

**ENHANCING
THE
PROVINCIAL PLANNING
FRAMEWORK**

Presented by:

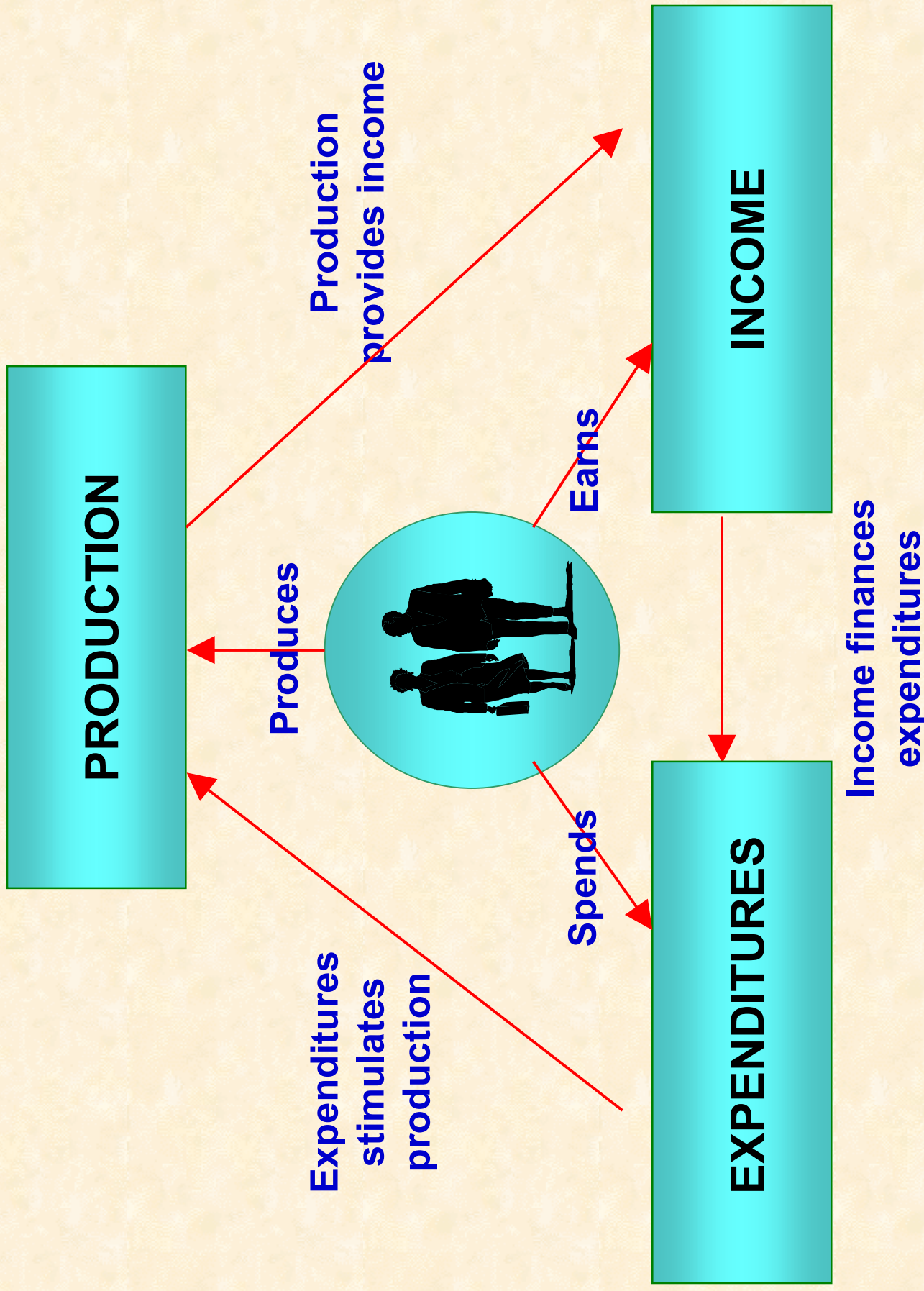
Hon. ROMULO L. NERI

Socioeconomic Planning Secretary and Director-General
National Economic and Development Authority

Political Economy & Convergence of Advocacies

Part 1

The Economic Man produces, earns and spends



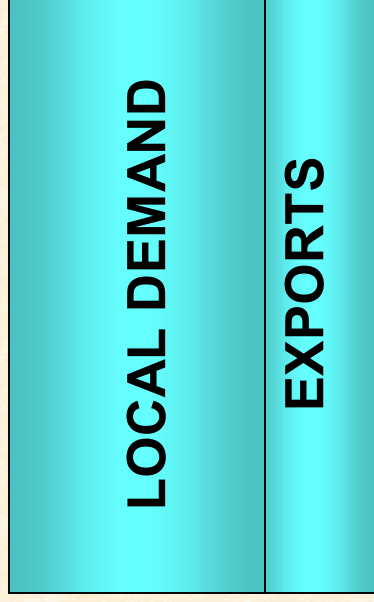
THE EXPANDED MODEL

TOTAL SUPPLY



Imports
expand
supply

TOTAL
DEMAND



Exports expand demand for
products

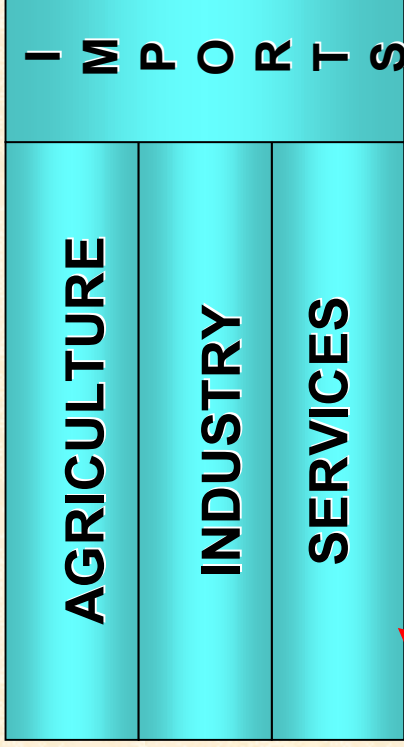
TOTAL
FINANCING



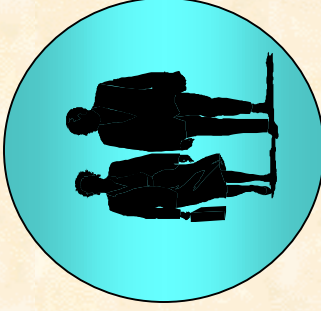
Foreign financing supplements
incomes to finance expenditures

