuition. Modern management practices dictate the way in which we manage our organization and the way in which we satisfy our customers’ needs. They demand that we focus on the facts and analyze them in the best possible way.

We also need to ensure that our staff are fully conversant with the customers’ needs. At the end of the day it is the staff, the people on the front line of operations, who are called upon to deliver the range of services that we as municipal authorities are expected to deliver.

2. Customer Relationship Management

It must be clear to every employee in the organization that he/she serves the customer. It is not only the person who deals directly with the community who needs to understand the importance of the customer, it is also the employee who assists front line staff.

The concept of having an internal customer in the organization is not always clearly understood. The Wollongong City Council has developed a set of core values that are permeated and developed throughout the organization. I am talking about values such as being open and honest, about being fair and just, about ensuring that customers are an important element of the way you operate your organization.

Another aspect of customer relationship management concerns empowering staff to deal with customer problems or requests. Through empowerment of staff, by delegating and devolving responsibility, staff at lower levels within the
organization can deal effectively with customer inquiries. We need to promote a customer-friendly workplace.

In promoting our services, we have adopted a very simple slogan: *Wollongong City Council working for you.* In all of our publicity and promotional material, we always finalize our marketing strategy, our marketing efforts, and our advertisements with the words *working for you.* Vehicles used in road construction have the slogan painted on them. What does it do? It creates an atmosphere, it creates a culture of people continuously identified with the idea of commitment to providing an ideal level of customer service.

It is also important that we create an open and responsive corporate environment. In creating a customer-focused organization, you need to create an environment that makes people feel welcome and where people are proud of what they do in the organization.

3. *Customer Satisfaction*

It is useless creating a focus on your customers unless they are ultimately satisfied. Customer satisfaction is at the root of our vision, mission, values, and goals. Once again we need to be clear about what is meant by the vision of an organization — what is its mission, what are its corporate goals and objectives?

In the context of my own organization, customer satisfaction is one of our seven key result areas. The corporate plan specifies that the first key result area relates to customer focus. That it is shown first is an indication of the importance placed on delivering quality service.

We have also developed a range of mechanisms to compare customer satisfaction levels within our own area to those of other areas. This process, called benchmarking, is a tool for
assessing the performance of organizations.

One component of our customer service model is the reduction of the gap between customer expectations and the service delivered. Gap analysis is a very powerful tool for assessing the difference between what you say and what you do. We measure customer satisfaction on a service-by-service basis across all functions, as well as by taking an overall view of the organization from the customer’s point of view. This gives our management team the opportunity to modify the way in which services are delivered to ensure that those satisfaction levels are maintained.

Communicating the results of our measurements of customer satisfaction to staff is very important. Unless staff are made aware of the outcomes of their work, they cannot respond. We publish a monthly staff newsletter providing updates. Disseminating this information throughout the organization makes people feel they are involved. This has an impact on morale, and when you have a situation where morale is high, you have people who are prepared to go the extra mile to satisfy the customer.

A focus on customer satisfaction also leads to working directly with customer groups to bring about continuous improvement. We interact with people to ascertain whether or not they feel satisfied, so as to find out if they are getting the right level of service from our organization. For example, in our planning or building approvals area, we often invite consultants, architects, and planners to meet with us to ascertain whether or not the processes we have in place are meeting their expectations.

As cities grow into megacities, as we start to see economies prosper, people want a greater say in the way their municipalities are managed. They expect and deserve better levels of service than in the past. This is a challenge for all municipal
Leadership and Change in City Management

authorities throughout the world. By developing a good customer service model, emphasizing that customers are important, we will achieve much.

B. CREATING A CUSTOMER FOCUS IN CITY GOVERNMENT

Jesse M. Robredo
Mayor, Naga City
President, League of Cities of the Philippines

1. Introduction

In my presentation today I will focus on our four successful innovations in Naga City.

- Presenting and communicating a vision
- Sharing the vision
- Reinforcing the vision
- Overcoming resistance

The situation in Naga was not ideal when I took over as mayor in 1988. To some extent, the situation at that time represented the Philippine political culture which is founded on certain oriental values. For a very long time, political power had been concentrated in the hands of few families who managed to sustain it by dispensing favors under a system of patronage. The concept of *utang na loob* (debt of gratitude) is very pervasive, its effects able to span generations. It is reinforced by other values, such as *hiya* (shame) and *pakikisama* (fellowship).

But there were some perceptible changes in this culture. The present Philippine Constitution frowns on political dynasties, which leveled the playing field to some extent, encouraging and enabling newcomers to join politics and share power with the entrenched families. The preponderance of competing candidates, including those from the
political families in Naga, is the main reason that I was able to win the election as a minority mayor in 1987.

2. The Productivity Improvement Program

a. Beginnings

Initiating municipal reform is difficult, especially for a new administration. But when we reassessed the whole situation, we saw crisis-like circumstances that actually offered an opportunity to introduce radical changes.

We initiated a series of confidence-building measures. The entire local bureaucracy was reorganized, starting with a comprehensive examination that all employees underwent. Many thought it was just a joke. But to their consternation, and to the relief of demoralized but competent workers, results of that examination served as the basis for placement and ranking of employees depending on their skills and aptitude.

At the same time, we felt that our people — whose average take-home pay was the lowest among the cities of the Bicol region — should be better compensated to boost their morale and efficiency. To address this, we provided the following:

- a 10-percent across-the-board increase for rank-and-file employees, effective immediately;
- a 10-percent increase in the salary rate of department heads, effective immediately;
- a 200-percent increase in the monthly cost of living allowance, effective immediately;
- P1,000 cash gift to all employees;
- a 13th month’s pay to all employees at year’s end;
Leadership and Change in City Management

- P758,000 to cover deficiencies in salaries for 1988; and
- P249,000 to cover the terminal leaves of all officials and employees.

These efforts might seem a pittance by current standards. But money value was beside the point. The point was to convey the message that the new leadership cared for the welfare of its employees. And it paid off handsomely, firmly securing rank-and-file support and cooperation for our programs and projects. Capitalizing on the restored morale of our people, we then proceeded to implement measures aimed at professionalizing the employees and upgrading their knowledge and competence.

- To ensure justness and fairness in the system of promoting employees, we formed a Promotions Board where, aside from the traditional members, the president of the Naga City Government Employees Association was given a seat for the first time.
- We devised schemes that gave due recognition to outstanding achievers to inspire them to go to the limits of their potential. This led to the institutionalization of an annual awards scheme for employees.
- We meted out punishment to erring employees and officials, always guided by the precept that ‘public office is a public trust.’

All these served as critical foundations for the conceptualization, implementation, and institutionalization of our Productivity Improvement Program (PIP). PIP focuses both on employee empowerment (people change) and improvements on systems and procedures (systems change) to improve the quality and quantity of frontline service delivery.
Primarily, it seeks to transform local government employees into genuine public servants driven, not by rules and regulations, but by vision and mission. To buttress and sustain this transformation, the program focused on improving systems and procedures, fine-tuning them to the needs, problems, and aspirations of the people.

Thus, against the backdrop of perceived incompetence and inefficiency in government, we sought to demonstrate the opposite. By always aiming to please, and putting our clients, the Nagueños, first, we not only showed that government could work, but that we could do it better! Consistent with our vision to give Nagueños the city they deserved, we sought to establish City Hall as a center of excellence, and to sustain it over time by instilling a culture of excellence in the bureaucracy.

b. Objectives

Conceptually, PIP tackled the problem of how to bring about adequacy, efficiency, effectiveness, and equity in the delivery of public services amidst competing sectoral demands. Specifically, it sought to attain the following goals:

• to set response time in the delivery of services to its barest minimum;
• to pursue specific projects and activities aimed at inducing and sustaining peak productivity levels in all departments and offices;
• to encourage employees to come up with viable ideas and suggestions to further improve productivity;
• to constantly upgrade the skills and competence of employees through the regular conduct of seminars, workshops, training, and similar activities;
• to institutionalize a cost reduction system; and

Against the backdrop of perceived incompetence and inefficiency in government, we sought to demonstrate the opposite.
Leadership and Change in City Management

• to set up a feedback mechanism for the public.

c. Operational Activities

To operationalize the program, we implemented the following projects and activities.

• *Productivity seminars.* Seminar and workshops on various productivity enhancing techniques and methodologies were conducted for every department and working unit. Among the topics taken up were techniques of office management, action planning, and time management.

