

PHILIPPINE RURAL INDUSTRIALIZATION: PROBLEMS AND PROSPECTS

Melito S. Salazar, Jr.

This article reiterates the various concerns that have been expressed about the problems of accelerating rural industrialization through the promotion and management of small and medium-scale industries. New initiatives are described particularly with respect to evolving some coherent policies, setting up regional industrial centers, and most of all, affecting some better management of the program and the support for the rural industrialization program. New legislations are not likely to help unless a strengthened leadership initiative and revitalized administrative machinery are put in place.

The Philippine Constitution mandates that in the pursuit of equitable distribution, increased production and expanding productivity, all regions of the country shall be given optimum appropriation to develop. The Philippine government has had a continuing commitment to rural industrialization as reflected in the various Mid-Term Philippine Development Plans approved by the National Economic and Development Authority (Annex A). This development strategy is an offshoot of the realization that poverty in the countryside with its ever increasing population can not be licked by advances in agriculture alone, especially when such progress is necessarily based on agricultural mechanization. Industries must be set up in the regions to absorb the mushrooming population, arrest

migration to urban centers whose social services are heavily burdened with such additions and provide extra income to the farm population.

This paper reviews the results of such a strategy, identifies problem areas and recommends actions to accelerate rural industrialization.

STATUS OF RURAL INDUSTRIALIZATION

While 87 percent of the Filipino population live in the regions outside the National Capital Region (NCR), 53 percent of the total manufacturing gross value added emanates

Table 1
DISTRIBUTION OF THE LABOR FORCE,
By Area

1989	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter ^P		
	PHIL	URBAN	RURAL	PHIL	URBAN	RURAL	PHIL	URBAN	RURAL	PHIL	URBAN	RURAL
Total Population	36,386	14,520	21,866	36,651	14,702	21,949	36,916	14,788	22,128	54,916	14,788	22,129
Labor Force												
Employed	22,216	8,030	14,186	22,258	8,051	14,207	22,154	8,074	14,080	21,849	7,998	13,851
Unemployed	1,026	599	427	1,129	703	426	904	543	361	20,009	1,062	948
Not in the Labor Force	13,144	5,891	7,253	13,264	5,948	7,316	13,858	6,171	7,687	13,058	5,728	7,330

Source : National Statistics Office (NSO)

Prepared By : Center for Labor Relations Assistance (CLARA) - DTI

^P - Preliminary

from the NCR alone. Outside the NCR, 62 percent of the families remain poor and 48 percent of workers are un-employed and underemployed.

Although the employment figures show that a majority of the labor force are located in the rural areas as shown in Table 1, these workers are employed largely in agriculture and services rather than in industry.

A better indicator of how rural industrialization has progressed is the data on new and expansion projects approved by the Philippine Board of Investments since 1986 which shows a definite shift towards the regions (Table 2). However, it is seen that of those located outside the NCR, more than half are accounted for by Regions III and IV, which are contiguous to NCR. Thus, it can be stated that this shift does not really indicate a substantial dispersal of industries to the countryside since most of the projects are still within or near the center.

	Jan.-Oct. 1990	1989	1988	1987	1986
ALL REGIONS	670	1,023	647	429	118
N C R	290	483	306	255	60
OUTSIDE N C R	380	540	341	174	58
% Outside N C R	56.72	52.79	52.70	40.56	49.15
REGION III	79	91	57	38	6
REGION IV	156	201	108	60	18
REGION VIII	51	69	52	22	13

But a shift of this nature is still better than none at all. As Table 3 shows, a greater percentage of employment generated by these projects are also in the regions. The higher percentages for labor as compared to the percentages for plants also show that the projects in the regions are more labor intensive.