THE TOTAL ECONOMIC MODEL

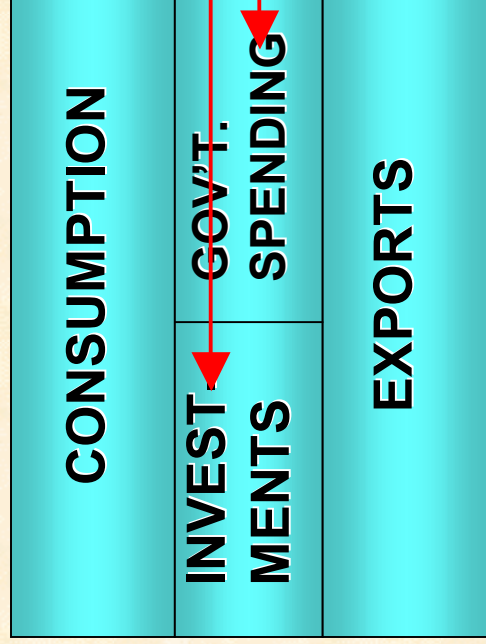
PRODUCTION SUPPLY



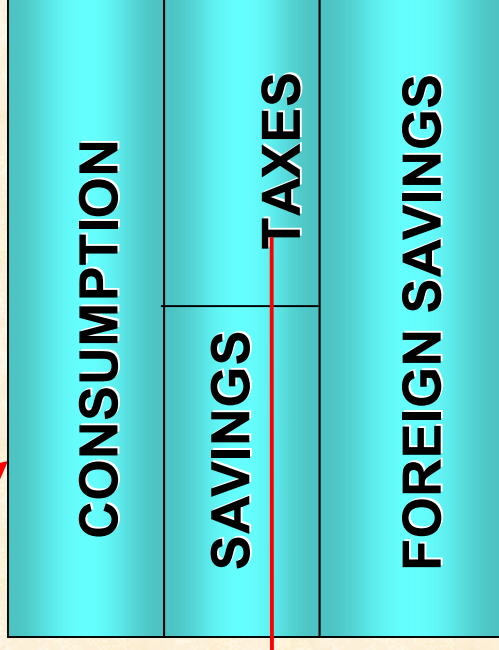
Investments
expand
production



Productivity
provides income



EXPENDITURE/DEMAND

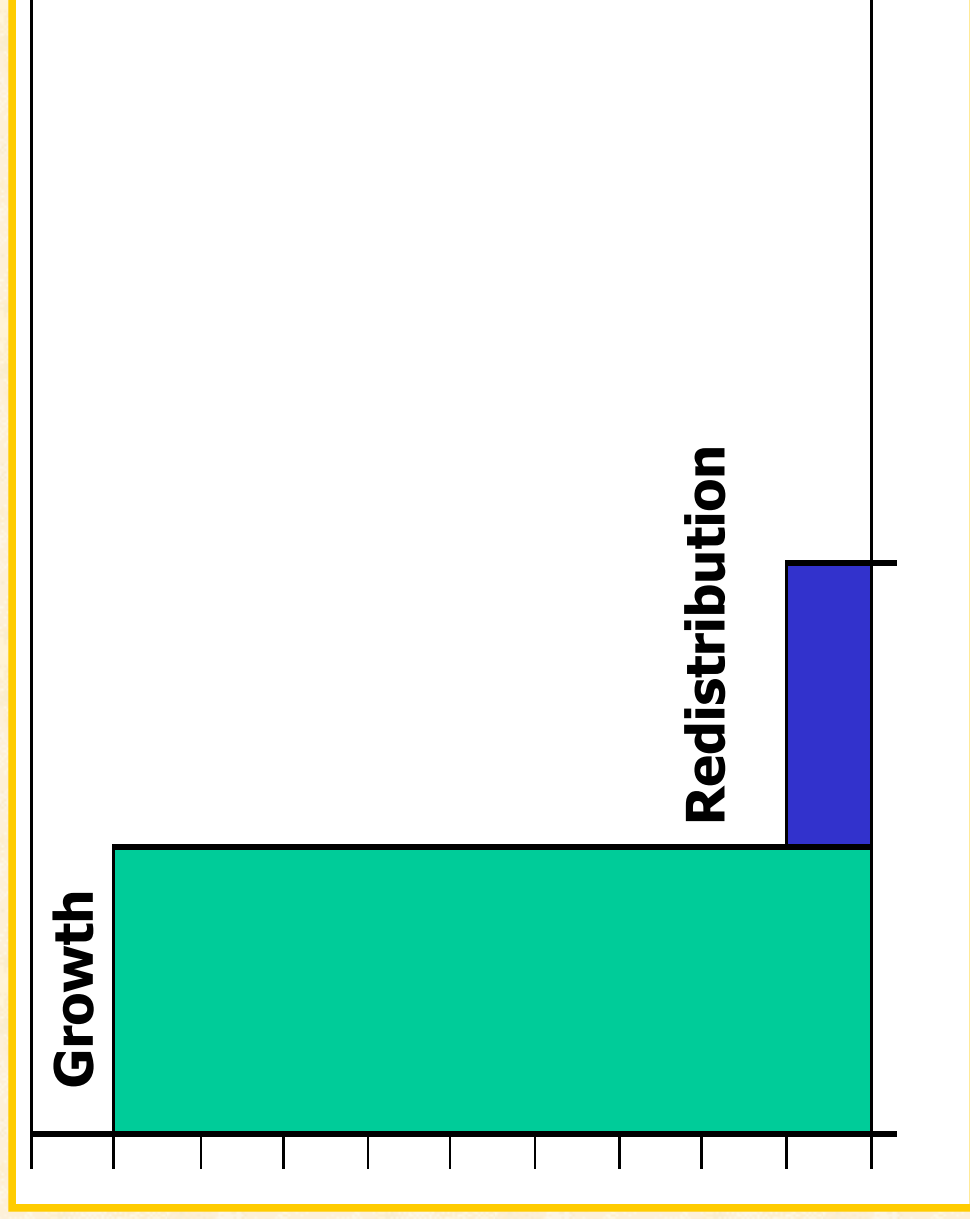


INCOMES

Savings finance
investments

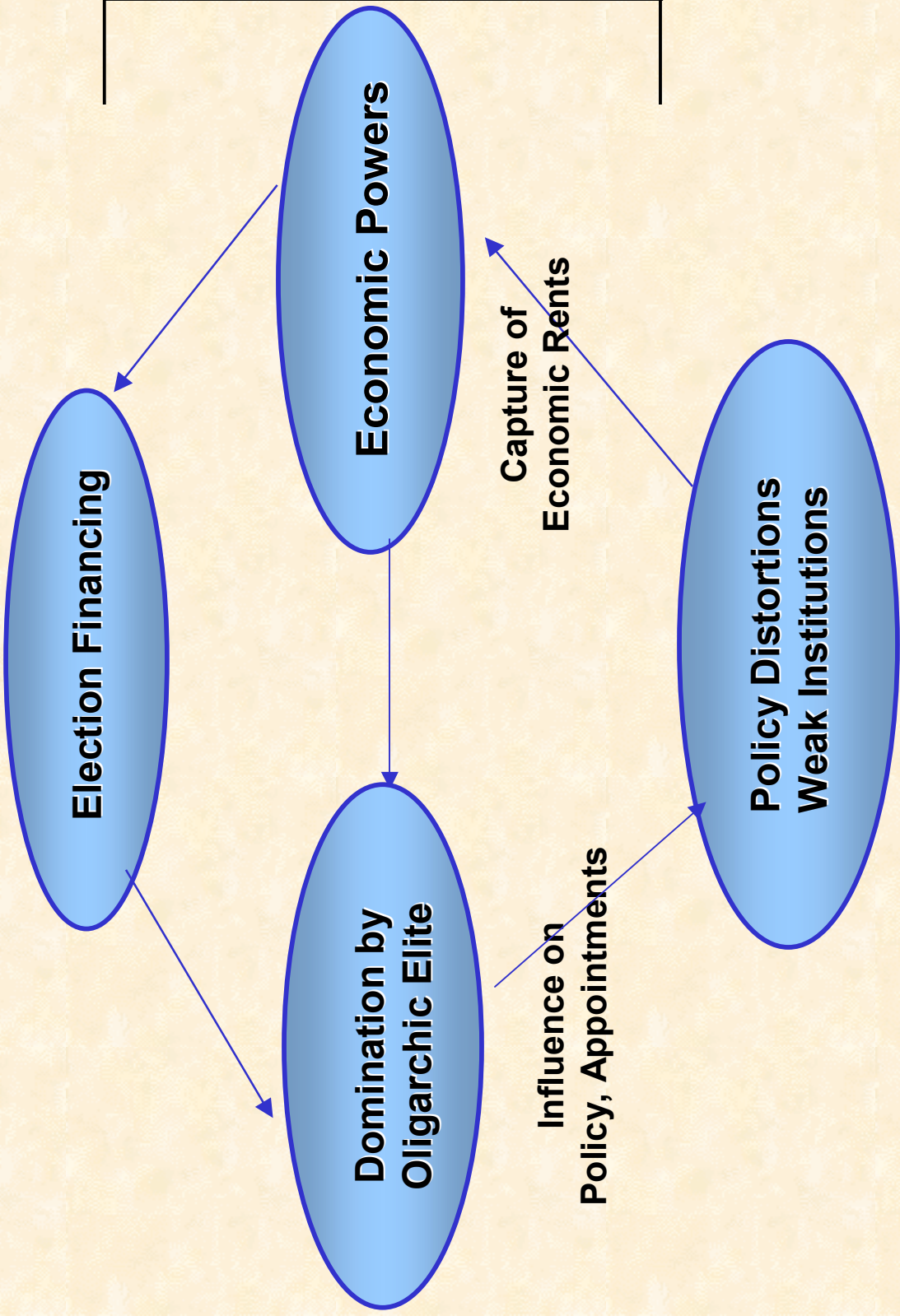
Taxes finance
government
expenditures

Accounting for poverty reduction...

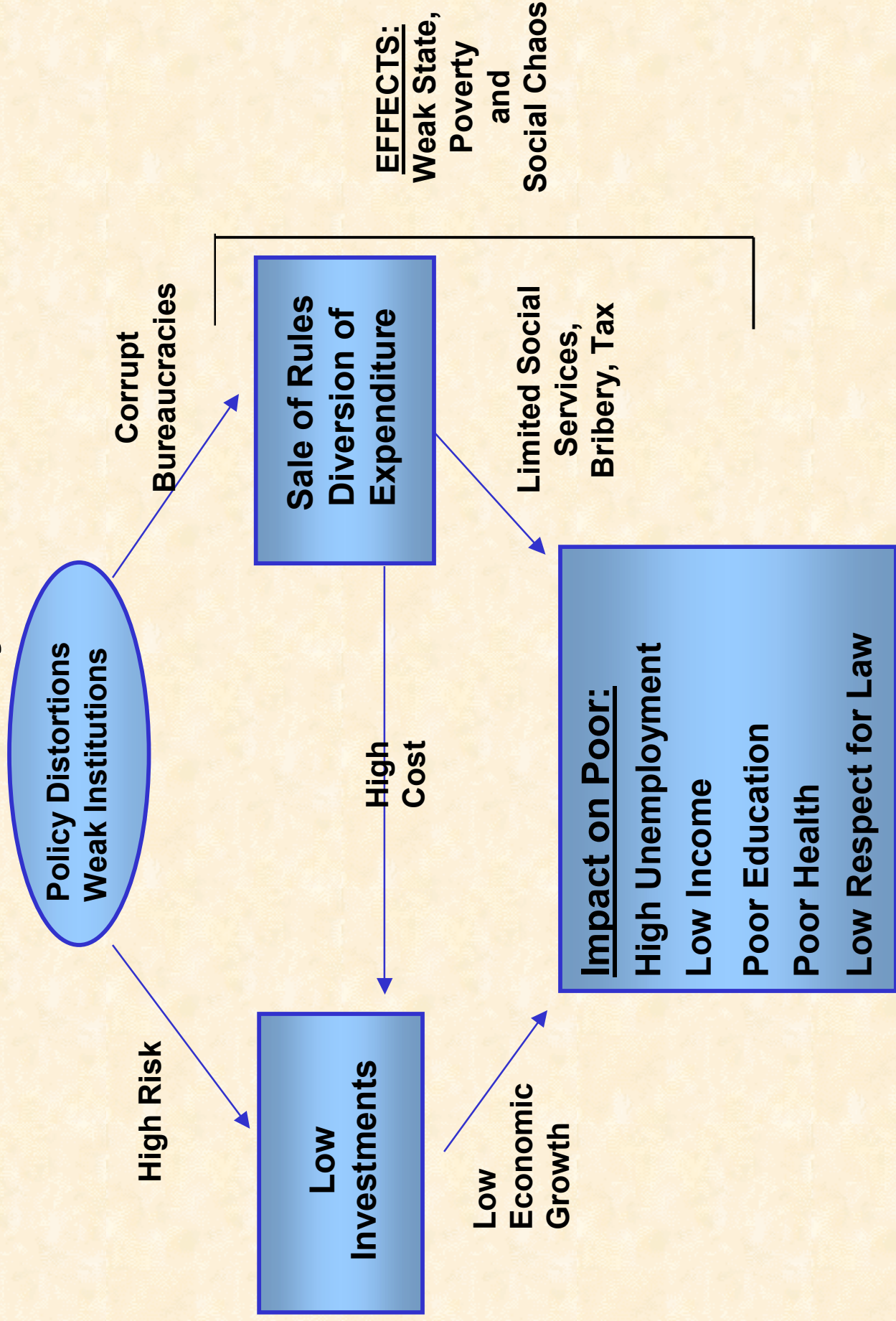


For every 10 percent increase in average real income (consumption) of the population, poverty incidence (i.e., the proportion of the population deemed poor) falls by approximately 17 percent

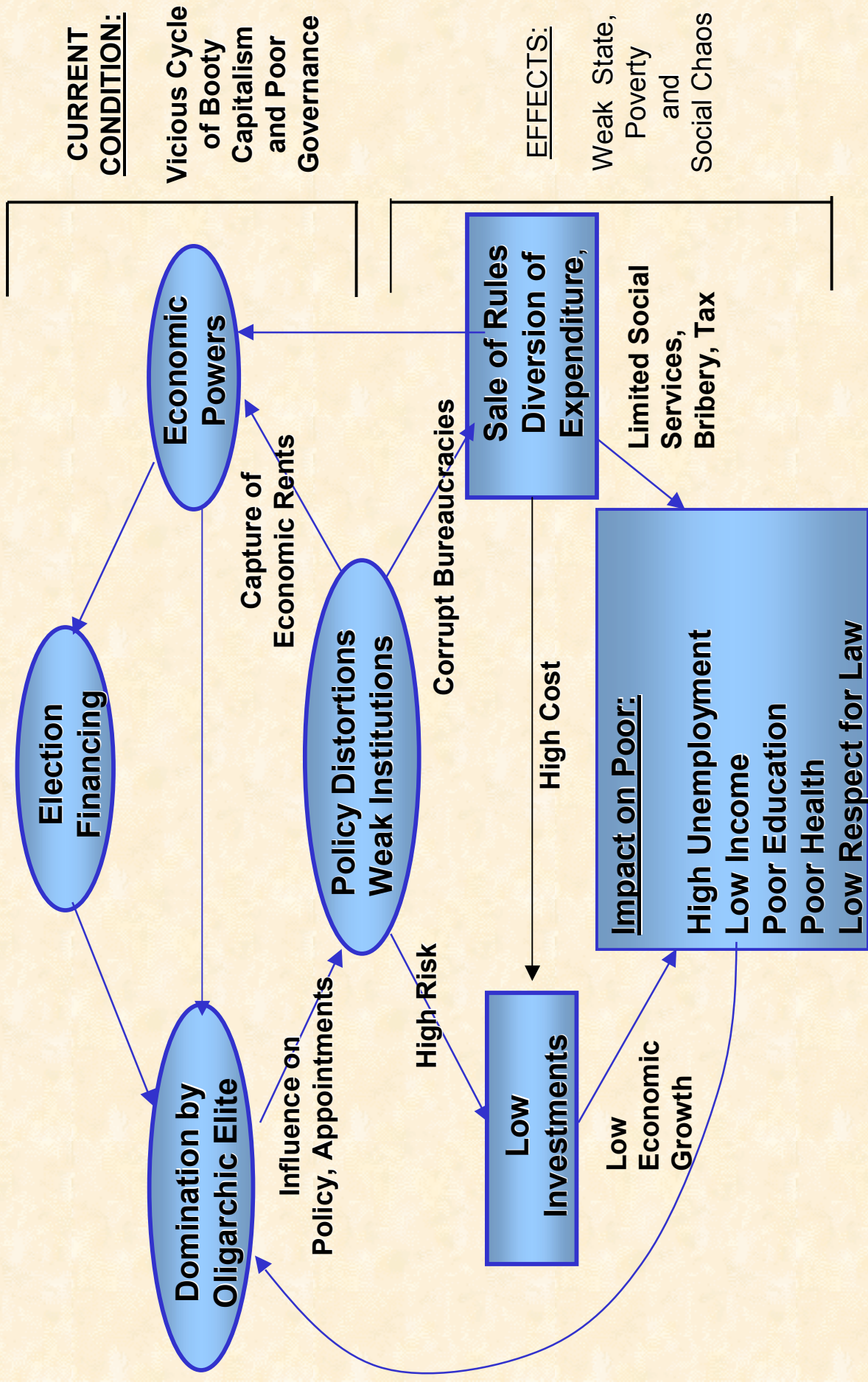
Vicious Cycles of Booty Capitalism, Poor Governance Poverty and Social Chaos