• *Contract of deliverables.* Each department and work unit were required to post in a conspicuous spot within their offices a list of the frontline services they performed, the personnel in charge of each service, and the minimum time needed by that personnel to complete each specific task.

• *Very Innovative Person (VIP) Project.* To generate suggestions on how to improve systems and procedures, and to cut down on operating costs and waste, the VIP project was conducted annually. This contest among City Hall employees featured rewards for winning suggestions. It is estimated that the city government saves P1.5 million per year by implementing suggestions that came out of the VIP project.

• *Semestral surveys.* To generate feedback from employees, a semestral survey among employees was also conducted using a simple questionnaire randomly distributed by the PIP Committee. The questionnaire asks what they think of the PIP and how it affects their daily

The city government saves about P1.5 million per year by implementing suggestions made by employees through the VIP project.
Creating a Customer Focus

working processes.

- **Weekly Management Committee meetings.** A weekly meeting of the city’s Management Committee was conducted every Monday, presided over by the Mayor. The Management Committee consists of department heads, chiefs of offices, and responsible officers for independent working units of the city government. It enables the middle managers to report directly to the Mayor on a weekly basis of progress in each department/office, determining, in the process, the inroads made by the program in the day-to-day operations of the local government unit.

- **Institutional feedback mechanism.** To enhance monitoring and evaluation, the PIP Committee, in close coordination with the *Lingkod Barangay* (one of the city government instruments with direct links to the *barangays*, or neighborhoods), conducts mid-year and year-end surveys to determine how people assess the quality of frontline services delivery.

- **Productivity Improvement Circles.** At the department and working unit levels, the establishment of Productivity Improvement Circles was encouraged and promoted among personnel performing related functions. It seeks the best way to evaluate current working conditions by obtaining suggestions from each department of ways and means for improvement. The best-performing Circles are recognized at year’s end.

- **Annual Search for Outstanding Employees.** Every year, the Naga City government culminates with the search and recognition of
outstanding departments, officials, and employees. Most often, it coincides with City Hall’s Christmas party, where winners of various PIP contests are also announced.

- **Employees Day.** To strengthen teamwork and promote camaraderie, the city government also holds an interdepartmental summer sports fest. It culminates with City Hall’s traditional Employees Day, which is dedicated to the rank-and-file every summer that features, among other events, a beach outing.

d. **Challenges and Obstacles**

As expected, the program encountered obstacles, the most significant of which was the process of accepting change — where old attitudes and bad work ethics had to be discarded. Apathy, emotional resistance, and insecurity were the usual reactions.

The employees themselves were the strongest critics of the program because it upset convention — from mere fence-sitters, they were now expected to share in many management prerogatives like decisionmaking and goal-setting. Usually, criticism comes in the form of passive resistance to innovative approaches, absurd treatment of new ideas, or open support for the status quo.

At present, only a few critical voices still linger among City Hall employees. The criticism stems mostly from employees who fear that in the ongoing process of change and transformation, they may literally or figuratively be swept away. But once they realize that their fears are baseless, the criticism will, sooner or later, fade away.

e. **Success Indicators**

How effective is the PIP in changing the way we do
things in Naga City? I would say it is nothing short of revolutionary. Consider the following indicators, both in terms of the quality of service as well as the innovations spawned in the process of further improving the quality of delivery.

In terms of service delivery, our people attained dramatic improvements in response time, service coverage, and cost efficiency. Here are eight examples.

i. *Child welfare.* With its City Health Office in the forefront, Naga emerged as the most consistent top performer among 62 Philippine cities in advancing children’s welfare. According to a 1994 progress report of UNICEF and the League of Cities of the Philippines, it figured prominently in 7 of 11 major indicators for child survival, protection, and development.

ii. *SMART.* The project included the introduction of honors classes and computer subjects in the curriculum, the establishment of four additional high schools, and other quality-enhancing programs. Project SMART enabled Naga to top the Bicol region in achievement among high school students for the first time. In addition, the establishment of one model city day care center and 24 barangay centers since 1988 brought the total to 54 — all of them now using the Montessori approach to early child care and development.

iii. *Urban poor program.* Led by the lean but mean Urban Poor Affairs Office, Naga evolved the Philippines' best urban poor program. Its *Naga Kaantabay sa Kauswagan* was cited as one of the Top 40 Best Practices by the United Nations during the Istanbul City Summit in June 1996. In addition, it was featured twice in the Cities
Leadership and Change in City Management

Sharing Workshops and an international gathering in Surabaya, Indonesia. Naga was also visited by Indian local government officials.

iv. *Hospital care.* With the Naga City Hospital at the forefront, the city registered a 382-percent increase in number of patients treated for a total of 70,362 patients or 193 per day in 1996 (from only 10,800 total or 40 patients per day when it began operating in 1991).

v. *Garbage collection.* The General Services crew dramatically increased its garbage collection efficiency from only 31 percent in 1990 to 85 percent last year. The crew expanded its coverage area from two to eight major subdivisions, and hiked its frequency of trips from twice a week five years ago to daily collection in the central business district.

vi. *Cost Reduction.* All these initiatives were complemented by cost reduction efforts under the PIP. For instance, the VIP scheme contest among city hall employees enabled the government to save around P1.5 million annually.

vii. *Income generation.* Led by its City Treasurer’s Office and employing practically the same staff complement, Naga’s income last year hit a remarkable P163.4 million. Of that amount, P62.8 million was locally generated, a 376-percent improvement over the 1988 level of only P13.2 million.

viii. *Government spending.* Finally, city government budgeting over the past three years proceeds from a given that maintenance and other operating expenses of all departments will remain at their 1991 level,
notwithstanding the city’s rapidly increasing annual budget. Thus, while City Hall’s per capita spending on social services zoomed from P65 in 1991 to P323 in 1995, and on economic services from P225 to P8,411 during the same time span, its per capita administrative expenditures last year actually dropped to P216 from P219 in 1991.

For its effectiveness and originality, PIP was adjudged one of the country’s Ten Outstanding Local Government Programs in 1995. Naga also received the Galing Pook Award, which has become the country’s most prestigious award for local government. PIP also gained international attention when it was featured during the International Conference on Governance held in Manila in October 1996.

3. Replicable Innovations

Our effort to sustain and cultivate a culture of excellence at City Hall spawned a large number of local programs recognized nationally and internationally for their innovativeness. These include the following.

i. *Naga Kaantabay sa Kauswagan.* This program is Naga’s unique and highly effective response to squatting, a symptom of the urban poor phenomenon plaguing urban centers worldwide. The program was another Galing Pook awardee and most recently adjudged during the Istanbul City Summit as one of the Top 40 Best Practices the world over. Its strength comes from the fact that given our limited resources, we decided on a strategy of focus (mass homelot acquisition over mass housing), developed creative approaches to facilitate homelot ownership, and in the
Leadership and Change in City Management

process forged a tripartite approach that worked wonders in settling tenurial issues.

ii. *Metro Naga Development Program.* In 1994, this program was recognized for its uniqueness and refreshing originality as a pioneering exercise of the 1991 Local Government Code provision encouraging cooperative undertakings among local government units. Reduced to the simplest terms, the Metro Naga Development Program is a highly effective exercise in resource pooling. Guided by the principles of resource complementation and role definition, the program pools the efforts and resources of 13 local government units, the private sector, and national government agencies in Camarines Sur (Naga City’s province) and focuses them on projects and activities that address the immediate needs of the Metro Naga constituency. In the process, it lays the groundwork for balanced, long-term growth of the area by operationalizing a scaled-down integrated area development framework, capitalizing on the strong urban-rural linkage between Naga and its neighboring towns. The program also serves as a mechanism for channeling resources from various sources.

iii. *Emergency Rescue Naga.* The third of Naga’s three *Galing Pook* winners (1994) is Emergency Rescue Naga, a program that addresses the urgent need for fast, reliable service in times of emergency. Inspired by Rescue 911, it optimized the in-house capabilities of the Naga City Hospital, which serves as the program’s headquarters and operations center. Like the Metro Naga Development Program, Emergency Rescue Naga features highly successful community resource mobilization.
By mobilizing the combined resources of the city government, the police and fire departments, the local association of barangay councils, government and private medical and educational institutions, radio stations, local amateur radio groups, and private medical volunteers, Emergency Rescue Naga provides the following services to Nagueños around the clock.