	Jan.-Oct. 1990	1989	1988	1987	1986
ALL REGIONS	98,186	153,490	128,052	82,101	26,287
N C R	37,478	73,429	64,633	54,526	19,317
Outside N C R	60,708	80,061	63,419	27,575	6,970
% Outside N C R	61.83	52.16	49.43	33.59	26.52

CONSTRAINTS TO RURAL INDUSTRIALIZATION

While gains have been registered as reflected by the increased activity in the countryside, especially in the growth centers of Cebu, Cagayan de Oro, Davao, Iloilo and San Fernando, much could have been achieved if not for the following constraints:

Lack of Infrastructure

Despite the roads that have been completed in farflung areas, the absence of a coordinated system of road networks produces the phenomenon of patches of exceptionally good cemented highways followed by dirt roads pockmarked with craters. Warehousing, telecommunication, wharfs and ports are also inadequate to provide necessary support to rural industries. Shipping costs from one part of the country to another e.g., Mindanao to Manila, is much higher than shipping costs from Bangkok to Manila, reflective of the inefficient state of the heavily protected interisland shipping industry.

This sad state of affairs is due to the propensity of the previous administration to spend lavishly on highly visible, impact projects in Metro Manila, i.e., Cultural Center, Film Center, Coconut Palace to the detriment of the low profile but vital infrastructure required in the countryside. The Aquino administration has not been able to correct the situation due to a national budget, at least 40% of which is utilized to service foreign and domestic debt. In fact, a

deterioration of infrastructure facilities occurred not just due to lack of funds but also to the reluctance of the first Secretary of Public Works in the Aquino cabinet to authorize expenditures for fear that the still corrupt and inefficient organizational structure inherited would pocket the funds.

Centralized Authority

The structure of government in the Philippines, especially during the Marcos administration, severely limited regional autonomy in many ways. First, regions had almost no control over their own fiscal affairs. Regional administration has an extremely circumscribed tax power and the regional allocation of national government expenditure is controlled from the center in Manila. The national budget contains only a limited breakdown on regional expenditure and no information on the regional incidence of the tax/tariff structure.

Second, there is insufficient decentralization of the government line agencies. It was only in 1986 that the Department of Trade and Industry set up regional offices to offer the wide array of services. However, some of its agencies like the Garments and Textile Export Board, Design Center and other government agencies, like the Tariff Commission, all important entities as far as manufacturers are concerned, still have offices only in Metro Manila. It was only in 1988 that the Board of Investments opened an extension office in Cebu and has now six (6) offices in the regions as of 1990.

Third, even in those cases where regional offices exist, their function is simply to implement national programs. True decentralization as opposed to carrying out centrally planned activities must involve devolution of powers in decision-making. Gross centralization can result in imprecise program design based on inadequate "ground" information, reduce the ability to respond swiftly to client needs and functional overloading of central government's administrative capability.

Dearth of Entrepreneurship

Despite of or most probably due to a highly developed educational system, the students are oriented to employment rather than entrepreneurship. Thus, the countryside are continually deprived of its best talent who seek employment and success in the urban center. This in turn results in a small base of Filipino entrepreneurs, many of whom have not been touched by the concepts of modern competition, innovation and management.

Peace and Order

In other areas due to the prevailing peace and order situation, businesses have to pay two types of taxes -- one to the government, the other to the rebels. This higher administrative overhead prevents firms from relocating to the rural areas and inhibits the growth of existing ones in the area.

Still High Levels of Poverty

While the percentage of the population below the poverty level has decreased from 56% in 1986 to 48% in 1988, the recent events (earthquake, typhoon, increasing fuel prices, two-digit inflation) has caused the numbers to increase. This means that the countryside lacks the purchasing power and the mass base needed by firms in order to establish themselves in the area.

Lack of Financial Resources

The funds in the banking system still go to Metro Manila rather than the countryside. The 1989 report of the Industrial Guarantee and Loan Fund, a special funding scheme of government utilizing private financial institutions as conduits shows substantial releases in Metro Manila rather than the countryside although some shift has occurred (Table 4). This situation persists despite vigorous efforts by

	1985	1989
No. of Projects		
NCR	65	59
Outside NCR	35	41
Loan Amounts		
NCR	72	68
Outside NCR	28	32

government to have these banks lend in the countryside through interest rate differentials of 1-3% for loans outside the National Capital Region.

Yet, the statistics point to deposit generating capabilities in the regions with these deposits being lent out to borrowers in Metro Manila rather than the regions. While discussions in the legislature are focusing on laws limiting the bank's capability to shift funds and mandating certain percentages of deposits generated in a region to be loaned out only in that region, bankers are not in agreement with these moves. They contend that it is the lack of project proposals from the regions that prevent them from directing more funds to the countryside.

