The 1993-1998 MTPDP: Paving the Way for Philippines 2000

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A lot has been said about the Medium-Term Philippine Development Plan (MTPDP) for 1993-1998, the major component of the Philippines 2000 vision and strategy of development.

Comments range from the positive to the negative; and frankly speaking, some have been unfair to the Plan and its drafters. The situation is understandable, for this was brought on by the increasing awareness and concern of people for socioeconomic issues and events. This is also the first time that a development plan had been brought to the arena of public debate during its presentation to Congress.

The animated discussion on the Plan can also be due to the communication and advocacy efforts we have been exerting to inform the public about such a Plan. We have cultivated this consultative atmosphere, after all, to get a consensus, so that all sectors affected by the Plan will get involved in its implementation.

It is a refreshing change, therefore, to see and hear people from various walks of life talking or debating about development issues and what we can or cannot do as a nation. Helping the people become aware and involved is, in itself, already an accomplishment.

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An Action Plan for Development

The government, with the help of various groups representing all sectors, had put together an action plan for national development.

The Plan grapples with the real situation in our economy and yet looks at the potentials which lie ahead, given the strengths of our people and the Philippine environment. It strays from the tired and beaten path of traditional assumptions, and proceeds from the very premise that our economy is in urgent need of invigoration and radical structural change. It advocates a broad range of reforms, but is consistent with the unifying principle that only through people participation and people empowerment, could these reforms take root and produce results.

The Plan specifically targets the poor. Its goal is to improve the quality of life by accelerating growth in the Gross National Product (GNP), raising per capita income, and reducing poverty. These are basically sound goals; once realized, they will have the most perceptible impact on the workers, farmers, fishermen, and others with low incomes, to whom economic [illegible] and recovery mean a lot.

These goals were not conceived in order for the Plan to sound good; rather, these are our responses to the three major problems confronting us today: slow economic growth; rapid growth in population, with about 40 percent still below the poverty line; and, low incomes due to low agricultural and industrial productivity. Although some may disagree with the numeric targets of the Plan, few will challenge the elementary logic behind these goals.

The vision of Philippines 2000 initiated by President Fidel V. Ramos further expands the framework of these goals into a larger scenario: a peaceful, stable and just society, a level playing field, and the elimination of graft and corruption—conditions that have to coexist if the economic gains are to take deeper root in the Philippine milieu.

The Economy is Our Real Drawback

To really understand what the Plan is all about, it is necessary to be clear about one thing: the economy is our basic problem. In 1991, a team of international experts led by Dr. Paul Krugman confirmed what Philippine economists had likewise noted: the Philippine economy was not moving in the right direction. Among the Krugman team's main findings are the following:

1.) The most fundamental issue of Philippine growth is the distorted economic structure created by past trade and industrial policy; and,

2.) The Philippine economy has not demonstrated the ability to either raise the productivity of workers within sectors, or to reallocate workers from low- to high-productivity sectors — two options that will bring about a higher per capita income. The growing labor force is largely absorbed into underemployment rather than into high-value-added jobs. Productivity in both the manufacturing and agriculture sectors have stagnated.

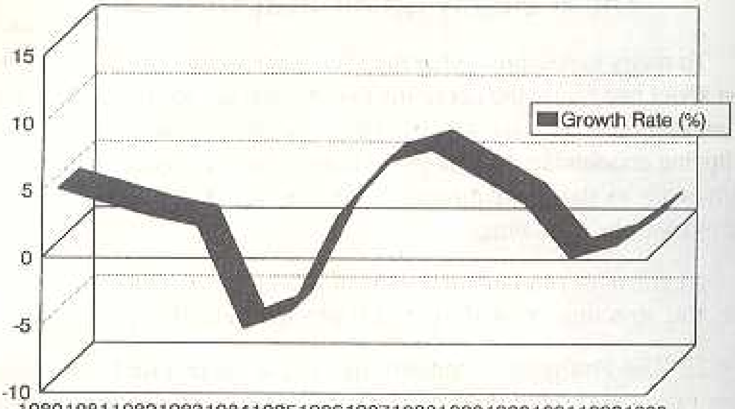
The Krugman team of experts also observed that the building up of the GNP to a peak of 7.2 percent in 1988 was not an indication of lasting growth. Rather, it was the result of an import led growth orientation which exacted little value-added from our workers and industries.