- Emergency rescue and transfer
- First aid
- Ambulance service
- Quick police response
- Traffic control
- Firefighting
- Promotions
- Disaster preparedness and control

Emergency Rescue Naga effects coordination among participants primarily through the use of VHF radio and a telephone hotline, enabling the program to attain a 3-5 minute average response time within the city proper, and 30 minutes for the farthest mountain barangays some 17 km away.

iv. Naga SPEED. While the Metro Naga Development Program focuses on economic objectives, the Kaantabay sa Kauswagan and Emergency Rescue Naga on social concerns, the Naga Socialized Program for Empowerment and Economic Development (Naga SPEED) concentrates on political empowerment. Naga SPEED is a revolutionary mechanism for maximizing people participation in local governance.

Naga SPEED is unique for laying down multiple channels through which specific sectors, groups, or the entire constituency can
participate in identifying developmental priorities and stamp their mandate or disapproval on major policy issues. As a result, it addresses the need by a local government unit to have its programs supported by its people, and to implement projects and activities. An innovative component of Naga SPEED that sets it apart from other consultative mechanisms is its pioneering use of the referendum as a local tool for people empowerment. Indeed, Naga City was the first local government unit in the Philippines to hold a referendum under the aegis of the 1991 Local Government Code. Through this mechanism, the people adopted three crucial policy measures that have far-reaching effect on the future of the city.

In the process, it has mainstreamed the so-called silent majority — the unschooled, the poor, and the powerless — within the priority-setting and decisionmaking process of the Naga City government. Through Naga SPEED, these people, whose previous importance to government officials rose and waned with elections and who had never before been asked to express their views on government policies, were finally given a niche in local governance.

v. City Government Computerization Program. In 1993, we began implementation of the Naga City Government Computerization Program. Tapping the resources of a local university, this in-house capacity-building program sought to harness the powers and potential of computers as a management and productivity tool in a local government setting. This enabled the city government to develop no less than 17 computer applications in various areas of local governance.
vi. *Naga Early Education and Development (NEED) Program.* The city government implemented a comprehensive program that sought to provide quality, equitable, and accessible education at the preschool, elementary, secondary, and tertiary levels. This program is innovative because it redirected existing disparate education programs of the national government into one cohesive and comprehensive whole, thereby putting sense and logic into the local education system.

At the preschool level, NEED effectively evolved an early education program for all preschoolers in the city, including those with disabilities. NEED worked out of the traditional day care services of the Department of Social Welfare and Development, combining the old custodial care with Montessori-type preschool education.

At the elementary and high school levels, the city government upgraded the quality of instruction to be at par with private schools by implementing the SMART project. NEED improved the pupils’ proficiency in science and mathematics, established honors classes, introduced computer literacy into the curriculum, and established Naga City Science High School plus four other high schools.

At the tertiary level, the city government implemented the pro-poor *Iskolar kan Ciudad* program that gave out scholarships to deserving but financially distressed college students.

vii. *Ecological Solid Waste Management Program.* To better manage local waste, we launched this program late in 1995 to focus on zero-waste management, the first of its kind in the entire country. The innovation here stems from
accessing existing waste management technologies and applying them locally. The project was implemented to improve local solid waste disposal, make the whole process more earth-friendly, generate employment, and address the rapidly diminishing capacity of the city dumpsite.

Presently, around 30 percent of solid waste generated daily in Naga City is being sorted and recycled. Compost fertilizers are already being produced at the dumpsite. And the technology, first piloted at the Naga City Public Market, is being replicated in surrounding barangays. Impressed by this initiative, the Department of Environment and Natural Resources pledged support to the project.

viii. **Government-NGO partnership.** One secret of Naga’s success, one that we take great pride in, is the presence of a strong local network of partners from both government and nongovernment organizations (GOs and NGOs) as well as people’s organizations (POs). This partnership draws its strength from progressive elements in the political spectrum. Through the institutionalization of SPEED and the Naga City People’s Council, an umbrella organization of NGOs and POs in the city, we have drawn active multisectoral participation and stakeholdership in local governance from local communities in Naga.

### 4. Conclusion

The following six observations stand out concerning our involvement with PIP:

- *Improving the quality of service delivery should be a fundamental goal of any change process in the public sector.* This stems from the
general perception of the relative incompetence and inefficiency that typifies public service. Disproving this is a big challenge for government leaders.

- **Efforts to improve quality of service delivery should be consistent with the leadership’s vision and strategies for the change process.** The success of improving the quality of service delivery is predicated on how the leadership introduces and manages change. Success in this area is largely a result of how a leader communicates his vision, the extent to which the people share that vision, and how he/she reinforces the mandate with confidence-building initiatives.

- **Improving productivity as well as the quality of service delivery should focus both on people and systems.** One will not work without the other.

- **Local governments can succeed in improving the quality of service delivery.** Compared to national government agencies and instruments, local government bureaucracies are small in size, work for a smaller clientele, and are therefore more manageable. Further, they are not resource-intensive since the focus is on maximizing the potentials of people and improving systems and procedures.

- **Successful innovations are built on partnerships, particularly with local NGOs and POs.** This is a common underlying theme to all our successful programs, from Naga SPEED to the People’s Council. As with all other successful innovations, it affirms the reality that government cannot do what it sets out to do on its own. Sharing skills, resources, and responsibilities with partners is essential.
• Over time, government should move toward being development coordinators rather than ‘do-it-all’ service providers. This is a corollary to the above. We should recognize that in the emerging economic order of globalization, the only way we can compete is to specialize. Certainly, government resources will not allow us to do everything. A proper response is to focus on functions that government does best, leaving the rest to its partners. When government assumes the role of a development coordinator it cannot abdicate its governance function.
We have been talking about how can we translate our visions and dreams into reality. One of the very important aspects in this process is resource management. Resources are of various kinds: institutional, human, and financial. Financial resources are very important and, in my long experience, financial management is one of the weakest areas in municipal management.

In the ADB we have recently introduced the project performance management system, which aims to link the long-range objectives with the medium- and short-term objectives, and to facilitate monitoring the broad development impacts of the projects. The monitoring system needs to be developed in such a manner that it links the various objectives to key result areas. The management information system needs to incorporate financial information appropriately. During our earlier discussions, we were also talking about the need to cut across the jurisdictions of individual work units to create an integrated mission and vision across the organization. As we discussed the other day, it frequently happens that staff involved with
accounting and finance never go to the field. They don’t see the customers. A greater exposure of these staff to clients and customers would give them a better understanding of the purpose of their work. They would be able to develop linkages with other units and generate a greater cross-fertilization of ideas within the organization.

Some years ago I was involved with the development program in Dhaka. Both the World Bank and ADB were trying to strengthen the financial reporting, accounting, and other management systems within the Dhaka Municipal Corporation. It was agreed that the position of the Chief Accounts Officer should be upgraded, and the number of staff dealing with accounting should be increased. During project implementation I noted that many of the senior staff in the accounts section were seconded from the Central Audit and Accounts Service. They never settled in this job, stayed in the position for only a few months, and treated this only as a transition during which their main interest was to look for another job. With such frequent staff changes and a lack of commitment, financial management and accounting remained a relatively weak area.

We have had considerable experience in Indonesia working with the local, provincial, and central government agencies on urban development projects, including local institutional development action plans and revenue enhancement plans. During the implementation process, the emphasis remained on physical targets and achievements, including contract awards and disbursements. Inadequate attention was given to the outcomes and impacts, including progress on these action plans. Even the Bank’s review missions tended to neglect this area in the earlier phases of the implementation of projects. Toward the latter part of the projects more emphasis was placed on the institutional and financial aspects, but the actual accomplishments
remained lower than appraisal estimates. The Bank’s project performance reports have consistently identified the need for more emphasis on the institutional and financial aspects to ensure sustainability of benefits.

One other subject of relevance in this context is that there is a lot of wealth generated in cities. The challenge for municipal managers and administrators is to tap into this wealth and utilize it for basic services and poverty alleviation programs in a cost-effective manner. Linkages of vision, mission prioritization, and local resource mobilization are important. In my view, one area that has received inadequate resource mobilization is land administration. We need to do a much better job of realizing greater resources for urban development from better land taxation.