INITIATIVES ENCOURAGING RURAL INDUSTRIALIZATION

Cognizant of these obstacles, the government and even the private sector have taken and are taking steps to create an environment conducive for rural industrialization. These measures are intended to provide the infrastructures, both soft and hard, essential for industrialization.

Countryside Agro-Industrial Development

Historical figures indicate that from 1950 to 1988, the share of agriculture to real gross domestic product has been declining compared to the share of industry. The structural change has been slow. In 1950, industry's share to real GDP stood at 22.19% compared to agriculture's share of 39.23%. By 1988, industry's share has risen to 35.10% while the share of agriculture has dropped to 26.98%.

However, the increase in industrial employment relative to industrial output has not been proportional. Available statistics show that employment in the manufacturing sector has been declining -- an indication of the capital intensiveness of the industrial sector.

Various sectors have often raised the issue that the present industrialization effort is poor in its linkages with the agricultural sector; that the industrialization thrust is export-oriented and import dependent. That in effect, industrialization has a bias towards developed urban centers.

As such, a plan of action geared towards a balanced industrialization and agricultural development was adopted by the government. The Countryside Agro-Industrial Development Strategy (CAIDS) is one of the initiatives that is being pursued by the government to achieve not only the agri-industrial balance, but also as a foundation for the attainment of a rapid, sustainable and equitable growth in the countryside.

The main features of the strategy include the following:

- modernization and increase in productivity of agriculture,
- industrial competitiveness,
- growth and dispersal primarily through agri-based industrialization, and
- the economic integration of the country.

This is to be accomplished by relying mainly on private initiative that submits itself to market discipline.

The key elements of the strategy are:

1. Ensuring a macroeconomic policy environment conducive to agricultural growth and productivity, industrial efficiency, dispersal and export competitiveness;
2. Providing the minimum physical infrastructure requirements to encourage farm modernization and the development of small industrial cores containing processing plants and, in some cases, a few light consumer industries catering to the basic needs of the people in the area (infrastructure should include farm to market roads, irrigation, water and power supply);
3. Investment in human resource development to maximize the complementary relationship between health, education and labor productivity;
4. Implementation of direct assistance programs to address the immediate and critical development problems and concerns of depressed communities with priority accorded to providing the minimum human and physical infrastructure support to all communities;
5. Promotion of environmental protection, ecological balance, and the judicious use of land and other natural resources including marine resources and ensuring a more equitable sharing of the benefits derived therefrom;
6. Better policy integration and closer interdepartmental coordination in program planning and implementation within a more decentralized administrative structure;
7. Encouragement of NGOs and community participation in development programs as a method of "empowerment"; and
8. Closer coordination between the civilian and military sectors in addressing peace and order which

is essential to the implementation of the economic program.

Regional Industrial Centers

Since the greatest need for industries to locate in the regions is infrastructure, the government is giving priority to the development of 13 regional industrial centers (RICs) that can compare with the locational advantage of the Metro Manila area. These regional industrial centers should provide the backbone for the integration of other areas into the mainstream of the country's industrialization.

The RICs and their location are as follows:

REGION	PROPOSED RIC'S	
	(HECTARES)	LOCATION
CAR	66	BAGUIO EPZ, BENQUET
I	100	BUNGRO-TAGUILAN, SAN FERNANDO, LA UNION
II	100	BGY. TAGARAN, CAG. ISABELA
III	1,209	BEPZ, MARIVELES BATAAN
IV	275	CEPZ, ROSARIO, CAVITE
	500	BGY. TABANGAO, SIMLONG, MABACONG, BATANGAS CITY
V	60	BGY. LAMBA, LEGASPI CITY
VI	80	BGY. MALI-AO, PAVIA, ILOILO
VII	182	BO. PUSOK AND IBO, MEPZ MACTAN, CEBU
VIII	40	BGY. NEW KAWAYAN, TACLOBAN CITY
IX	40	BGY. AYALA & RECODO ZAMBOANGA CITY