Vicious Cycles of Booty Capitalism, Poor Governance, Poverty and Social Chaos



Vicious Cycles of Booty Capitalism, Poor Governance, Poverty and Social Chaos



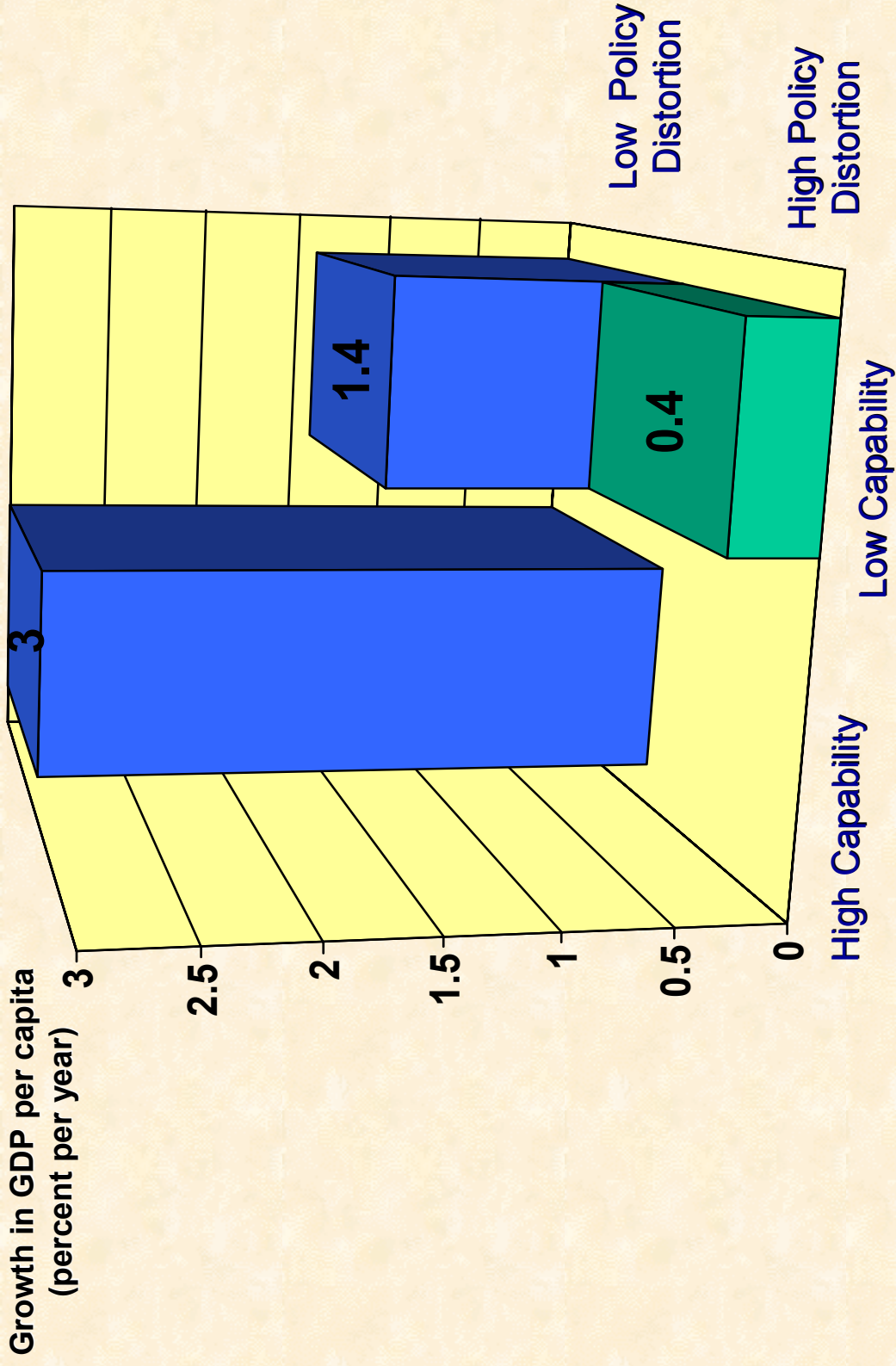
DR. PAUL HUTCHCROFT'S MATRIX

STATE > BUSINESS	BUSINESS > STATE
<p>II</p> <p>DEVELOPMENTAL STATE</p>	<p>I</p> <p>LAISSEZ-FAIRE REGULATORY STATE</p>
<p>III</p> <p>BUREAUCRATIC CAPITALISM</p>	<p>IV</p> <p>OLIGARCHIC STATE (BOOTY CAPITALISM)</p>

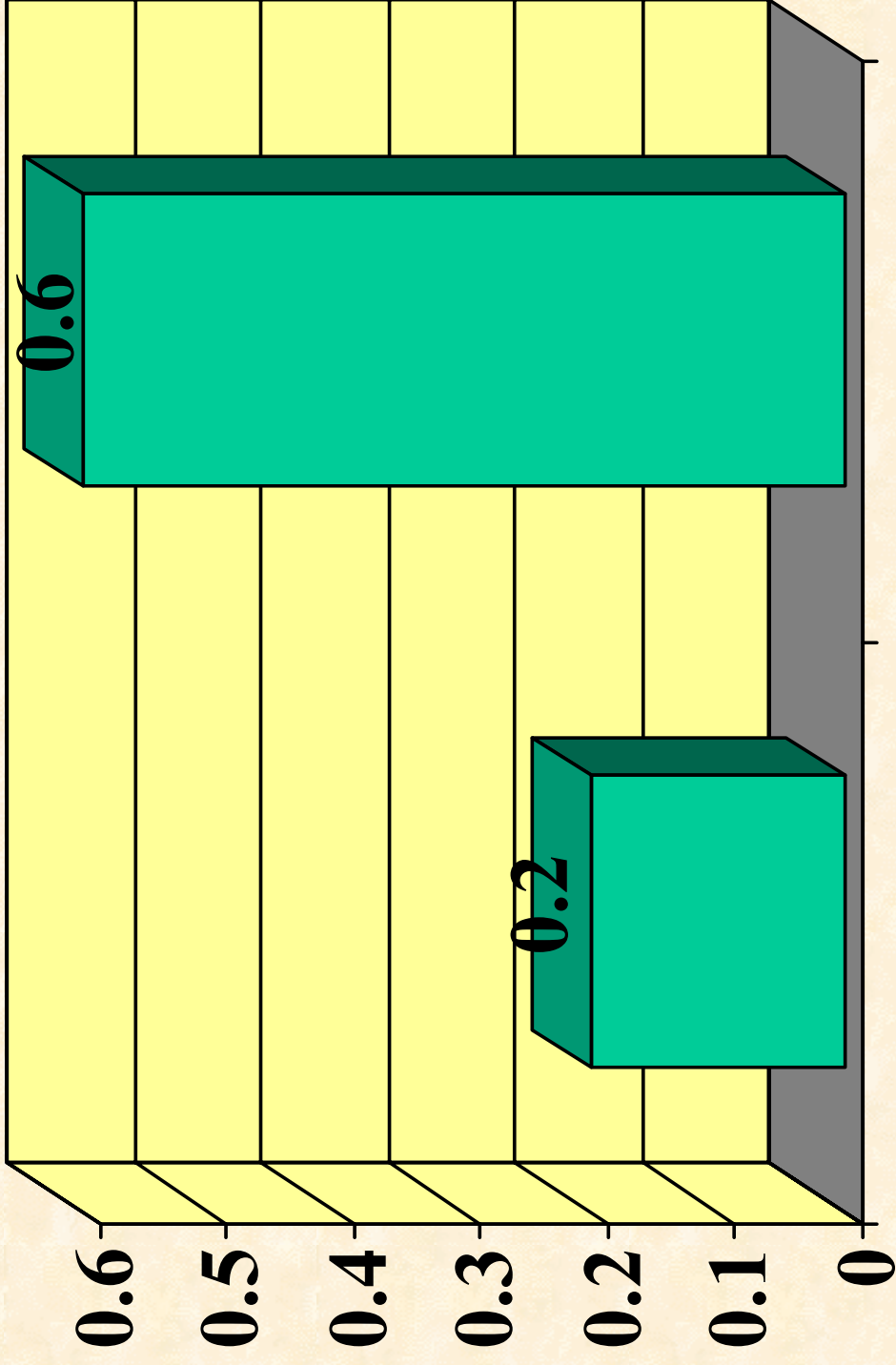
RATIONAL/
LEGAL STATES

PREDATORY
STATES

Countries with good economic policies and stronger institutional capability grow faster