A constant theme in many projects is decentralization. However, while the central governments have often surrendered many of their functions to local authorities, this has not been accompanied by fiscal decentralization. The Bank is now working with governments to develop various funding mechanisms for regional and local development, including the municipal development fund in the Philippines and the regional development account in Indonesia. However, the basic message is the importance of self-reliance at the local level. While the higher levels of government will be helping local authorities, it is important that greater efforts be focused on resource mobilization at the local level.

B. FINANCING THROUGH PARTNERSHIPS

Keshav Varma
Former Commissioner, Ahmedabad Municipal Corporation
Ahmedabad, Gujarat, India

In the South Asian context, partnerships are very important for creating sustainability and relieving corruption. Local self-governments have to realize that they are confronted with a pattern of extremely complex issues. When I was the Municipal Commissioner in Ahmedabad, the urban development budget of the state government of Gujarat was exactly 0.8 percent of the total budget. If this is total funding available for urban development, we have a problem. The magnitude of the problem has to be understood. Only then can we find solutions.

The rate at which urbanization is taking place, and the disparity between the developed countries and the developing countries is frightening. Why, for example, is child mortality high? Policy planners in urban areas are so insensitive to the issues that they do not really care unless you dramatize the whole problem. Look at the investment needs for developing countries. The World Bank estimate of the required urban housing infrastructure investment over the next 30 years is

- Africa — $1 trillion,
- Latin America — $500 billion, and
- Asia — $2.3 trillion.

The gap between needs and availability is $100 billion to $200 billion. Current annual private sector investment is $25 billion. Planned World Bank annual investment over the next five years is $3 billion in East Asia alone. What are we talking about, 1 percent of investment? Therefore, there is a need for convergence and there is a need for partnerships.

When I started working with the Ahmedabad
Municipal Corporation, it functioned in total isolation. How the Corporation worked was a mystery, and that was the biggest problem. In such a situation people can indulge in wholesale corruption. The land deals in which bureaucrats and politicians dealt separately with builders led to corruption. Unless you create partnerships that contribute to transparency you will never be able to deal with these problems. I believe the fundamental issue of city management is partnership.

You cannot function effectively by excluding the city because it is very close to you. The city is all around you. It is not like a member of parliament or a senator whose constituency is far away. Here your constituency is right beside you. The response of the city, the negative as well as the positive, is a very immediate issue. I want to describe one partnership relevant to all of us, one that deals with the poor — the urban poverty partnership.

The population of the city of Ahmedabad is 41 percent poor. These people are located in 2,412 locations. Traditional poverty-oriented programs aimed at alleviating poverty in Ahmedabad were a mockery. Because budgets were allocated at the state level, the Municipal Corporation received insufficient finances to do anything substantial, and $1 million-$2 million would go annually to slum areas and make no difference. In fact, the kind of investments that were being made created more problems than solutions.

Ahmedabad is the seventh largest city in India, and next to Bombay the second biggest trade center in India. The population is 3.6 million. The number of households living in slums is 225,000. Eighty-three percent of slums are located on private land, 10 percent are on municipal land, and 7 percent are on government land. Annual growth rate of the population is
Leadership and Change in City Management

higher in slums, double that of other areas. These characteristics typify urban slums across Asia.

The purpose of the partnership we formed was to integrate the slum into the mainstream of society by physically upgrading the slums in the city within a finite time frame of seven years, improving the quality of life of urban poor in terms of health, education, and skill upgrading.

We decided to face the totality of the problem all at once instead of going slowly over time. Because we were going to work this problem out over the next seven years, it was going to cost $100 million. Money, in fact, was not the problem. The problem was the mind set. We didn’t want to take on one or two slums and leave 2,408 for the next year. If we kept on managing like that we would never address the problem. So we took on the whole problem.

The municipal corporation did not have the professional competence to address the problem. We had to create partnerships of trust, we had to create a partnership with the beneficiaries themselves. Therefore we came up with the partnership concept where the beneficiary would pay for upgradation. It wasn’t to be a top-down concept. The beneficiary would pay for 33 percent, the private sector would pay 33 percent, and the Corporation would pay the other 33 percent. The whole program would be taken to the slums not on the shoulders of the municipal managers, but through NGOs and a separate institution.

The women in the slums played a very major part, and I think the help of the women completely changed the level of confidence. In a society where open defecation occurs 70-80 percent of the time and women cannot relieve themselves with dignity between sunrise and sunset, medical and health problems are inevitable. The public toilets in the city were in such a mess that we created 50,000 individual toilets in two years in the city. The pay-
and-use concept was first started in Ahmedabad based on this public toilet. This project was enthusiastically supported by women’s groups, and these groups were equal partners with us.

What it meant was the NGO was getting the credit. The private sector also got credit for its contribution. The community gets the benefit as well as the credit, and although political loyalties were often divided, everyone embraced this partnership. Why? The partnership is the community, the slum dwellers, and the private sector. We included the top NGOs in the world in our programs. The part played by NGOs was absolutely critical in bringing us a level of quality and professionalism that had never before existed.

What we were trying to do in the slums was to provide water, internal roads, pedestrian walks, stone water drains, streetlights, solid waste management, and landscaping. All of this had to come through professional planning, not through casual planning by municipal engineers. We engaged professional planners. We handed over the total work of planning, contour planning, the integration of planning — what we call ‘slum networking,’ to professional planners.

The infrastructure planning in the slums would network with the infrastructure planning for the city. Therefore the city infrastructure was planned in such a way that it encompassed the slum planning. This was the first time slum infrastructure was being planned in a systematic way. Instead of somebody just providing a road or a streetlight, the whole area was being planned. I described this approach as ‘landscaping.’

We have been working in the slums of Asia for the last 40-50 years. They have not changed. The degrading conditions in which people live are the same. We introduced the concept of landscaping so that the slum would stop looking like a slum after we had gone through the process
of development, and this has made all the difference.

Community development improved in the slums. It was all done by NGOs. Handing over the responsibility, however, is not easy for municipal commissioners to do. They do not like to relinquish their power. But one has to understand that by handing over functions to professionals you improve the functions. The role of the agencies is in the partnership, the community, forming neighborhood committees, and contributing to workforce development.

What we did was simplify the whole concept of tenure rights, the belief that you have to give tenure rights to people who live in slum areas. We said that for 10 years the Municipal Corporation of Ahmedabad was not going to touch anybody, whether they be on private land, state government land, Government of India land, or Corporation land. I was strongly criticized by many for this position, but I asked for one example in which the poor had been relocated in the city. There were no examples. We talked about never allowing tenure rights versus the political will to move people out. There were lots of skeptics. Nobody believed that the Board would pay, that the Ahmedabad Municipal Corporation would hand over its constituencies to a private sector trust, that this trust would be able to provide professionals to do the job, and so on. What I’m going to show is how a pilot project guided a total upgradation process. The project, which has been visited by staff from both ADB and the World Bank, is known as SHARDA — Strategic Help Alliance for Relief to Distraught Areas. It is also known as the Ahmedabad Financial Support Project. The World Bank worked with ADB over three years to co-finance development.

All of our municipal corporation engineers were extremely reluctant to hand over the work to
private sector and professional development contractors because it meant that the monopoly of the contractor-driven system would be broken. The planning process was very professional with the private sector looking at the whole thing. The NGOs were there, the whole process of municipal management was thrown open for all to see, and that is one basic strategy of municipal management. In the act of throwing open the curtain, it makes a difference to corruption. Political relationships become petty and insignificant. You are in the spotlight and the public expects something different from you. The partnership is expecting something different and this partnership very quickly gets cemented in the public gaze. This is very important if you want to create sustainability in the environment. And you have to create the strategy of opening the gates and then let everybody look, let the press in, let the critics in, let the international institutions in. Let the whole thing become a partnership and let everybody see a different level of awareness. It will be very difficult for the new management to bring it down.

Municipal bonds are also an important form of partnership. We had given 10 years tenure rights to Ahmedabad Municipal Corporation land. Our performance was credible. We had created a sense of pride and commitment in what we do. We had created a sense of mutual respect.

My 24 years of experience in the civil service have taught me this: if the civil servant creates a professional relationship and raises the level of management, the politicians are also very happy. The civil service is on a different level. Partnerships are based on respect, on professionalism, on accepting that the other side also has a point of view.

Our project has gone from what was previously known as a slum to what is now proudly called a township by the residents. They have
invested money. In fact, the beneficiaries have paid in advance. You will be surprised to know that the Municipal Corporation of Ahmedabad is finding it difficult to keep up with the demand from the poor to professionally upgrade themselves. The tears of joy that you see there are, I think, the best reward that any municipal manager can get.