X	2,853	PIVIDEC INDUSTRIAL ESTATE TAGOLOAN, MIS. ORIENTAL
XI	51	PANACAN AREA, DAVAO CITY
	100	TAMBLER AREA, GEN. SANTOS CITY SOUTH COTABATO
XII	40	POLLOC, PARANG MAGUINDANAO
	105	FUENTES, MA. CRISTINA ILIGAN CITY

Each of these centers, as envisioned, will be the focal point for all the infrastructure activities in the region, including roads, power, water, telecommunications, ports/airports, railroads and other needed infrastructures. A list of preferred industries to locate in these centers will be drawn up. These industries are expected to link up with other firms in the area so that the long-term spillover efforts of each center will benefit the surrounding provinces.

An example of a typical RIC is the one in Pavia, Iloilo. It is a 250 hectares site with relatively flat terrain located along the national highway about 10 kilometers from Iloilo City. Water supply is readily available; power can be tapped from an existing 69-KV primary line of the National Power Corporation; and its telecommunication system is included in the X-5 expansion program of the Philippine Long Distance Telephone Company. Pavia is strategically at the center of a network of facilities that include the Iloilo Commercial Port Complex, the Mandurriao National Airport, the Guimaras Strait Wharf in Iloilo City, and linked with Sto. Rosario Wharf and Jordan Wharf in Guimaras Island and with the Panay Railway that goes through Iloilo and Capiz up to Roxas City. Thus, the development of Pavia is not just the development of one industrial estate but of all these outlying municipalities and cities of Region VI.

CALABARZON Project

Another example of rural industrialization efforts is the CALABARZON project which is a large-scale multi-sectoral project complex planned in a region contiguous to the NCR.

The project as originally conceived by the Department of Trade and Industry (DTI) centered around high industrialization led primarily by foreign export-processing type industries with large foreign capital investments. Economics of the region were expected to be transformed from agro-based rural economies to industrial/urban-based economies.

In order to develop the region's economy for maximum benefits of the local people, however, other sectors will have to develop simultaneously in a manner balanced with the industrial sector. The Project CALABARZON, therefore, has been reformulated to include all sectors: economic sectors (agriculture, livestock, fishery, manufacturing, commerce, mining, tourism and other services), infrastructure sectors (water, transportation, telecommunications, energy and utilities), social sectors (education, health services, livelihood development) and others.

The Project CALABARZON is now one of the most ambitious regional development projects ever attempted in the Philippines. The Project has been designated by the Government as one of five special projects for financing under the Philippine Assistance Program (PAP) or the Multilateral Assistance Initiative (MAI).

The CALABARZON region comprises the five provinces of Cavite, Laguna, Batangas, Rizal and Quezon covering the land area of 16,229 square kilometers corresponding to 5.4% of the total national land. It is a part of the planning unit of Region IV -- Southern Tagalog -- which occupies the southern central portion of the Luzon island. The total population estimated for 1990 was 8,261,000 accounting for 13.7% of the national population. The CALABARZON region is a receiving area for spillover population from Metro Manila, and as a result its population has been growing at higher rates than most other regions: estimated at 4.3% per annum in 1980 - 1987 as compared with 3.1% for Metro Manila and 2.6% for the Philippines during the same period.

The CALABARZON region is expected to play a range of important roles in the future development of Region IV and the country. In the economic aspects, CALABARZON is expected to become a driving force of further industrialization in the country, together with Metro Manila and other areas in the National Industrial Core Region. However, this should not be accompanied by disorderly location of industries and resultant degradation of the natural and human environment. Also such industrialization should not duplicate the urban poor and squatters as presently observed in Metro Manila and its vicinity. The ability to effectively lead

the industrial growth and an active rural economy are prerequisites to preventing such phenomena. The expected urban growth in CALABARZON and its proximity to Metro Manila present opportunities for modernizing agriculture through an improved system of input delivery, extension services and marketing of outputs to the growing urban market.

In the spatial terms, the CALABARZON region, as the matter of truism, will have to continue to accommodate the overspill population from Metro Manila without causing additional poverty and other social problems. The decentralization of economic activities as another major thrust will have to be reflected in CALABARZON's spatial development in the future.