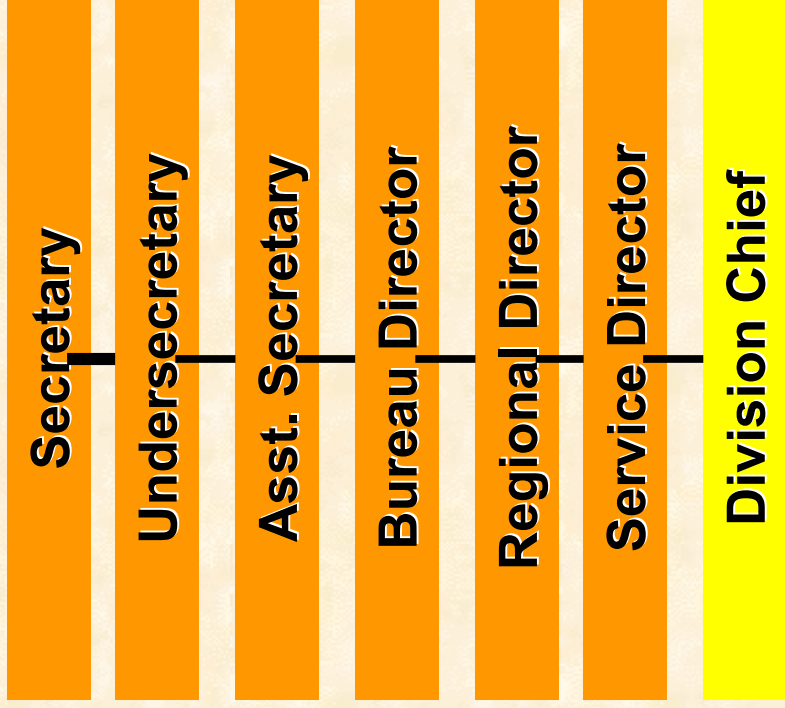
Index of Bureaucratic Capability



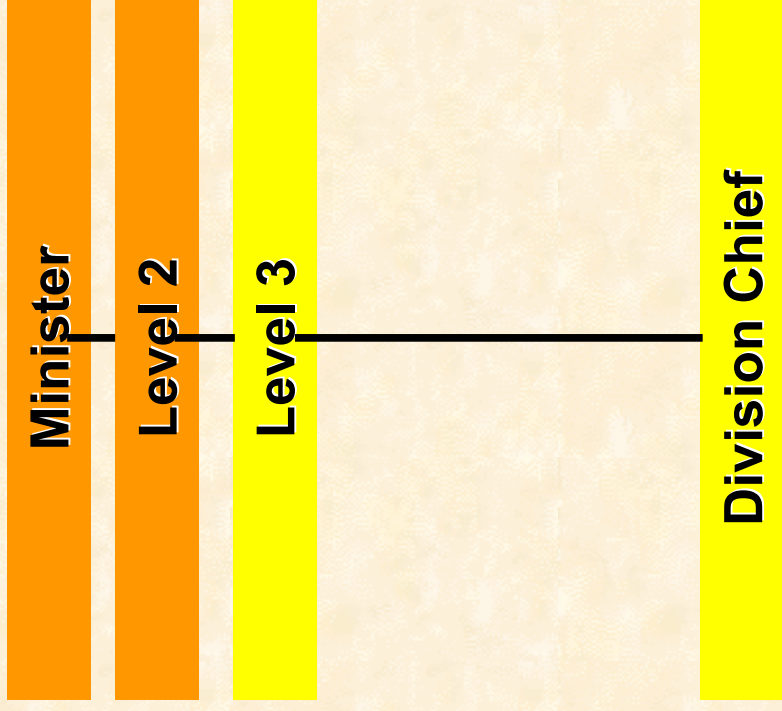
Philippines Other East Asia

Depth of Political Appointments

Philippines

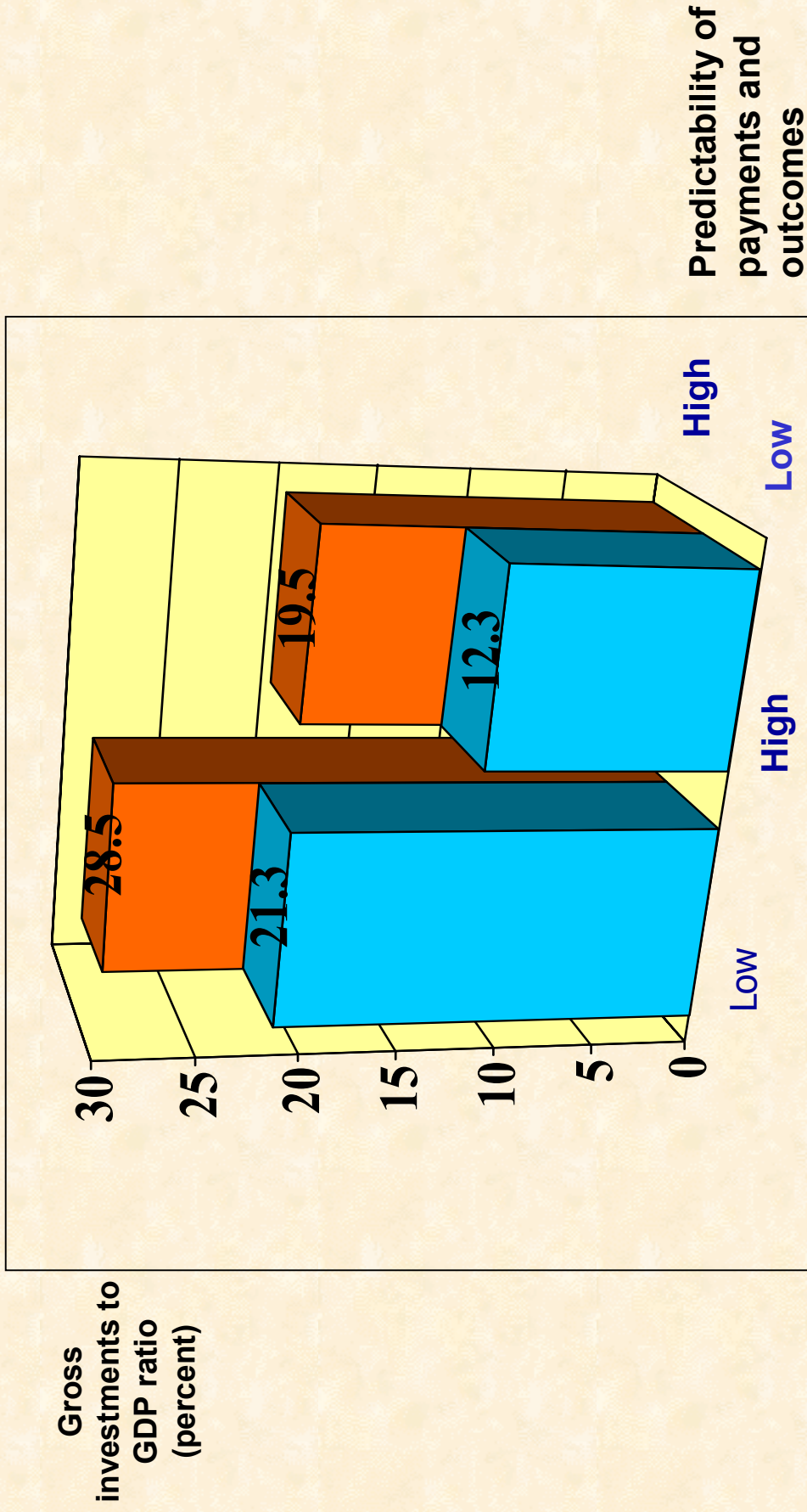


Other East Asia



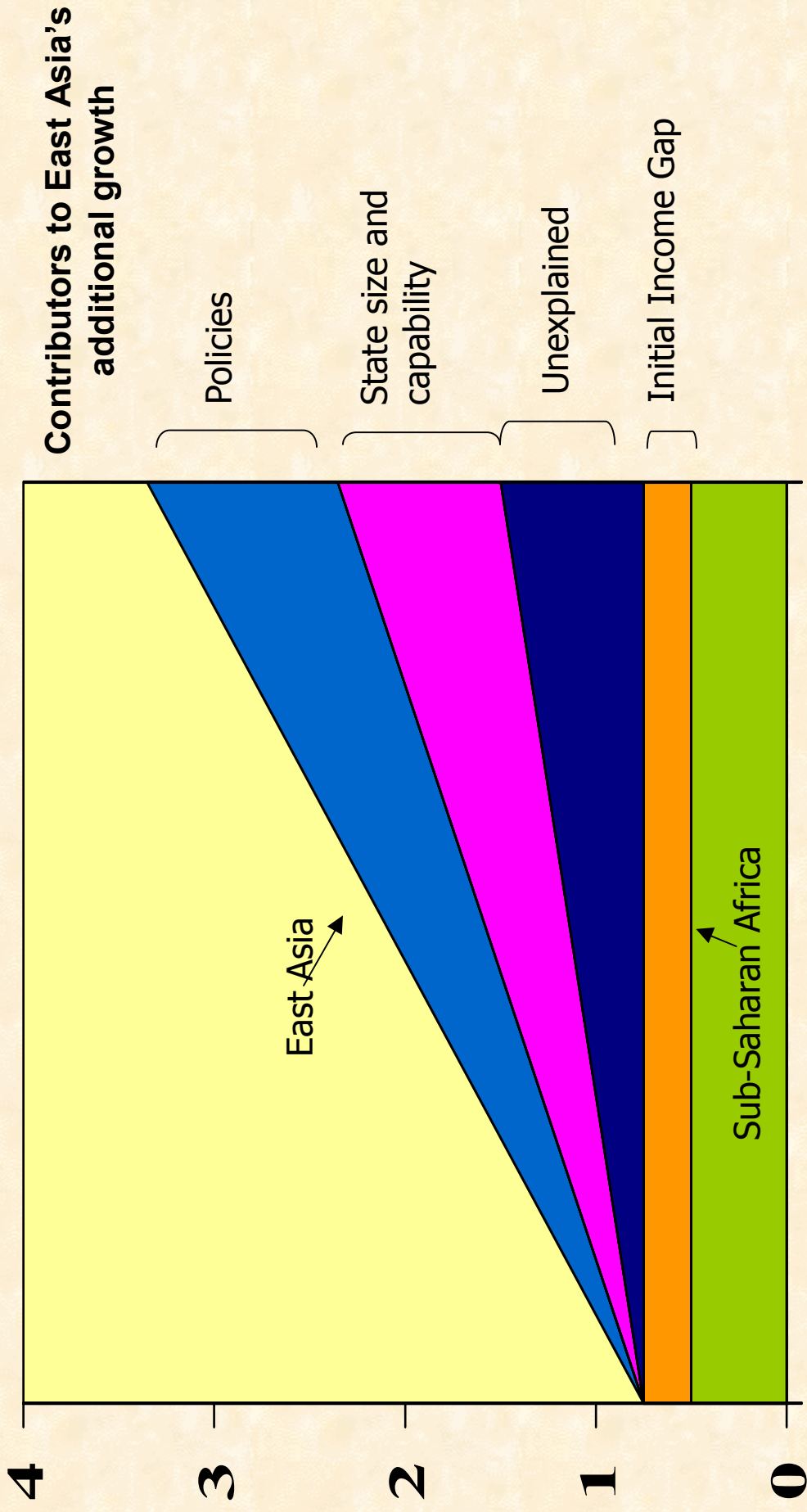
Political Appointees

High and unpredictable corruption hurts investments



Good government helps explain the income gap between East Asia and Africa

GDP per capita (thousands of 1995 international dollars)



Contributors to East Asia's additional growth

Policies

State size and capability

Unexplained

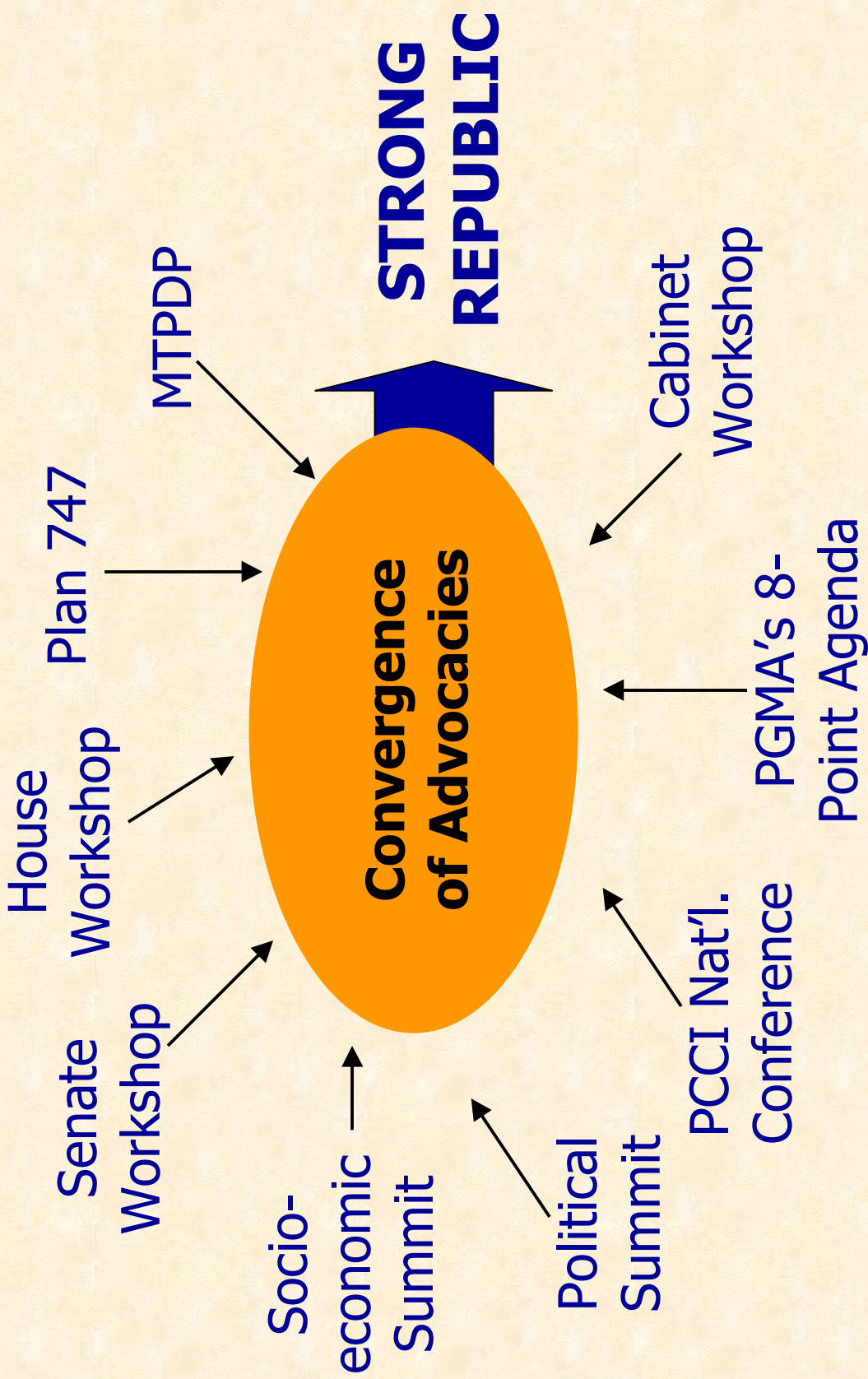
Initial Income Gap

East Asia

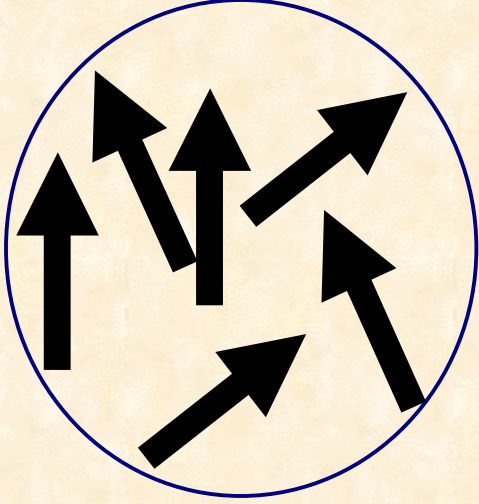
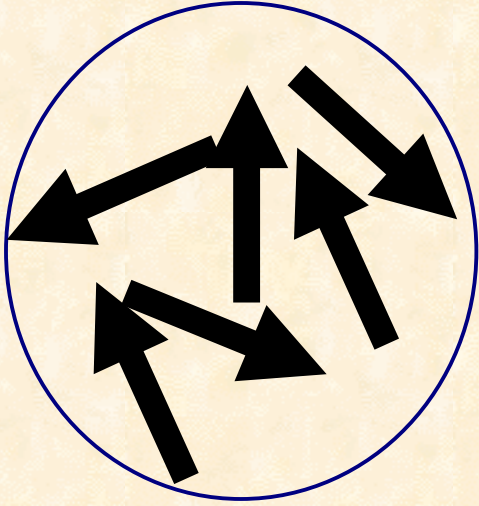
Sub-Saharan Africa