The partnership opens your finances and your performance to the public. You create different partnerships and these partnerships are the only way of creating sustainability in the environment.

Why the bond? Why the need to raise this money? The $35 million we raised could have been obtained through ADB, through USAID, through the World Bank. So why the bond?

When we were in the process of upgrading financial credibility, of creating professionalism, the question kept coming up. What happens if the management changes? Who is going to be in charge? Who is going to make sure that all we have done continues? Where are the safeguards?

In municipal management, the biggest safeguard is the people. Getting money from various international institutions was creating problems. We invited the Credit Rating Information Service of India Limited (CRISIL), a joint venture with Standard and Poors, to do a credit rating. We did not know what we were getting into. The state government did not know either. Neither did CRISIL, who told us they had never rated a municipal corporation. With the level of municipal risks, the level of financial risks, the political and management risks, nobody knew how to rate it. Some of their top financial experts came to the Municipal Corporation for three and a half months. We helped them in their 15-year projections. Our situation was that in the next 15 years, our income was supposed to rise at a level of 11 percent, and our expenditure to rise at a level of 12 percent. We had taken steps to completely change the
recruitment qualifications of the municipal managers to cope with this. Only MBAs, chartered accountants, environmental engineers, and degree holders would become officers in the Corporation. We had already placed 40 MBAs and chartered accountants in the Corporation as part of the management executive training scheme that was to revolve every year. This was admired by the rating agency.

CRISIL looked at the environment, they looked at everything. Then the problems started coming in, the political party started questioning, administration itself started questioning. Why were we doing this? We were known to be financially unhealthy. We only owed money to the government and a few other institutions, and if a problem came up we could go explain it to these creditors. But who would explain to the people? It was their money we were going to put into this. It was a stand-alone concept with no other safeguards. The state of Gujarat had been seeking a guaranteed bond since 1978. But this was the first time that the credit rating was based on a non-guarantee of the state. It was a stand-alone concept. The state government did not come in. And when the credit rating came, it was an A+.

This created a problem for us for one and a half years. Bureaucratic egos clashed, we played our games, the state government played their games. Finally the politicians rescued the act by giving in. We had a bureaucrat who became the Principal Secretary for Urban Development. She said you will never be able to get clearance from the state finance department. We decided to go straight to the Chief Minister. We took the direct approach for the municipal bond and informed the finance department about it. The clearance came in. We then accrued income, met the repayment schedule, and the credit rating was raised to AA.

Then I joined the World Bank. The new
Municipal Commissioner is a very dynamic person who has continued with my programs.

The response from the cities was ‘Why are you raising $35 million? Why not raise $100 million? We’ll come forward and give it to you because this matters.’ The response was ‘We are investing in our own infrastructure. We are creating our own world. We are not contributing to the central government where the funds go for agriculture or other things. We are contributing for ourselves.’

The reception to our public awareness program was extremely enthusiastic. We spent $1 million on an advertising campaign. The campaign had a message — the people and the partnership. The whole campaign was based on the position that we are doing well because we listen to people, we listen to the city. Partnership with the citizens is the essence of management. You have to go beyond communities, you have to establish a sense of pride and emotional involvement. Passion and pride and emotions affect management in a much bigger way than just rational thinking. You have to reach and create. You participate in festivals together, you participate in epidemics together. You have to be out there, with the people, on the street, because no file or paper work ever establishes relationships. We represent you, we were saying, we are the essence of your aspirations, your ambitions.

If you want to reach out to the environment and be competitive, change your paradigm. In Bombay, the Gujaratis from Ahmedabad started talking about their new pride in their city. Ahmedabadians in Washington and New York started coming back. At least 11 top-level heart specialists came and joined the medical college. More money, more investments started coming in. What had we done? We created an emotional partnership with the people of the city. This has sustaining value.

**Passion and pride and emotions affect management in a much bigger way than just rational thinking.**
The bond was oversubscribed, despite the fact that the interest rate was reduced by 2 percent. At 14 percent, it is the first real municipal bond in which the pride, the emotions, the passions, and the vested interest of the people was respected. This is what partnerships are all about.
Leadership and Change in City Management
A. LOCAL GOVERNMENT IN JAPAN

Jiro Kubota

Secretary General, Council of Local Authorities for International Relations
Tokyo, Japan

I will speak about the features of the Japanese system of local government and its current issues. I will focus particularly on the recent central issue in Japanese local government called ‘local decentralization promotion reform.’

Japanese local government has a long history, more than 100 years. Before the end of the Second World War, our local government system was similar to the local government systems developed by France and Germany. After the war, we introduced some elements of the American local government system. Our present system is a unique combination of European and American.

These features characterize the mixture and unique nature of local government in our country.

• First, Japanese local government has a two-tier system: one tier is concerned with the regional government, the other with municipalities. There are 47 regional governments and more than 3,000 municipality governments.

• Second, the Japanese local governments enjoy constitutional recognition. The Japanese
Leadership and Change in City Management

Local government in Japan cannot be abolished without an amendment to the Constitution, and the Constitution has never been amended.

Constitution guarantees local autonomy with election of governors and mayors and assemblymen/women. It also provides other principles of local government. This is very important because before the war the Japanese constitution did not guarantee the status of local government. After the reform of the Japanese Constitution, the status of the local government was guaranteed. This means that the National Parliament cannot abolish local government without an amendment to the Constitution. The Constitution is very hard to amend. The Japanese Constitution has not been amended since it was declared.

- Third, in Japan, local governments have ‘general competence’ powers. These general competence powers are provided in the Japanese Local Government Act. This type of act originally derived from the style of continental European local government systems. In local governments developed in the British colonial countries, the powers and functions of governments were determined by specific laws; for example, environment and urban development. However, in Japan, through the Local Government Act, local government can do anything as long as it benefits the local residents. In terms of the legal system, Japanese local governments enjoy a wide range of capabilities. However, in reality they are also obliged to carry out a wide range of functions delegated by the national government. While Japanese local government has a wide range of ability or powers, in reality these powers are controlled by the National Government through other acts of parliament.

- Fourth, the governors and mayors of the local
assembly are elected by residential votes. This system is called a presidential system. In terms of the structure of local government, some countries have more flexible arrangements. For example, in countries with the British system, the members of councils usually elect the mayor from amongst themselves. In Japan, the direct election of governors and municipal mayors is provided by the Constitution. There is no other way. This lack of flexibility is also a feature of our local government system. It is remarkable that this rigid system has continued for more than 50 years without any parliamentary amendment.

Fifth, most local government employees are on lifetime employment. That usually means the local government authority, the governors or mayors, employ the local government employees immediately after they graduate from university. Employees then have to work in the same organization until they reach retirement age. This system is called the career system and is very common in the military or diplomatic services of other countries. Local government officials are in a career system. They are provided with ample opportunities for training and development. They change positions within the same local government and are not assigned to any special job description. The selection of local government employees is based on the results of examinations. This is very different from local government employment systems based on contracts. In Japan we do not have contract employment. All Japanese local government employees are appointed.

One of the features of the Japanese local government system is the exchange of personnel between the national and local
governments. National government officials have worked in local government, and local government officials often have the chance to work in the national ministries and agencies, particularly when they are young. This is considered a part of professional career training.

- Sixth, local governments depend on the national government for their fiscal resources. Typically, the proportion of resources raised locally is 30-40 percent. Local government expenditure in Japan comprises 14 percent of gross domestic product. This means local government expenditure in Japan, the businesses and activities of local government, is very large. It is the very reason why local governments must finance works and services from their own fiscal resources. One of the main features of local government in Japan is its fiscal dependence on national government. This is partly due to the allocation of duties and functions to local government in our country.

Local government in Japan has had several major policy issues to address since the 1980s. The first one is to prepare for the elderly, particularly in the local and rural areas. Local governments have many programs for the aged. At the same time, local governments in Japan are responsible for developing regional and local economy. This is comparable to the function of Australian local governments, which often attribute their functions to the three Rs — ‘roads, rates, and rubbish.’ Their functions are limited. Japanese local government, on the other hand, provides a wide range of services. Residents expect local government to promote big issues such as protecting environment and promoting
internationalization. However, the most important policy issue is local decentralization reform.