Another expected role of the CALABARZON region, partly implied by the first role of industrialization, is to attract foreign and domestic investments and contribute also to export promotion in a substantial way. In addition to political stability, which is largely beyond the control at a regional level, the provision of better natural and human environment will be the general expectation of prospective investors, supported not only by better physical infrastructure but also by capable people and an efficient system.

Broadly in line with the development goals presented above, and reflecting the position and expected roles of CALABARZON as well as existing regional development objectives set by NEDA, the following four objectives have been set for the medium to long-term development of CALABARZON.

1. To enhance the income levels in rural areas by creating employment opportunities in primary agriculture, agro-processing and service activities as well as by increasing productivity in agriculture;
2. To sustain a high level of growth led by the industrial sector which will be internationally competitive, attaining a stronger industrial structure and inducing related service activities;
3. To promote more equitable development, not by generating the urban poor and squatters, but by uplifting the rural people from poverty, and realizing better distribution of population and economic wealth; and
4. To create a better human environment and increase social capacity for development by protecting/enhancing natural environment, improving the provision of physical infrastructure and social ser-

vices and incorporating socio-cultural values in project planning and implementation.

In the CALABARZON region, a number of projects have been planned and partly implemented by various government implementing agencies. Urban sprawl from Metro Manila has been progressing into CALABARZON, resulting in a range of problems. Major problems include encroachment of productive agricultural land by urbanization/industrialization, deterioration of environmental quality, and inadequate provision of social services. These and other problems are mutually inter-related and have some common roots. An integrated approach, as opposed to piece-meal approach, is taken to solve and alleviate the problems more effectively under the integrated regional development planning and coordinating the efforts of various implementing agencies.

Decentralization of Authority

Besides the moves to improve the land infrastructure, a major concern has been the meaningful devolution of authority to the region. Among the recent initiatives have been:

- a. the establishment of the Autonomous Region of Muslim Mindanao.
- b. the approval of a local Autonomy Code which gives local government substantial authority even in fiscal matters.
- c. the decentralization efforts of individual government agencies like the Board of Investment.
- d. and the granting of powers to local governors. In the case of Gov. Daniel Lacson of Negros Occidental, power over a national program i.e. Comprehensive Agrarian Reform Program has been given.

Entrepreneurship Development in the Countryside

To encourage the growth of local entrepreneurs, the University of the Philippines Institute for Small-Scale Industries, the Philippine Association of Colleges and Schools of Business and the Small Enterprise Research and Development Foundation launched the Project EDCEL (Entrepreneurship Development in the Collegiate Education Level) which integrates entrepreneurship and small business management in the collegiate education level.

So far, Project EDCEL of UPISSI, PACSB and SER-DEF has held four orientation seminars in which 80 deans and directors were appraised of the objectives of the project

and in which most of them pledged support for the objectives of EDCEL. A model curriculum was developed for a 3-unit subject for all students of commerce or business administration.

The PACSB at its 13th convention in Tacloban City unanimously approved the offering of the 3-unit subject entitled Entrepreneurship and Economic Development for all business administration and commerce students in their schools.

Five schools are piloting the BSBA/BSC in Entrepreneurship Development with the first graduates scheduled for 1991. The schools are Notre Dame in Cotabato, San Jose Recoletos in Cebu, Central Philippines University in Iloilo, Manuel Envera in Lucena, and San Sebastian in Cavite.

Hand in hand with curriculum development is the development of relevant instructional materials. These materials on entrepreneurship and small business management were collected, reviewed and classified for use of both students and teachers in the 3-unit subject.

Faculty members who will serve as the human resource base for the teaching of the 3-unit subject were introduced to the experiential method of teaching entrepreneurship through the conduct of trainers' training workshops in Metro Manila, Cotabato, Iloilo and Cebu for some 130 teachers from PACSB-member schools. Advanced training workshop and Case writing workshops were held for an estimated 120 teachers.

Through the EDCEL Project's activities, it is hoped that the entire nation will be influenced, through its young people, toward self-reliance and economic independence by personal persistent efforts and the productive use of indigenous resources especially in the rural areas.