1964

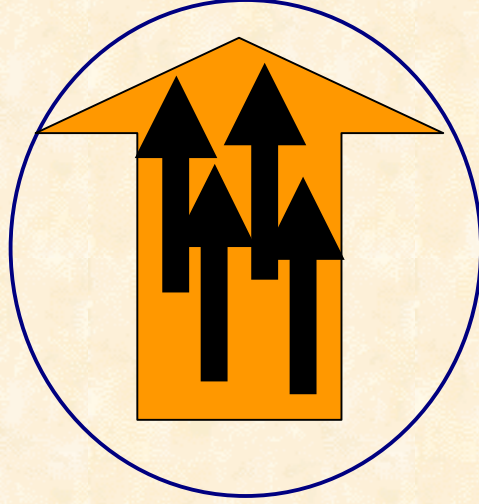
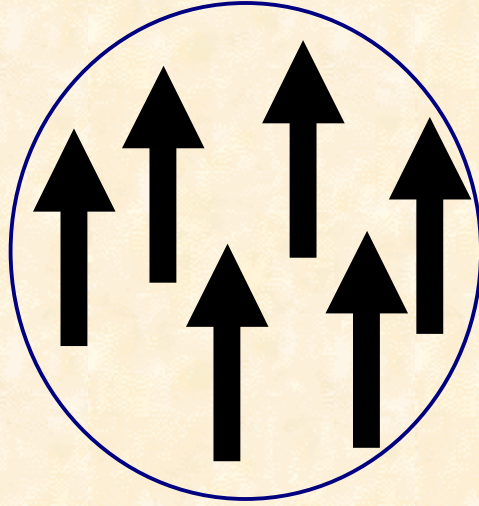
1992



HOW WE ARE NOW



HOW WE WOULD LIKE TO BE



FRAMEWORK FOR NATIONAL WEALTH CREATION

$$W = \frac{(P - C)}{(R - G)}$$

P = Productivity

C = Cost of Production

R = Risk Factor

G = Growth Potential/Expectations

APPLIES TO:

- Total Economy
- Industry
- Firms
- Households

WHY ARE WE POOR?

P : Low Productivity

C : High Cost of Doing Business

R : High Risk, Multiple Risks

G : Low Growth Potential/Expectations

(P↑-C↓)

HOW DO WE INCREASE PRODUCTIVITY AND REDUCE COSTS?

- **Microeconomic Reforms**
- **Support to SMEs, Mining, Tourism & IT**
- **Improve Supply Chain Management**
- **Reduce Power Cost**
- **Knowledge Diffusion thru ICT**

(R↓)

HOW DO WE MINIMIZE RISKS?

- **Law and Order**
- **Political Stability**
- **Consistency of Regulations and Policies**
- **TROs, Supreme Court Decisions**
- **Macroeconomic Stability**
- **Institutional Strengthening**

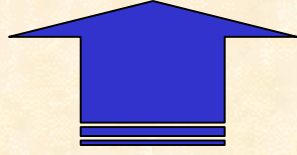
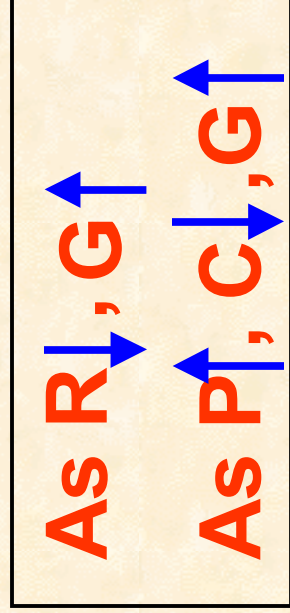
(G↑)

**HOW DO WE INCREASE
GROWTH POTENTIAL?**

- **Right Choices of Public and Private Investments**
- **Human Resource Development**
- **Enhanced Knowledge Diffusion**

(G↑)

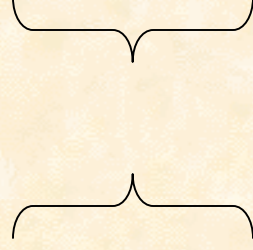
HOW DO WE INCREASE GROWTH POTENTIAL?



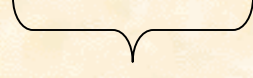
**NATIONAL
WEALTH
CREATION!**



90% Due to Growth
10% Due to
Redistribution

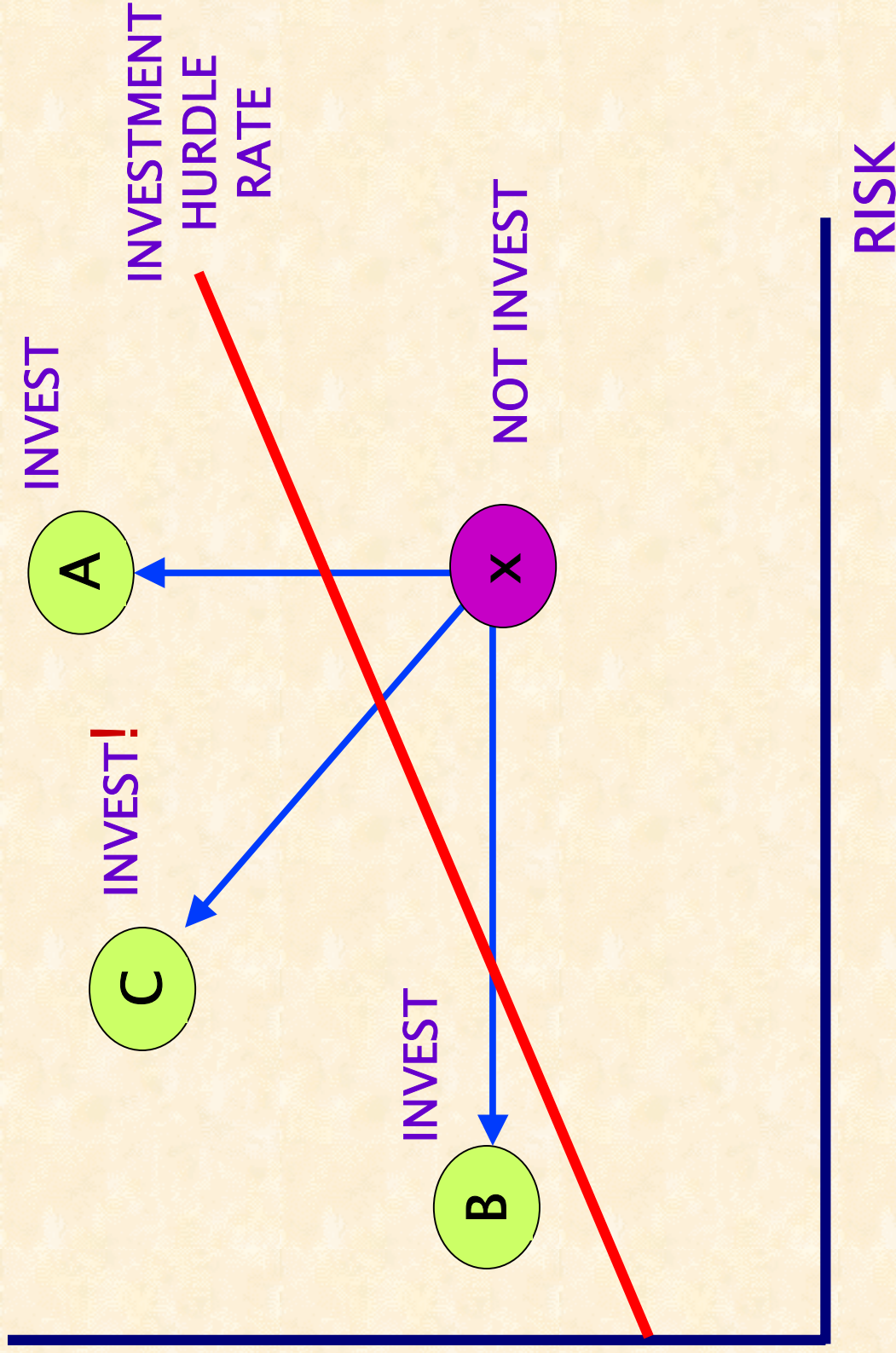


*Poverty
Reduction*



INVESTMENT HURDLE RATE

RETURN = f (P, C, G)



Provincial Planning Frameworks

Part 2



Strategic and timely agricultural reforms are expected to make farm families more productive, keep farmlands fertile, strengthen rural infrastructure support, and help promote a healthy business and social environment.