Reforms had then been ongoing under the Aquino administration: in agriculture, investment and trade policy, and in the export, financial, and social sectors. These already pointed towards the right direction, but it seemed more had to be done in terms of accelerating their timing and magnitude.

It will be recalled that prior to 1988, economic growth contracted by a cumulative 15.7 percent in 1984 and 1985. Inflation averaged 28 percent annually while unemployment rose to over 11 percent during the period 1983-1985. After the period of boom in 1986-1990, growth decelerated to 0.2 percent in 1991 and 1.2 percent in 1992. It was only last year, 1993, that an uptrend had been noted, with GNP growing by 2.3 percent (Figure 1).

From all indications, the overall economic trend was characterized by a boom-and-bust cycle.

Figure 1
GNP Growth



Thus, it becomes imperative that the acceleration of socio-economic reforms be directed at correcting this cycle, by achieving sustained growth in the proper direction.

Growth Under the Present Plan

Reforms in the economy are being strengthened under the present Plan to create a demand-led, employment-oriented and rural-based economic strategy forming the foundation for sustained growth.

Our current Plan, whose implementation will last until 1998, serves to build on past experiences in order to create sustained recovery in our economy. Thus, it applies strategies that will get the economy out of the boom-bust cycle, and fine-tunes the targets to the correct set of expectations. While the course of our development has already been tightly set by these strategies, the targets may still vary according to a change in the assumptions.

For the moment, we apply the following targets:

1.) For GNP to grow at an average of 7.3 percent per annum, reaching 10 percent in 1998;

2.) For per capita income to increase from P11,298 in 1993 to P14,783 by 1998. In dollar terms, using 1992 prices, the 1998 target is equivalent to $1,220; and,

3.) For the proportion of families below the poverty line to decline to 30 percent from the 40.7 percent recorded in 1991.

These growth targets also imply an average of 1.1 million jobs to be created annually from 1993 to 1998. With these new jobs, unemployment will go down from 9.6 percent in 1993 to 6.3 percent by 1998.

A lot of the structural changes are to take place in the agriculture and industry sectors. Policy reforms concerning investments, exports, revenues, fiscal and monetary reform, and implementing strategies in infrastructure, agri-industry, and human development make up the crucial elements of the Plan. There are also reforms in the bureaucracy to aid the growth of the economy.

Under the Plan, macroeconomic policies will be directed at making the economy strong enough to withstand both external and internal 'shocks' or crises; as well as the alleviating poverty and improving the distribution of wealth and income.

There will be those who will question the use of one instrument of reform as against another. While some would be impatient in the implementation of certain reforms, others would try to block it. As in any undertaking, the failure to move the forces in a unified direction will slow down the movement, but not necessarily cause it to fail.

The important thing is that we have a bold Plan and are determined to carry it through.