As the backbone of the country's economy, the small business entrepreneur's preparation and training in the commerce and business schools all over the Philippines will spell the difference between a strong and intelligent corps of businessmen compared to a weak and uninformed group. This core will be the spark plug of rural industrialization

Increasing Rural Incomes

Aware that a strong rural market would attract rural industries to be set up, the government took steps to increase rural incomes through various policy and program

mechanisms. Early in the Aquino administration, the sugar and coconut monopolies were dismantled allowing the farmers to benefit directly from the higher crop prices. Increases in government salaries nationwide helped put greater disposable incomes in the hands of local government workers, teachers and soldiers. Tens of thousands of livelihood projects or income-generating projects (IGP's) initiated by both the government and the non-governmental organizations (NGOs) improved the purchasing power of many of the disadvantaged and poor in the countryside.

Supportive Laws

The Senate and Congress have passed a consolidated bill, "An Act to Rationalize and Promote Small Enterprises and Establish a Credit and Guarantee Corporation ...". Unlike the Kalakalan 20 which frees the small firms from the bureaucratic red-tape and gives them the freedom to grow, this bill provides a set of support systems to assist small business to develop. But it is a bill that recognizes that the small firm should be unshackled from the bondage of bureaucracy.

Notable in the measure is the mandatory allocation by all lending institutions of 10 percent in their loan portfolio to small enterprises. The original 3% allocation was a hotly discussed item during the Cabinet meeting to discuss the certification of the bill. It was brought out that the mandatory allocation for agriculture in the Agri-Agra bill had not resulted in funds going to the sector. But others argued then that the government had provided the loophole by allowing the banks to put their funds in government bonds. In the end, it was the President who broke the deadlock by saying "It's time we stopped talking about small business and doing something concrete for Filipino entrepreneurs."

The largely fragmented efforts in coordinating policy and program aspects of small enterprise promotion and development will now be attended to by a Small and Medium Enterprises Development Council which body include cabinet level and private sector representations. The difficulty for many working in the field of entrepreneurship and small business development is that their efforts in programs and projects are negated by national policies that do not consider the situation of small entrepreneurs. All of one's work in helping small exporters are easily set back by increases in interest rates, in the minimum wages and in maintaining an unrealistic exchange rate. The creation of the Council will hopefully not just result in "a coordinated approach to development programs performing specific functions for small enterprises" but will influence the Cabinet

members to uphold the interests of the small entrepreneurs in their own respective spheres of power and authority. The small enterprise needs more advocates at the highest level of government.

One main feature of the bill addresses the problems of small entrepreneurs with viable projects but without collaterals to back them up. This problem is more acute these days when banks are not willing to accept even agricultural land as collateral. With the establishment of the Small Enterprises Credit and Guarantee Corporation, the small entrepreneurs will be provided with a certificate of guarantee, which he could then present to the bank and get the full proceeds of the loan. Of course, this means that the corporation has to have the capability to check on the background of the entrepreneur and the viability of his project. But the mechanism envisioned also allows the corporation to guarantee the loans extended by private voluntary organizations like cooperatives. Much like the situation in Korea, it is the expectation that the corporation will spur the development of the small enterprise sector.

CONCLUSION

While notable progress has been made in the industrialization process in the country as reflected by the increasing share of the industry sector in the real GDP and agriculture's share portion, still these developments have been concentrated in the National Capital Region and its surrounding regions. Thus, statistics reflecting increasing regional share vis-a-vis Metro Manila must be clarified to show that this is a result of a spillover to NCR's out-laying areas rather than a dramatic reversal in favor of the countryside.

The constraints to rural industrialization have been identified. Many are infrastructure-related such as the lack of physical support systems, a still highly centralized authority, a dearth of entrepreneurs, deteriorating peace and order conditions, high levels of poverty and lack of financial resources.

Mindful of these obstacles, the government has taken the initiative of promoting a countryside agro-industrial development, setting up of regional industrial centers, integrated area development (i.e., CALABARZON), increasing local incomes and passage of supportive laws. The private sector has led the kindling of the entrepreneurial spirit through project EDCEL and assisting the people in their income generating or livelihood projects.

All the above initiatives are seen to accelerate rural industrialization in the future. However, it is essential that all these must be orchestrated and implemented with the utmost commitment. This is possible only through a strong presidency, a supportive legislature and an energized bureaucracy. Without these, the current efforts in rural industrialization will not succeed.