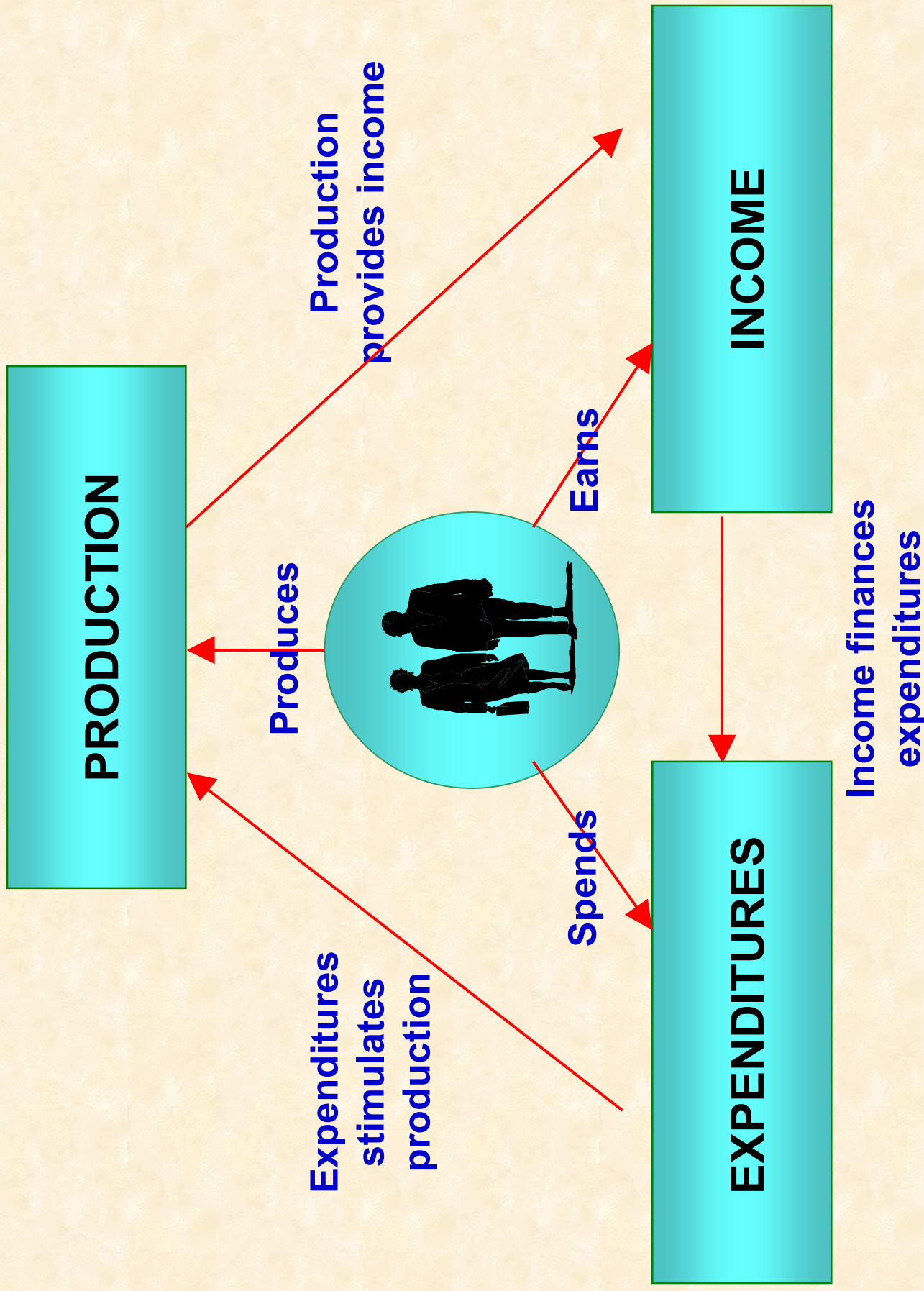


Coastal communities will thrive when the coastal environment is protected and when the proper means of sea transport is made available.



Attracting foreign investments is paramount to the development of progressive industrial communities in the country.

The Economic Man produces, earns and spends



Profiting From the Poor

In the poorest parts of rural India, ITC, a business giant is boosting the earning power of peasant farmers. But this is not corporate philanthropy. It's part of a plan to sell its own and other companies' products right back to them.

ITC is using technology to deliver more profit to farmers. At the same time, it taps into farmers' rising incomes that it has helped grow.

Profiting From the Poor

ITC first aims to help improve farmers' incomes by:

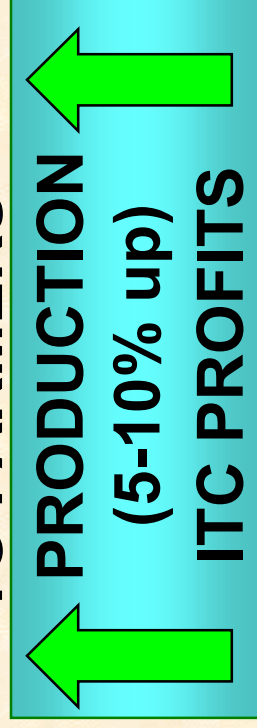
- wiring rural communities with computer access to its e-trading platform**
- offering better on-line prices than traders for their produce**
- providing quality seeds, on-line agricultural and weather advice, etc. to improve farm yields**

Next, it aims to help its own business by:

- gaining access to rural consumers**
- selling goods and services back to the farmers**

ITC: USING TECHNOLOGY TO DELIVER MORE PROFITS TO FARMERS

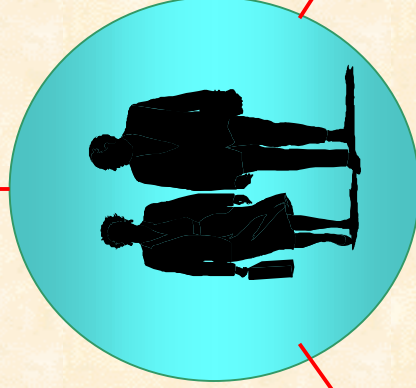
TO FARMERS



Farmers:

- buys from ITC seeds, fertilizer, supplies, etc. (6% savings)
- upgrades house
- buys appliances, motorbikes, insurance, etc.

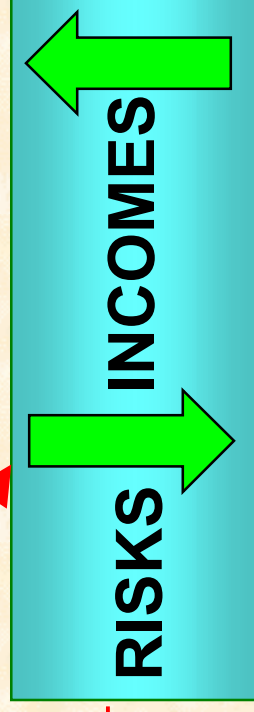
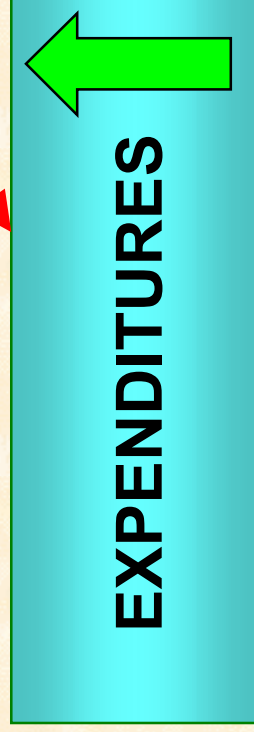
Produces



ITC Provides:

- internet enabled computer terminal
- soil tests services
- advice on fertilizer application
- online price info
- gets weather data

Earns



FRAMEWORK FOR NATIONAL WEALTH CREATION

$$W = \frac{(P - C)}{(R - G)}$$

P = Productivity

C = Cost of Production

R = Risk Factor

G = Growth Potential/Expectations

APPLIES TO:

- Total Economy
- Industry
- Firms
- Households

The PhilRice IPM Experience Onion Pest Sex Pheromone Trap

$$W \uparrow = \frac{(P \uparrow - C \downarrow)}{(R \downarrow - G \uparrow)}$$

Wealth creation
formula applied
in the farm

P = Productivity increased (>100%)

C = Cost of Production reduced with

50% less pesticides required

R = Risk Factor reduced with lesser use of
pesticides & fewer pest population

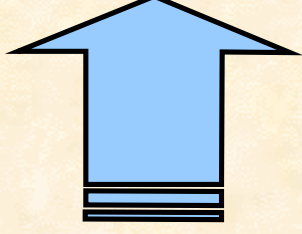
G = Growth Potential/Expectations rises

with higher incomes (P30K to 80K/ha.)

KNOWLEDGE NETWORKING FOR PRODUCTIVITY

INTELLECTUAL
CAPITAL
productivity
enhancing
technologies

STRUCTURAL
CAPITAL
knowledge
networks



SOCIAL
CAPITAL
Beneficiaries
= farmers
= workers
= entrepreneurs

Goal: Higher Incomes Through Value
Creation and Higher Productivity

Knowledge Network Matrices

Farmers // Small Entrepreneurs // Workers // ...

Knowledge Programs \\ Players	A	B	C
1	1a	1b	1c
2	2a	2b	2c
3	3a	3b	3c
4	4a	4b	4c
N	Na	Nb	Nc

Knowledge Network Matrices

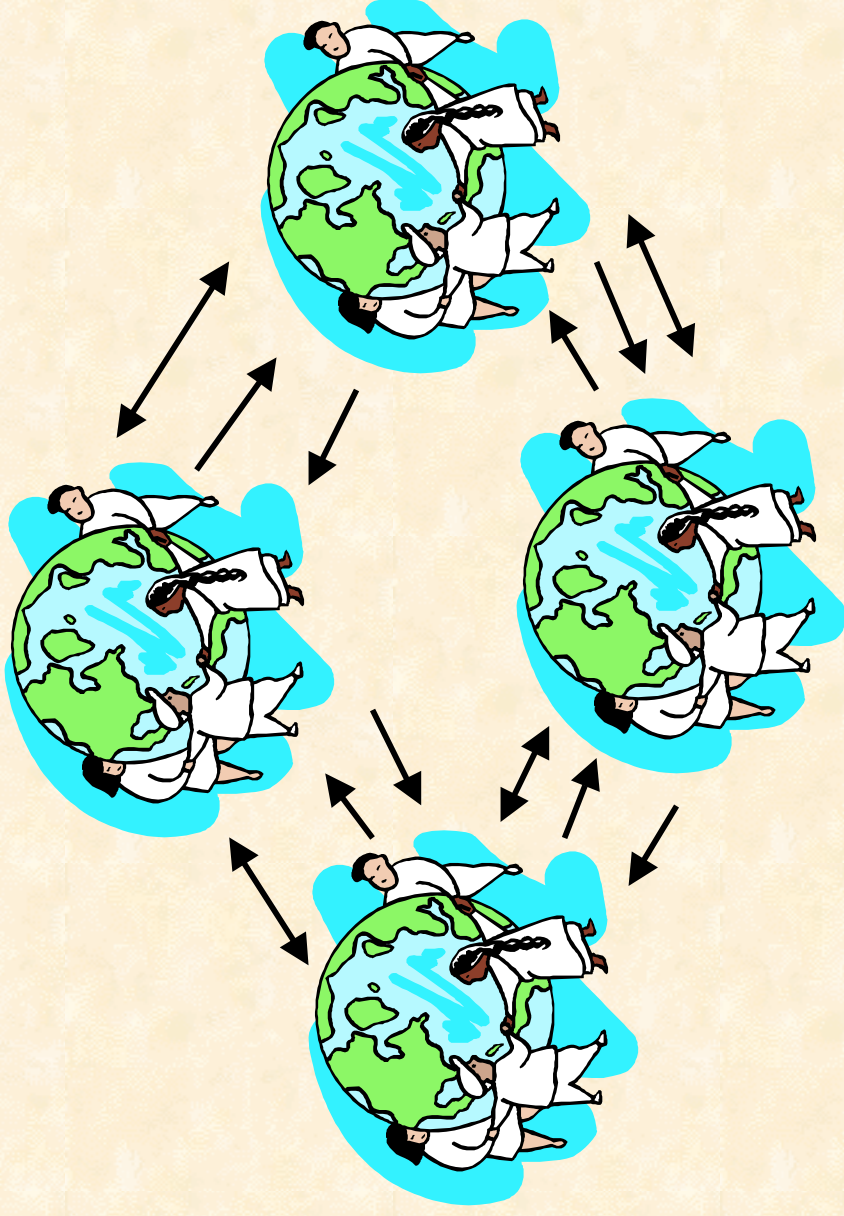
- 1) What are the highest potential impacts?
- 2) How can we synergize nodes?
Ex.: Tilapia of CLSU & technology of Iloilo into fish bouillon or fish chips in SMEs.
- 3) How do we support/strengthen to convert potential impacts into extensive & productive knowledge dissemination.