Since 1995 Japan has been restructuring the whole local government system. The key force to local government reform is probably the fatigue or deterioration of the highly centralized local government system in the postwar period. Most Japanese people now realize that decentralization and structural reform of the national and local governments are two of the most important and urgent political issues to address if Japan is to survive in the next century. So in 1995, the National Government established the Local Decentralization Promotion Committee as the single advisory commission to the Prime Minister.

The objectives of this reform are to:

- demarcate the powers and responsibilities of local governments,
- promote the transfer of power and responsibilities from National Government to local government,
- abolish agency-delegated functions and establishing the new relationship between national and local government,
- strengthen and secure the fiscal resources of local governments,
- reform the structure of the local government, and
- improve the accountability of public participation.

It is very hard to realize all these objectives because such reforms face very strong resistance from bureaucrats holding central power. After negotiations and concessions, the major points of these recommendations can be achieved as compromises between ministries.

So far, the committee has submitted four recommendations to the Prime Minister.
Recommendations include the abolition of agency-delegated functions. Such functions will be redefined in local autonomy functions for which local government is fully responsible. The remaining tasks are functions that will be delegated by laws. After the reform, based on the recommendations, around 60 percent of agency-delegated functions are expected to be redefined as local autonomy functions. The relationship between the two spheres of government should be based on law, reflecting equal partnership.

As for the financial system, specific subsidies from the national government to the local government will be reduced. At the same time, the general subsidies, now called the local allocation tax grant, will also be abolished. In the future, local government will no longer need to seek approval from the national government to issue loans. Some flexibility in creating new local taxes will exist. Through these measures, it is expected that local government will be strengthened in terms of fiscal resources.

B. INNOVATIONS IN MUNICIPAL MANAGEMENT

The Tokyo-Yokohama area, with over 25 million people, provides an excellent opportunity to investigate innovations in municipal management. With the support of CityNet, the Forum participants were able to visit three innovative projects:

- the land readjustment for areas with densely clustered wooden houses in Ikebukuro, Tokyo;
- the New Waterfront City, Rainbow Town, Tokyo; and
- the Minato-Mirai 21 Urban Development Project, Yokohama.

1. Land Readjustment, Ikebukuro, Tokyo
Many land readjustment projects have been implemented in Tokyo to upgrade public facilities such as roads and parks, to utilize lands efficiently, or to prevent disasters. The Ikebukuro-lldta area used to be a fire hazard because it suffered from a lack of parks, roads, greenery, and open public spaces. Many old wooden houses, built during the postwar period when the population grew rapidly, were densely packed together. Through this joint project between citizens of Tokyo and the local government, a step-by-step land readjustment process was implemented. It has taken over 20 years to develop. The tour looked at land adjustment mechanics utilized in implementing the project such as reploting, land reduction, and settlements. Visits to the area where readjustment has not yet been implemented were made for comparison.

Discussion

Mr. Stubbs: It was clear from this tour that the process of urban redevelopment is a complex one, and difficult to follow over an extended period. In working in megacities around the region we at the ADB find that one of the very significant challenges is how to improve and make more efficient and more equitable land use in the center of the city. How do you provide housing, jobs, and services in the central areas of the city, which are growing spontaneously, and need to be improved? What is the mechanism for doing this? The Ikebukuro Land Readjustment Project provides insight into one approach.

Mr. von Einsiedel: I agree that it is a difficult process. However, what we saw at the Ikebukuro land readjustment project was amazing. If land can
be exchanged for cash, and for relocation, it is something that you dream of. But it is not, in principle, that much different from the guided land development of Indonesia, or the land-sharing program of Thailand, in the sense that you have a number of landowners and you replot the boundaries and come up with the more efficient use of the land. In cities where a lot of land is available that could be developed for urban uses, this is probably an expensive approach. However, when you consider the expense of extending your utility lines to the suburban areas, extending your transport systems, water supply, and all the services that the municipality provides, it may not be that expensive after all. I think this is an approach that should be considered in situations where land becomes very expensive and suburban use of the land is no longer valid.

There are also social problems associated with any redevelopment work where people are to be relocated and resettled. As land values go up, new development becomes more expensive for the original residents. This, I think, is the most difficult part of implementing that process.

One interesting factor is that this project started in 1965, and it took 11 years just to arrive at an in-principle agreement. How many city governments can sustain that kind of project management? In many situations, for example, when a new mayor or a new governor comes into power, old plans are dissolved. What may have worked under the previous administration is stopped and another new project commences. So there are constant changes. Here we find that after 30 years, and in spite of changes in political leaders and administrators, the process is still in place. I think that the lessons from the Ikebukuro land readjustment project are how to sustain the continuity of the planning process over time.
Mr. Shah: I also think we have to consider land readjustment and guided land development in the context of housing for low-income groups. One of the problems is the mismatch between supply and demand. This is also related to the current crisis being faced, for example, in Indonesia, where the formal real estate sector takes over. Where there is very large development, construction of high rise buildings, land prices become astronomically high. Unfortunately this guided land redevelopment has not taken hold in Indonesia. It is related to general reform of land administration. It requires an attitudinal change toward the empowerment of the community.

Land readjustment projects require a balance between individual and community expectations. It is a development process in which everybody gets something. Consensus building is not easy. Under the old bureaucratic approach, administrators were not very interested in this kind of an approach. It is a staged process. Guided land development takes up to 15 years before the first signs are evident. So I think we are talking about a type of community participation and attitude change which determines how far we want to go in providing land to the urban poor, especially as the number is increasing. Under the present crisis situation, I think these choices become more relevant.

2. New Waterfront City, Rainbow Town, Tokyo (Group B)

The New Waterfront City was originally established in 1955 based on the Tokyo Bay land reclamation project. The project’s present aim is to create a new ‘Silicon City’ for the 21st century that strikes a balance between residential and business functions. By 2020, Rainbow Town will be an ideal new city in a vibrant Tokyo, providing jobs for
Leadership and Change in City Management

70,000 and homes for 42,000. Three goals for the creation of the rainbow town are:

- enhancing the quality of life in harmony with nature,
- fostering international exchange and a better future, and
- contributing to the urban development of Tokyo.

The project is a partnership between the government and the people. The Rainbow Town proposal was adopted to enlist the participation of Tokyo residents in shaping the community. The project demonstrated that the government and people can work together to create a comfortable and enjoyable place to live. It was also created to strike a balance between commercial, business, residential, and recreation areas.

Discussion

Mr. Suwarnarat: Everything was very clean, quiet, and efficient. I didn’t see many people. I considered my own paradigm of the so-called ecosystem, which from my point of view is that there must be people, there must be animals, and there must be gardens.

I understand that at the beginning of the project, there was no stakeholder analysis, there was little community involvement. They did not go and ask people what they expected in Rainbow City.

When we look at the population served by the Rainbow City development, it was mentioned that there would be 42,000 residents, and that the land investment was something like $45 billion. So the per capita investment is approximately $1 million per person. Can the average Japanese citizen afford to live there? The answer is that the land
and buildings would not be sold. They will only be rented. So how could it be a home? If I am going to invest in a home for my children, for my family, I’ve got to own it. I would not commit myself to a contract and leave my children in debt. How could I know whether my children would be able to pay or not?

We then went to the incinerator. Again, it was a gigantic piece of construction. I could not smell anything. I could not hear any noise from the incinerator. And when I looked at the price to dispose of the garbage it was something like $50/ton. So you have to pay $0.05 to dispose of a kilogram of garbage. This is about 10 times as much as my city could collect from my people. This kind of garbage disposal is not suitable for our situation.

I think this modern type of development, and the type of living that goes with it, probably has to happen. However, when we compare the lifestyle that goes with it, I think something is missing. There is a shortage of color, of complexity, of life.

*Mr. Zaidi:* With deference to our spokesperson, one may not entirely agree with his views. I think that the quietness that he felt is one major point that should characterize modern city planning. This quietness is a reflection of modern technology. It is one of the subcenters of one of the minicities that the Tokyo Metropolitan Authority has developed in collaboration with the private sector. At the heart of this planning lies the extreme scarcity of land that has necessitated this type of development. I was quite impressed by the technology used at the incinerator, especially the utility ducts. Most prominent was the technology being used to dispose of garbage. Instead of collection by trucks, they have outlets installed at the residences and garbage is sucked through vacuum pipes and goes straight to the incinerator. I think it was quite an impressive facility.