The Need for Global Competitiveness

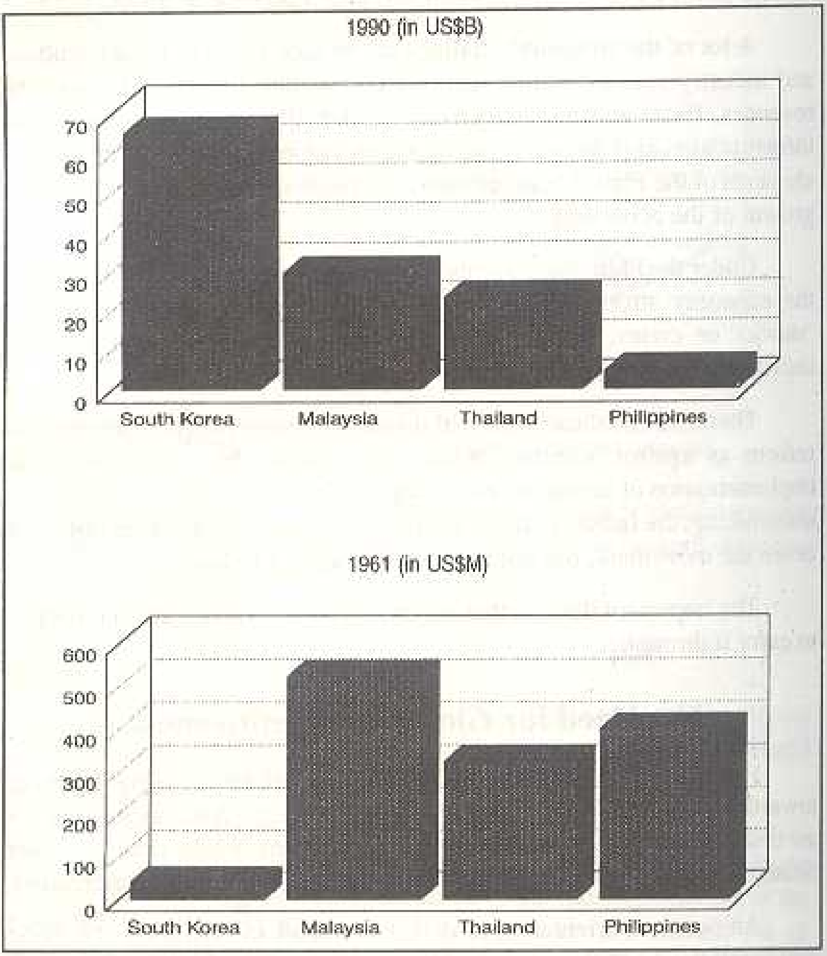
For three decades, the Philippines had been missing the boat toward becoming a Newly Industrializing Country (NIC) as it opted for an inward-looking and limited market economy while countries like South Korea, Malaysia, and Thailand developed their outward orientation.

An outward orientation was their catapult to NIChood. Thailand will reach the \$2,000 per capita GNP mark by the middle of this year. Measured in terms of 1990 exports, Thailand posted \$23 billion; Malaysia, \$29.4 billion; and, South Korea, \$65 billion. The Philippines had posted only \$4.63 billion in the same year.

The Philippines started out on a better footing than these countries. It earned \$522 million in merchandise exports in 1961, besting Thailand, and South Korea. (Figure 2 shows the comparative export statistics).

Under the Plan, the strategy is to open up the economy and gear it for world competitiveness.

Figure 2
Merchandise Exports



Global competitiveness calls for the production of world-class products and services that can compete in the world and local markets. It entails opening up the economy to free trade and discarding the protectionist policies of the past that only stunted the economy's growth.

Expanded markets resulting from such competitive surge will also create new labor skills, better technology, effective management, and other benefits. To support this strategy, the key reforms are trade liberalization and tariff reform, alongside increased investments in infrastructure and human capital. Competitive pricing of Philippine goods and services will be encouraged to bring these at par with foreign-made products and services; while the manpower and the infrastructure needed to make investing here more conducive will also be provided.

Some significant gains have already been realized towards this end. In agriculture, for example, agricultural trading monopolies have been dismantled. Recently, the country witnessed the break-up of telecommunication monopolies that opened the gateway for both foreign and domestic investments in the industry.

The Foreign Investment Act of 1991 introduced the concept of a negative list which identifies and defines the areas or activities reserved to Philippine nationals, thereby removing the discretionary powers of government in identifying areas open to foreign investments.

Foreign exchange transactions have also been liberalized to further encourage increased investment flows. Tariff protection levels were reduced and non-tarriff measures, such as quantitative quotas, were replaced with tariffs.

In the financial sector, the banking industry was strengthened and bank branching regulations relaxed to expand operations of financing intermediaries.

With the global competitiveness strategy in place, it is envisioned that exports will grow by an average of 18.8 percent and imports by 16.3 percent annually over the six-year period. The expectation of higher export growth is to be complemented by a rise in investments, from 22 percent of the GNP to 33.3 percent by 1998 with the private sector providing the bulk.

Why People Empowerment?

People empowerment implies that economic initiatives come from the communities, firms, cooperatives, nongovernment organizations, and households. It further implies a reliance on entrepreneurship, innovation, and effort.

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The concern with productivity is especially important since higher productivity leads to increases in incomes among the people, more savings, and greater investments in human capital, generating growth that is strong and self-sustaining.