KNOWLEDGE NETWORKING

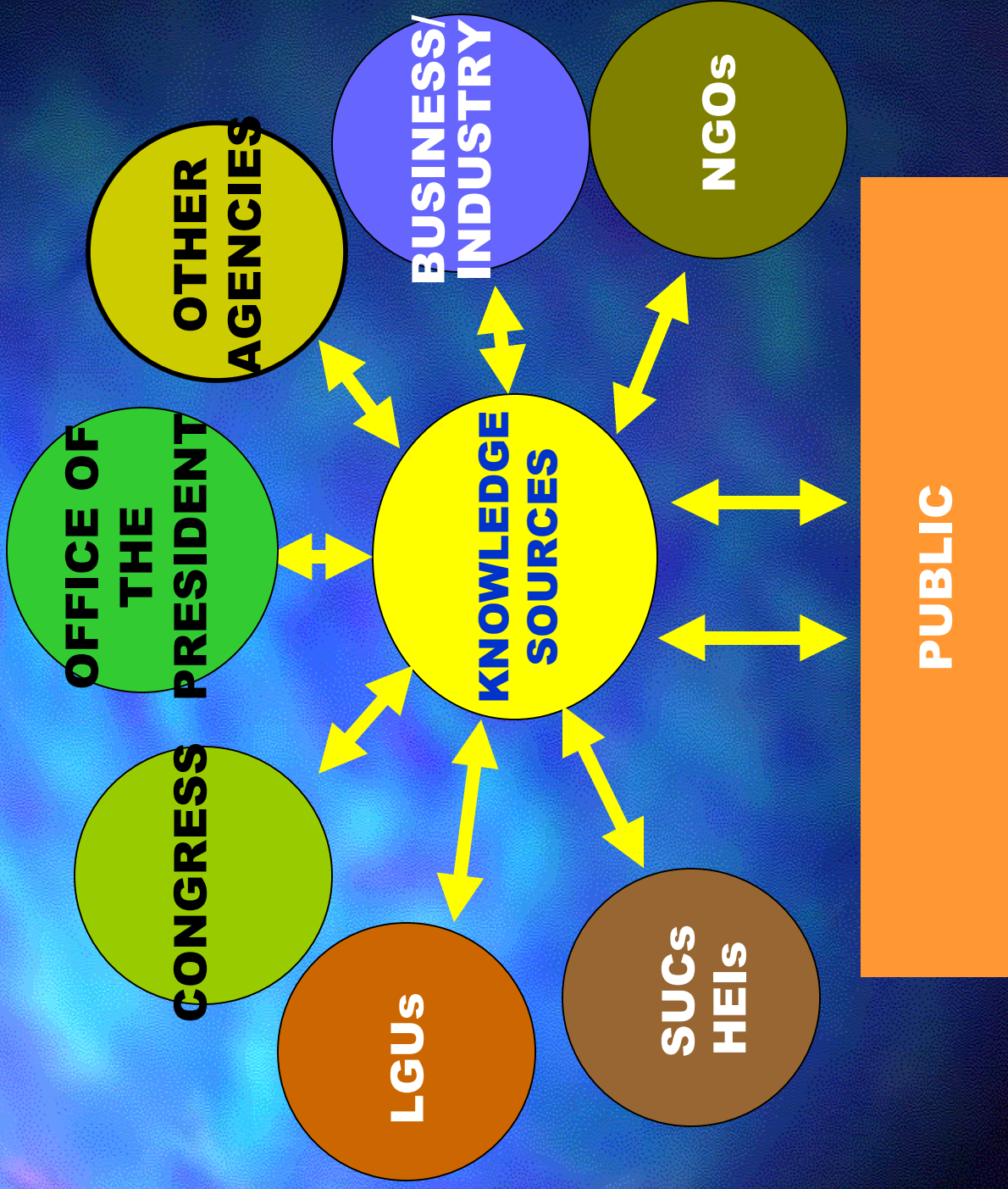
encourages informed and active participation of communities and individuals

person-to-person communication resulting in the development of new knowledge

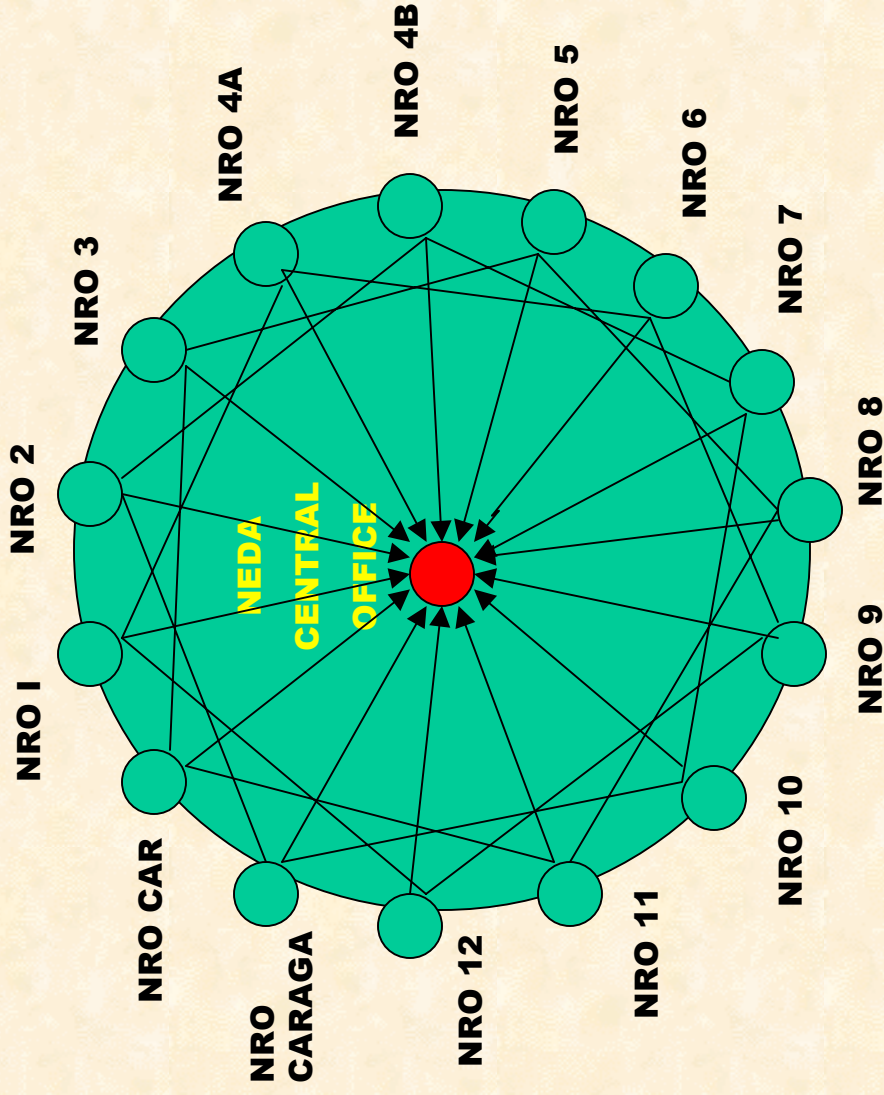
combining individuals' knowledge and skills in pursuit of personal and organizational objectives



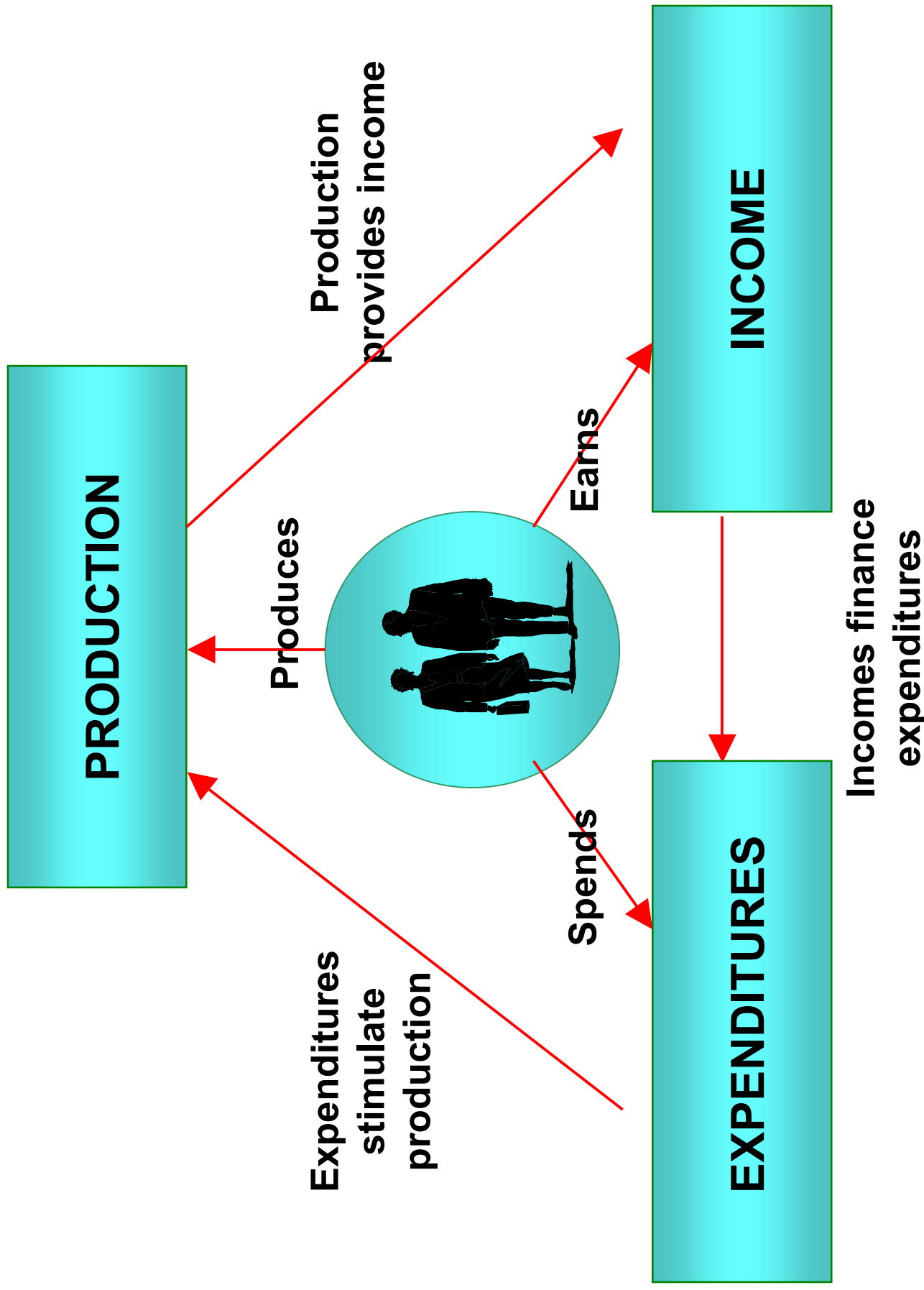
KNOWLEDGE DIFFUSION



SEAMLESS DATA INFORMATION INTERCHANGE AND KNOWLEDGE SHARING THRU KNOWLEDGE NETWORKING

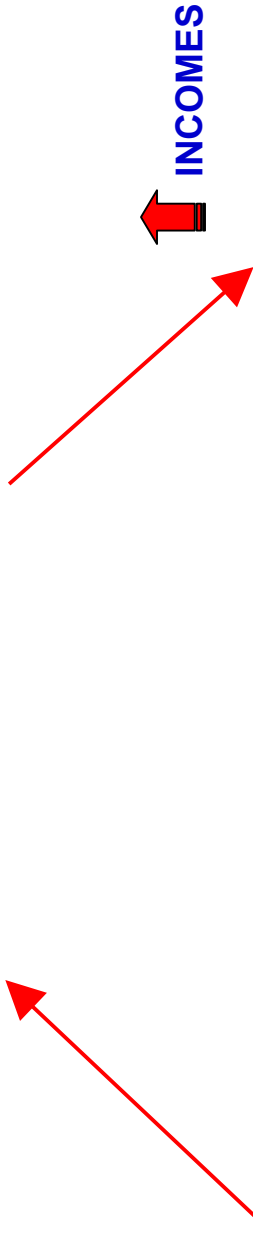


The Economic Man produces, earns and spends



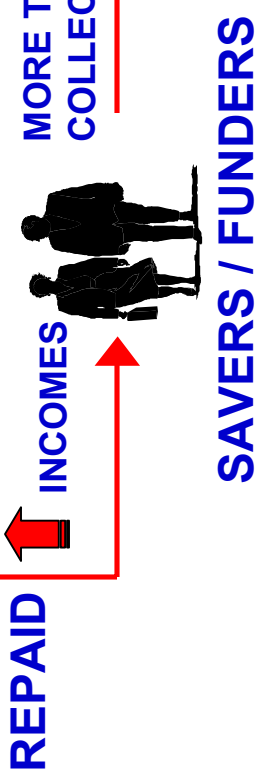
NEED FOR PRODUCTIVE/EFFICIENT INVESTMENTS