REFERENCES

1. Four Year Development Plan (FY 1974-77) Republic of the Philippines
2. Five-Year Philippine Development Plan, 1978-1982 including the Ten-Year Development Plan, 1978-1987, Manila, Philippines, September 1977.
3. Medium-Term Philippine Development Plan, 1987-1992
4. Development and Industrialization: Our Vision, Department of Trade and Industry, Office of Policy Research, October 1989.
5. CALABARZON: Towards a Sustained Agro-Industrial Balance: An Introduction, Department of Trade and Industry and the Coordinating Council of the Philippine Assistance Program .
6. Problems and Constraints on Rural Industrialization, Melito S. Salazar, Jr.

ANNEX A

THE PHILIPPINE DEVELOPMENT PLANS: FOCUS ON RURAL INDUSTRIALIZATION

FOUR YEAR DEVELOPMENT PLAN (FY 1974-77)

"The principal objectives of the industrial development plan are the following: (1) promoting employment and minimizing underemployment; (2) alleviating the trade imbalance via export-oriented industries that utilize indigenous raw materials heavily and the further processing of traditional exports; (3) promoting the development of intermediate

and capital goods industries, particularly backward linkages; and (4) dispersing industries to different regions to promote regional development.

The development of medium and small-scale industries is given emphasis under the current plan. Such industries not only contribute to the decentralization and regional dispersal of industries but also aid greatly in the creation of employment opportunities.

The industrial program for the medium and small-scale industries includes the following activities:

1. The conduction of surveys and studies pinpointing techno-economic possibilities for small-scale industries;
2. The preparation of a sub-contracting program both on the national and international level;
3. The enlargement of the supply of institutional credit via a reorientation of government and commercial bank lending;
4. The formation of specific organizations to look after the interest of small and medium units;
5. The development of economically advantageous auxiliary units;
6. The conduction of intensive campaigns for regional development;
7. The vigorous undertaking of an entrepreneurial development, motivation, and assistance program; and
8. The promotion of existing cottage industries to grow and modernize into more viable small-and-medium scale units

TEN YEAR DEVELOPMENT PLAN (FY 1978-1987)

In pursuit of the aforementioned objectives, the following strategies will be pursued:

- a. The establishment of cottage, small, and medium scale industries outside Metropolitan Manila; and the setting up of a number of large industries to produce key commodities, particularly those that process domestic raw materials and enhance technological capabilities;

- b. The utilization of an increasing proportion of a large number of mineral resources in domestic production of semifinished and finished products for internal and external markets;
- c. A reduction of dependence on imported petroleum oil, selected raw materials and intermediate goods;
- d. The development of higher efficiency to reduce the cost of manufactured products and maintain construction services at internationally competitive levels; and
- e. The domestic production of presently imported intermediate goods or the second stage import substitution.

MEDIUM-TERM PHILIPPINE DEVELOPMENT PLAN (1987-1992)

Specifically, these objectives shall be translated into the following policy thrusts:

- a. Promoting rural-based and labor-intensive micro, cottage, small and medium enterprises; and
- b. Pursuing a more coordinated regional and sectoral planning.

The industrial dispersal program shall be focused on the transformation of selected areas into attractive and viable industrial locations/centers that can counteract the absolute locational advantage of the Metro Manila Area. The development of these industrial centers, which are intended to provide the backbone for the integration of other areas into the mainstream of the country's industrialization, shall be planned and carried out in a manner that will strengthen economic and institutional linkages.

The physical constraints hampering industrial growth and development in the regions, especially in those selected centers, shall be given primary attention. The government shall maintain and/or upgrade infrastructures and work toward achieving more competitive utility and shipping rates.

Industrial activities in the regions shall be given greater access to trade and industry-related facilities and services, including financing and market information, which shall be decentralized and strengthened. The facilities of existing processing zones shall be made available to domestic-oriented industries, preferably to those which are labor-intensive and local resource-oriented. In view of the existing capacity, the government shall not establish new export processing zones during the plan period. Public industrial estates shall be developed only when warranted and if no private developer is capable of undertaking such projects.