*Instead of collection by trucks, outlets installed in the residences suck the garbage through vacuum pipes straight into the incinerator.*
3. *Minato-Mirai 21 Urban Development Project, Yokohama (Group C)*

The Minato Mirai 21 (MM21) Project (1983-2000), with total budget of two trillion yen, is one of Japan’s leading urban development projects based on public-private partnership. A joint venture company, the MM21 Corporation coordinates and promotes community development. A basic agreement on town development under MM21 was reached with all the landowners in the jurisdiction that defined the role of such fundamental elements as urban community development. It also established standards for the scale of construction, land usage, building heights, the layout of pedestrian networks, and so on. The project has three primary objectives.

- **Promote Yokohama’s autonomy.** MM21 consolidated and integrated the two areas into which Yokohama’s city center has long been divided. The concentration here of business accommodation, shopping centers, and cultural facilities will create jobs and bustling recreation areas for citizens, stimulate the local economy, and consolidate the city’s economic foundations.

- **Improve port functions and amenities for citizens with parks and greenery in the heart of the city.**

- **Decentralize the metropolis.** MM21 aims to facilitate decentralization of the official, commercial, and international conference functions formally concentrated in Tokyo and to promote more balanced metropolitan development.

MM21 was conceived as far back as 1963.
The city will be completed in 2000. It is built on 186 hectares, part of which is reclaimed from the sea and part on a reclaimed shipyard. When it is completed it will cater to 10,000 residents and 190,000 people working in the area.

Discussion

Mr. Khuntia: What is striking about MM21 is that it is being planned as a modern city through joint venture. The Minato-Mirai Corporation is spearheading the development. A basic agreement on urban community development as to how the city will be developed was reached and the land use planning has been very carefully organized.

The city has a lot of greenery. It is also an international and cultural city. It will be environmentally friendly. There is a huge convention house that can hold up to 5,000 people, modern shopping centers, exhibition halls, hotels, and the like. Then there are underground tunnels that carry the water pipes, the heating and cooling system, telephone cables, and sewage ducts so that the roads will not have to be dug up for repairs. Solid waste from the various buildings is fed into a vacuum duct. The total length of such ducts is over 13 km. The city is being developed so that it will join two parts of old Yokohama City. It will be a recreational center with all kinds of amenities. The city will decentralize Tokyo, which is quite near, and as many as 130 international companies have their headquarters in Yokohama.

About 50 percent of the work has been completed. We asked whether they have been able to get adequate returns from their investment in the development. It appears that right now there is a slump in the real estate market and there are still some areas to be sold.

One important lesson from the development of MM21 is that for a city in a developing country
there is a need for such development. However, it has to be done in phases and the risk has to be distributed with joint venture partners. It would not be possible for a city corporation to invest so much money, because the returns are not very certain and may take too long to materialize.

Secondly, it is not just the Minato-Mirai Corporation doing all the work. The Corporation is in charge of the basic urban planning through the agreement on urban planning development. There are about 15 different companies in the private sector engaged in particular activities. For example, one company looks after the convention center, another looks after a hotel or a hospital. Risk is thus distributed among various companies and stakeholders.

Another interesting feature of this development is that the Japanese Government has been very supportive throughout. The Government’s financial and moral support this has made this project possible. While it cannot be directly replicated in developing countries there are certain lessons to learn from MM21.

Mr. Khan: I think that what we should be emphasizing is to learn from the positive lessons we have seen with the development of this area. So in continuation of my friend’s comments, I would like to say that conventional approaches to resolve problems of urbanization is usually at the level of government. The lessons that we have learned are that the people of Yokohama City were migrating to Tokyo. What we have to do in our cities is to control urbanization through land development and agriculture reforms, job opportunities, and housing availability.

A salient lesson is that by controlling urbanization in the place where the people intend to migrate one helps resolve problems at the point of origin.
of origin, in this case Tokyo. And another very brief point is that in the developing world, we have to use cost-effective and appropriate technologies to resolve problems with respect to economy and cost.
IX. CONCLUDING REMARKS

A. ASIAN DEVELOPMENT BANK

Preben Nielsen

I would like to present my perception of the definition of governance. This has been the theme during the past five days. At the local government level, I would define governance as effectively and efficiently delivering new services in the context of the following four parameters:

- accountability,
- participation,
- transparency, and
- predictability.

Unless you have willingness to pay for the services within affordable means, you have no use for governance. In other words, you need full participation from the citizens in sharing the cost burden. This translates into awareness. Campaigns through print and electronic media are needed to enlighten the potential beneficiaries. This is certainly not contrary to NGO interests. Government and NGOs can work together in a constructive manner.

The first parameter, accountability, apart from financial balancing, also relates to investment planning in accordance with economic, environmental, and social planning criteria, as well as subsequent ranking of projects in terms of economic and financial internal rates of return. We cannot spend money in abundance. We have
limitations, we must prioritize, we must see where the greatest needs are. Examples of this include our experience in Bangalore, India, where we are running an urban project in satellite towns. We have started the Bangladesh Secondary Towns Project; and in the Lao People’s Democratic Republic we have the Secondary Towns Project. They all involve participation and transparency in decisionmaking. This means involvement of the beneficiaries in the planning, design, and implementation process. For community and NGO meetings, a full disclosure of relevant information, including resettlement aspects, is provided. In all of these dealings we are trying to keep a level of full disclosure, in accordance with ADB policy.

Predictability implies that you don’t spring any surprises on the beneficiaries. When you go through the consultative process, you must inform the participants about what you are going to do. You should not go back to city hall and change the plans without informing the participants in the process. This is the worst thing you can do because they will lose confidence in you.

Turning to alternative methods of service provision, we have private sector participation. We like to use this term because it encompasses various combinations of private sector participation with government partnership. The most commonly used system is the private sector management contract. This is a contract where you engage, for example, a professional water utility firm to undertake the services. The reason you go for this particular type of contract is that you are trying to access technical skills, you’re avoiding public employment rules, and you want efficiency improvements. This of course goes hand in hand with the highest service standard.

Another option is leasing. You enter into a management contract relating both to the revenue and operation side, including a profit for the service.
This profit is agreed upon and should go back to the government, or should be reinvested.

You also have a lower level of private sector participation; namely the service contract for independent advice. This is basically to access technical skills. One example of this is in Sri Lanka, where we are assisting in privatizing the water supply in Colombo with the World Bank. We have the support of National Water Supply and Drainage Board, which is responsible for all water supplies in Sri Lanka, including Colombo. This water utility is handling a budget of about $100 million a year and four accountants are unable to keep order in the accounts. So a solution would be to go for a service contract. The utility is now looking into the modalities of engaging consultants from the private sector.

Franchising is the case where you have full responsibility as the manager for investment and full cost recovery. Then you have various combinations of build-operate-transfer. These function as management contracts with access to private sector capital and maintain control until handover time. In these cases, transparency is extremely important because you are dealing with world market bankers. The last option is full privatization, which means outright sale from the state to private companies.

Last but not least, we have beneficiary contribution. This is usually related to a public sector project involving financing by internal and external financing agencies. The important point here, as also raised in the case of Ahmedabad, is that we want to involve the beneficiaries, the stakeholders in the financing process so they become owners.
The Institute of Municipal Management has developed, as part of its corporate plan, the process of internationalization. We go out and talk to people around the world and discuss management processes that will improve local government in Australia. I am encouraging you to do the same and go back and put into operation some of the things you have learned from each other here this week. Try to put in place some of the initiatives, some of the processes you have learned over the last five days.

I would also add that I am absolutely delighted that ADBI has set up a chat group. This is a marvelous opportunity because of the networks we will be able to build and maintain. Networks are important. You could be communicating with someone next door or someone from in a faraway country. They might be doing things that we can assist each other with, and vice versa. It is important that we build these networks and learn from each other.

I have had a tremendous learning experience this week. The most important thing that I take away from the Forum is a feeling for the power of partnerships. We have learned about the importance of community partnerships in initiatives for change, for example, when raising finances through municipal bonds. As a management educator, I have been involved in the development and implementation of many innovative techniques within local government organizations. What I have seen and heard this week is that, in the face of
incredible pressure for change in large cities, working with the community in partnership is what matters. In the past we may have been overly focused on the internal operations of organizations. The importance of partnerships with our community is essential. That is the message I will take back to Australia.