An important aspect of empowerment is gaining more productivity out of human labor. As the Krugman study pointed out, the growth of the Philippine economy could not be sustained unless workers' productivity increases, mainly through high-value-added jobs.

To be able to do this, the manufacturing or industry sector, which can provide higher value-added jobs, has to absorb at least 20 to 25 percent of the total employment. By aiming for this, we could avoid a 'jobless growth' phenomenon, where a country is able to industrialize while leaving a great part of its labor force unemployed.

In contrast, South Korea and Taiwan, as early as 20 years ago, already had 37 percent of their total employment sourced from industry. At that time, both countries were on the verge of becoming NICs. The high contribution ratio of manufacturing to employment could account for the rapid development of these countries.

Philippine industrialization policies, for their part, have failed to increase employment. Industries failed to absorb the millions of workers unable to find adequate employment in the countryside. Employment opportunities were simply not available in the countryside where most of the unemployed and underemployed could be found.

The Plan seeks to correct this bias. It aims to disperse industries in Regional Agri-Industrial Centers (RAICs). There is a conscious spreading out of employment opportunities through the agri-industrial strategy that will disperse employment opportunities out of the cities and urban centers, and within reach of the rural population.

By pushing for greater linkages between agricultural and industrial development, employment will not only come from the increased in industrial activity itself, but more so from complementary resource-based activities like agricultural inputs manufacturing and other downstream activities related to agro-processing.

Developing human resources, when focused on the poorest sections of the population, is also people empowerment in an economic sense.

The Plan assures that the poor will benefit largely from economic growth. The Comprehensive Agrarian Reform Program (CARP) will be pushed along with urban land reform as a means of improving wealth distribution.

The CARP continues to be a priority program of the government and has been given greater impetus under the current Plan. A total of P143 billion has been programmed for the CARP for the period 1994-1998.

Agrarian reform program implementors express optimism in being able to complete CARP's land distribution component in Regions 1, 2, and 10 next year with only 280,153 hectares more to be distributed in the said regions.

The National Shelter Program will address the housing needs of the poor as it targets to provide housing assistance to 1.2 million households.

The Plan also programs investments on human capital especially of the poor through education and skills training.

Progressive tax reforms have also been designed to make the poor carry less of the burden of development.

Other pro-poor interventions or measures include the so-called poverty-mapping of depressed areas and disadvantaged communities. This will help policy-makers plan, monitor, and evaluate programs directed at the poor, and enable them to set priorities in the allocation of resources. This way, the delivery of basic services to the poor can focus on the most needy.

Other Targets of the Plan

There will be closer linkage between agriculture and industry—specifically in the conversion of raw output to industrial commodities, the adoption of policies to equally support both sectors, and other complementation moves.

Among the agri-industrial products, the following have been selected for having the strongest agri-industrial competitive potentials: animal feed ingredients; cutflowers; fresh and processed fruits and vegetables; gifts, toys and housewares; fishery and marine products; and, metal engineering products, among others.

Another key program is the Agrarian Reform Community (ARC), which has been formed in 256 barangays or barangay clusters. The cooperatives in the ARCs form networks to complete the whole system of production, postharvest, basic processing activities, and marketing. For example, coffee and corn farmers in Region II have already signed a memorandum of agreement with Nestle Philippines for such a business arrangement.

Another key agri-industrial program concerns the regional growth centers (RGCs) in the countryside. These are developed zones complete with infrastructure facilities to produce commodities needed by industry and enhance agribusiness opportunities in the provinces. These include the export processing zones and regional industrial centers.

The RGCs are envisioned in the MTPDP to become the 'agri-industrial hubs' or 'growth centers' in the region.

Based on priority, the RGCs are: Metro Cebu; Cagayan de Oro; Cavite City; Mariveles, Bataan; Baguio City; Iligan City; Davao City; San Fernando, La Union; Iloilo City; Zamboanga City; Legaspi City; Tacloban City; Cauayan, Isabela; and Parang, Maguindanao.

The MTPDP calls for investing in human capabilities in areas like education, health, and training.

The Plan further focuses on development woven around people and not people around development.

Among the Plan's targets are:

In *housing*, to provide housing assistance to 1.2 million households by 1998, from only 0.1 million in 1991, with the National Shelter Program to give greater emphasis to the impoverished, homeless, and underprivileged.