C. ASIAN DEVELOPMENT BANK INSTITUTE

Jesus P. Estanislao

I am very glad that we have had the cooperation of such outstanding participants, especially those from the Institute of Municipal Management in Australia, the ADB, and the World Bank. We also have Dick Gordon with us, who shared some of his experiences with you. And you had a visit to some of the local governments here in our own Tokyo, and I understand that you had listened to Mr. Glen Fukushima, who is one of the leading business executives here in Tokyo.

My concern as the Dean of the ADBI is not only with the program, but what happens after it. I know you have attended many different workshops, seminars, and forums in your lives, but the question is — what happened afterward? I hope you will all nurture the relationships formed here, and that your efforts to work toward solutions to the problems of Asian cities will be reinforced through your experience here.

I am sure that you are aware not only of the problems you face in your respective cities, but of the common problems of other city administrators. And perhaps because you are faced with common problems, you can cooperate with one another in facing them. I certainly hope that we can continue to cooperate with one another in this area. And
where we can be of some help in building bridges between you and others equally concerned with the problems you are confronted with, we will be only too happy to serve as facilitators to build that bridge.

I would like to know how we can improve on a forum such as this one, and in what ways we can better serve you in the future. We are open to any ideas or suggestions that you have. I cannot promise that we will do everything, but we certainly will listen with a great deal of interest. And where we can make a difference, we will certainly try.

Here at the ADBI we believe in networks. The first network that we will establish is within Japan itself. I think there are plenty of very good experiences here and we would like to be able to draw from these successes. This country is wonderful about getting involved in detail. The Japanese are very structured, and many of their successes in city administration could be assembled and shared among the countries of Asia. This is a challenge ADBI will take seriously, especially those in the Programs Department. We intend to put together a meaningful follow-up program that is truly substantive and that addresses many of your needs. Remember that we are here to support you.

It is absolutely necessary that we begin thinking across our different sectors. This is a forum on municipal management, and most of you are directly involved in managing cities. Very critical to your success is nurturing the cooperation of the central government, the private sector, the NGOs, and the other players in your cities and communities.

I noticed that one of your sessions was focused on customer orientation. Because you must provide public services to the different constituencies served by your cities, listening to
the needs and demands of these constituencies is essential for success. Often citizens have important ideas and perspectives precisely because they are directly affected by your management. If there is anything that we have learned from business, it is the principle of listening to the customers we serve.
Leadership and Change in City Management
LIST OF PARTICIPANTS

DELEGATES:

Dhaka, Bangladesh

Mr. Shahidullah Miah
Secretary
Dhaka City Corporation

Mr. Abdus Sattar Mian
Deputy Secretary
Local Government Division
Ministry of Local Government

Dr. Saleemul Huq
Executive Director
Bangladesh Centre for Advanced Studies

Phnom Phen, Cambodia

Mr. Chea Sophara
First Vice Governor of the Municipality of Phnom Penh

Mr. Benson Samay
Legal Adviser

Mr. Teruo Jinnai
Financial Advisor
Leadership and Change in City Management

Fuzhou, Peoples’ Republic of China

Mr. Weng Fulin
Mayor
Fuzhou Municipal People’s Government

Mr. Wang Qing
Deputy Director
The Planning Commission of Fuzhou

Mr. Li Hong
Deputy Director
Foreign Affairs Office
Fuzhou Municipal Government

Shanghai, Peoples’ Republic of China

Ms. Yin Yicui
Deputy Secretary General
Shanghai Municipal Government

Mr. Zhang Peisheng
Chief of Investment Division
The Planning Commission of Shanghai

Ms. Zhou Ying
Deputy Section Chief
Foreign Affairs Office
Shanghai Municipal Government

Bangalore, India

Mr. V. Govindaraj
Principal Secretary to Government
Urban Development Department

Mr. Subhashchandra Khuntia
Additional Commissioner
Bangalore Mahanagara Palike
List of Participants

Mysore, India

Ms. Amita Prasad
Commissioner
Mysore City Corporation

Banderlampung, Indonesia

Mr. Ir. Eddy Heryanto
Chief of City Planning

Mr. A.J.P. Gustimigo
Head of Local Development and Planning Board
City Planning Agency

Jakarta, Indonesia

Mr. Maurits Napitupulu
Head of Central Jakarta Development Planning Board (BAPPEKO Jakarta Pusat) for Central Jakarta

Mr. Anshary Lubis
Head of Subagency of Jakarta City Planning Agency

Vientiane, Lao People’s Democratic Republic

Mr. Thongvanh Phan-Rajsavong
President
Vientiane Urban Development and Management Committee

Mr. Oudone Vathanaxay
Director of Urban Services Department
Vientiane Urban Development and Management Committee
Leadership and Change in City Management

Mr. Phaiboon Chanthamaly
Engineer
Urban Administration Office
Vientiane Urban Development & Management Committee

Karachi, Pakistan

Mr. Anzar H. Zaidi
Administrator
Karachi Municipal Corporation

Mr. Tasneem Ahmad Siddiqui
Secretary
Local Government
Government of Sindh

Lahore, Pakistan

Mr. Khalid Sultan
Administrator
Metropolitan Corporation Lahore

Peshawar, Pakistan

Mr. Jamshedul Hasan
Director General
Project Management Unit
Second Urban Development Pacific

Colombo, Sri Lanka

Mr. Omar Z. Kamil
Deputy Mayor
Colombo Municipal Council

Mr. M.A.V. Perera
Municipal Commissioner
Colombo Municipal Council
List of Participants

Mr. W.A. Karunaratne
Additional General Manager (Operations)
National Water and Drainage Board

Mr. K.W.K. Premadasa
Treasurer
Colombo Municipal Council

Bangkok, Thailand

Mr. Ksemsan Suwarnarat
Assistant Permanent Secretary
The Bangkok Metropolitan Administration

RESOURCE PERSONS:

Mr. Nathaniel von Einsiedel
Regional Coordinator
UNDP / UNCHS (Habitat)
Urban Management Programme for Asia
and Pacific
Bangkok, Thailand

Mr. Glen S. Fukushima
Vice President
AT&T Japan Limited

Mr. Richard Gordon
Chairman, Subic Bay Metropolitan Authority
Olongapo City, Philippines

Mr. Jiro Kubota
Secretary General
Council of Local Authorities for International
Relations, Japan

Mr. Rod Oxley
General Manager
Wollongong City Council, Australia
Leadership and Change in City Management

Mr. Jesse Robredo
Mayor of Naga City and
President, League of Cities of the Philippines

Mr. Keshav Varma
Manager
Urban Development Sector Unit
East Asia and Pacific Region
The World Bank

ADB STAFF:

Mr. Munawar Alam,
Project Implementation Officer
India Resident Mission

Mr. Graham Jackson
Project Engineer
Water Supply, Urban Development and Housing
Division West

Mr. Shakeel Khan
Sr. Project Implementation/Programs Officer,
Pakistan Resident Mission

Mr. Preben Nielsen
Manager
Water Supply, Urban Development and Housing
Division West

Mr. Asad Ali Shah
Manager
Water Supply Urban Development and Housing
Division East

Mr. H. S. Soewartono
Project Officer
Indonesia Resident Mission
Mr. Jeffry Stubbs  
Senior Urban Development Specialist  
Urban Development and Housing Division East  

FACILITATORS:  

Mr. Barrie Beattie  
Executive Director  
Institute of Municipal Management, Australia  

Mr. John Martin  
Senior Lecturer  
Human Resource Management  
Queensland University of Technology  

Mr. Bryan Payne  
Executive Director  
Institute of Municipal Management, Australia  

COORDINATOR:  

Naved Hamid  
Senior Strategy and Policy Officer  
Strategy and Policy Office
**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADBI</td>
<td>Asian Development Bank Institute</td>
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<tr>
<td>CBD</td>
<td>central business district</td>
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<tr>
<td>CRISIL</td>
<td>Credit Rating Information Service of India Limited</td>
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<td>GO</td>
<td>government organization</td>
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<td>MM21</td>
<td>Minato-Mirai 21 Urban Development Project</td>
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<td>NEED</td>
<td>Naga Early Education and Development Program</td>
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<td>NGO</td>
<td>nongovernment organization</td>
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<td>PIP</td>
<td>Productivity Improvement Program</td>
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<tr>
<td>PO</td>
<td>people’s organization</td>
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<tr>
<td>SPEED</td>
<td>Socialized Program for Empowerment and Economic Development</td>
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<tr>
<td>VIP</td>
<td>Very Innovative Person project</td>
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