In *health*, an increase in the average life expectancy from 65.5 years in 1993 to 67 years in 1998; and a decrease in infant mortality rate, from 46.5 per 1,000 live births in 1993 to only 40.1 per 1,000 live births in 1998.

In *nutrition*, a decrease from 1993 to 1998 in the percentage of moderately and severely underweight preschool children and schoolchildren, aged 7 to 10, from 11.9 percent to 8.4 percent for both groups; and a per capita energy intake of 2,000 kilocalories by the year 2000.

In *education*, a literacy rate of 96 percent and a functional literary rate of 83 percent by 1998, from 93.54 percent and 79.2 percent, respectively, as of 1990; and participation rates of 99.8 percent and 73.5 percent for the elementary and secondary levels, respectively.

In *power generation*, to provide 4,596 megawatts of new power generating capacity. The country's major grids in Luzon, Visayas and Mindanao will also be interconnected by 1997 resulting in power systems more than able to meet the ever increasing demand for power and less prone to breakdowns.

In *rural electrification*, around 12,945 barangays will be served with electricity, and household electrification level rising from 48 percent in 1991 to 73.5 percent by 1998.

In *road and port construction*, about 300 national ports and feeder/fishing ports/river landings, and 45 airports will be built or improved. All bridges along national roads will be converted into permanent structures. The Plan also targets the 100 percent upgrading of the road network to all-weather roads.

In *urban transportation*, the installation of a light rail transit will be a major component along with other mass transit systems. Traffic signals will be installed with uninterruptible power supply. An expressway system will be explored in greater detail and feeder roads will continue to serve as the backbone corridors.

In *irrigation*, the government has set a target of providing irrigation facilities covering 13 percent (about 400,000 hectares) of the remaining potential irrigable areas in order to meet the production targets set in the Plan.

In *telecommunications*, the government will provide access to all unserved municipalities by 1995. The Municipal Telephone Program (MTP) will provide the Public Calling Offices (PCOs), while the National Telephone Program (NTP) will provide subscriber telephones. A total of 80,240 main telephone stations will be installed nationwide. This would equate to about five million telephones installed within five years.

In *water supply*, the Plan calls for the provision of safe and adequate water supply and sanitation services in proportion to the growing population up to the year 2003.

In *sewerage and sanitation*, the Plan addresses the country's sewerage and sanitation problem through the gradual construction and installation of sewerage service facilities and the development of the LGUs' capability to implement or pursue Level 1 (point source) water supply systems.

Implementation is the Key

As in every development strategy, the most crucial aspect is implementation. To break the 'good planning but poor implementation' pattern that had characterized past efforts, a National Implementation Plan (NIP) has also been formulated to cover the first three years of the Plan period (1993-1995).

The NIP consists of specific action programs and crucial measures to be carried out by government agencies in support of the policies and strategies in the MTPDP. These action programs and measures will be implemented with the cooperation of the local government units (LGUs) and the private sector.

This is further supported by an investment program for 1994-1998 costing P693 billion. About half of this will be financed externally through Official Development Assistance (ODA), mainly in foreign grants and concessional loans.

In the course of the Plan's implementation, some adjustments need to be made, and these would naturally affect some sectors. There are costs to reckon with, especially in the investment of public resources, in the collection of higher revenues, and in the deregulation of the economy. These do not mean, however, that we shall be casting off government regulations and investing public resources in a reckless manner. Rather, we would balance the needs of the future with the exigencies of the present. We have, therefore, fashioned a Plan which we believe is technically sound such that, given the right policy environment and political support, it would give our economy the needed lift.

As the journey of a thousand miles begins with a single step, let us first agree to a very basic need for a change in outlook. Unless we do this, no amount of planning can ever help us attain our goals. For decades, perhaps centuries, we have been counting our limitations rather than our blessings, our weaknesses rather than our strengths. It is time to apply the positive outlook even to our economy. From here we could shift to the next agenda of searching for positive solutions.

It must be stressed that the Plan could only be implemented with matching effort on the part of its key participants. This is an assumption we have stated since the beginning: that unless the sectors who will be affected by the Plan are ready to take the sacrifices in the reform and structuring of the economy, all the targets and strategies we have built into the Plan will be in vain.