OUTPUT INCREASE WITH
GREATER PRODUCTIVITY



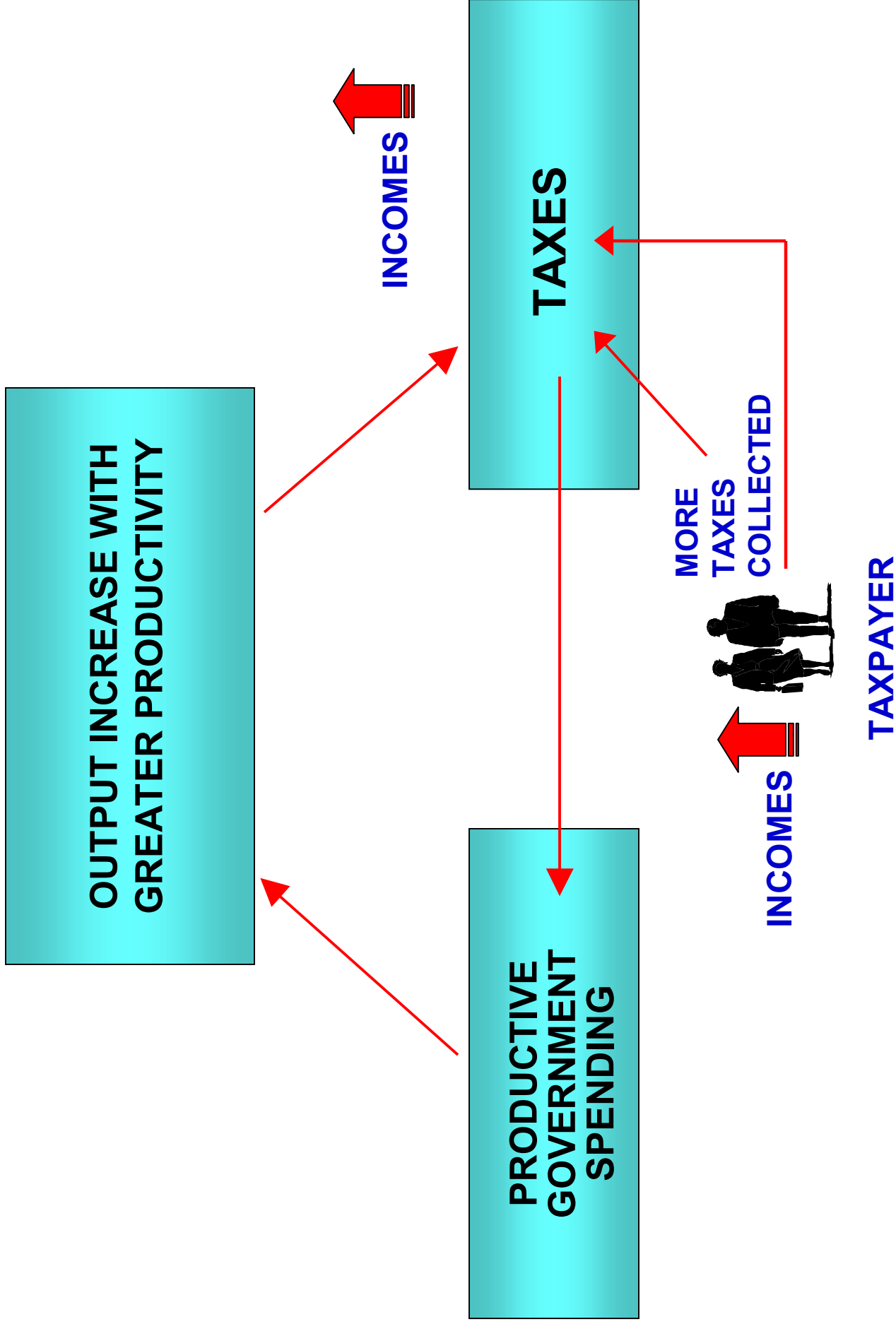
PRODUCTIVE/ EFFICIENT
INVESTMENTS

DOMESTIC SAVINGS
FOREIGN SAVINGS

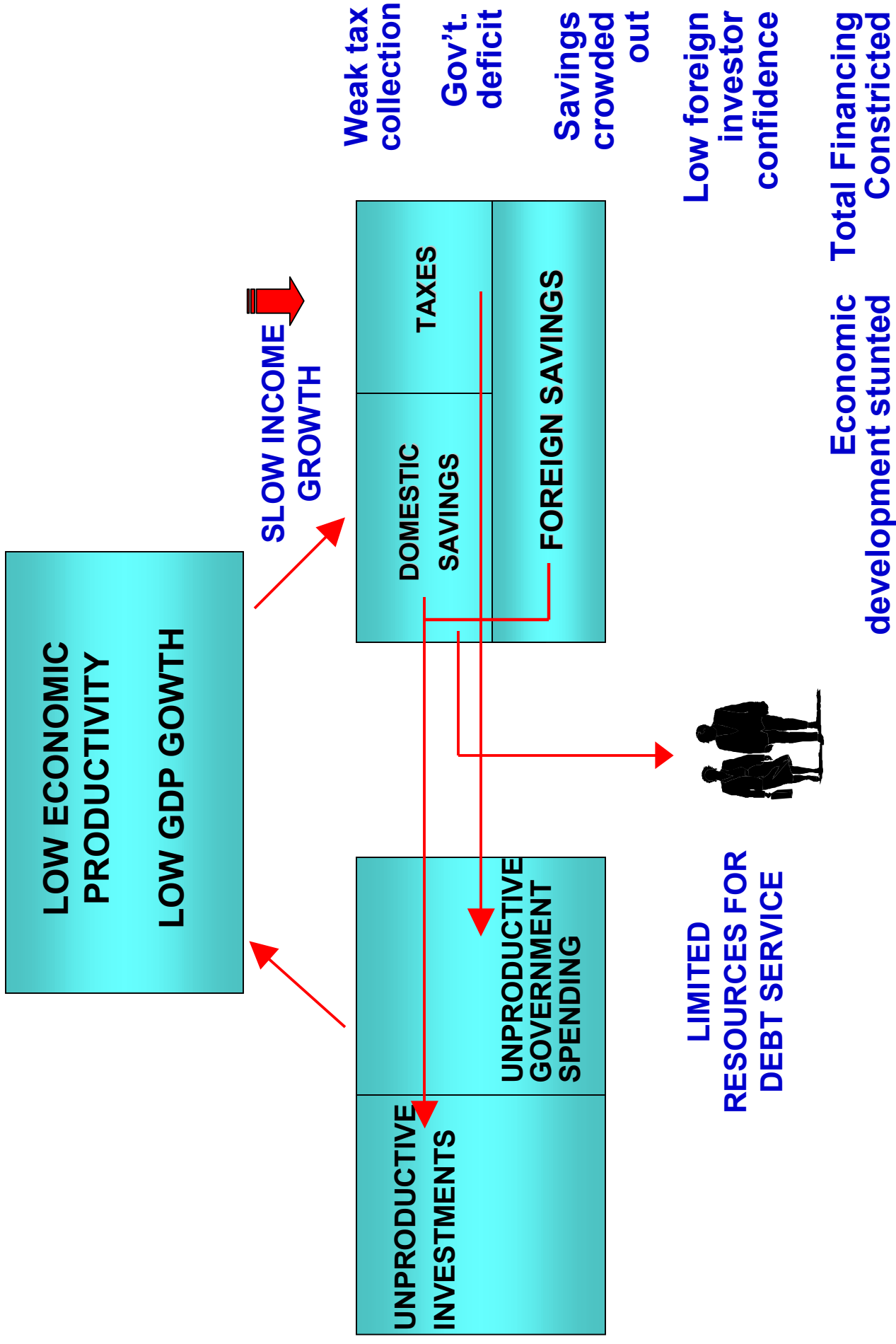


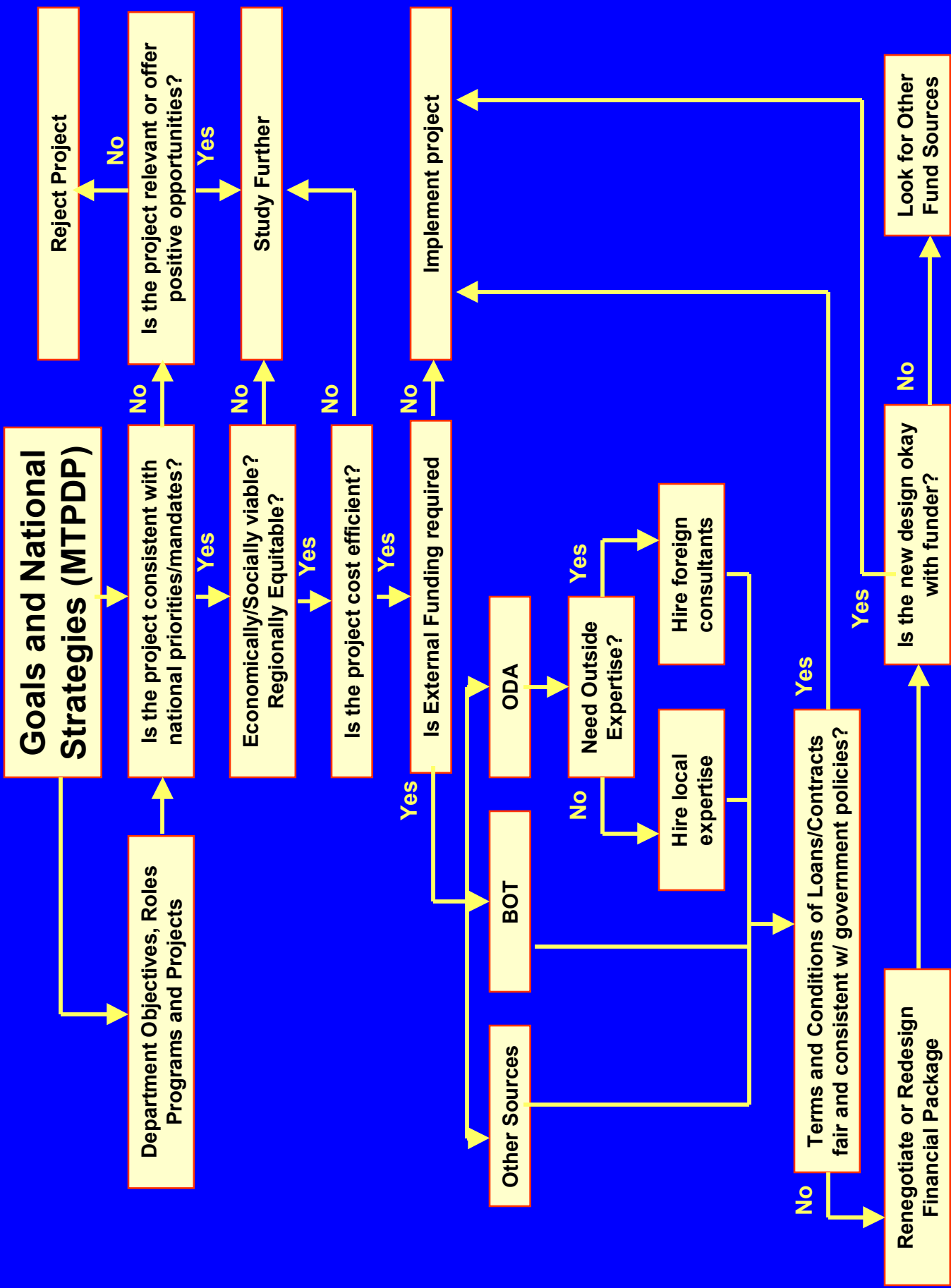
SAVERS / FUNDERS

NEED FOR PRODUCTIVE/EFFICIENT INVESTMENTS



IF INEFFICIENT/UNPRODUCTIVE INVESTMENTS





THE MEANING OF MONEY (AND CREDIT) IN DEVELOPMENT

Money - what it represents, who controls it and what we do with it – has a profound impact on our ability to alleviate poverty.

- 1 As a medium of exchange, money:
 - ◆ Facilitates trade
 - ◆ Encourages production

- 2 Money represents a right to claim resources.

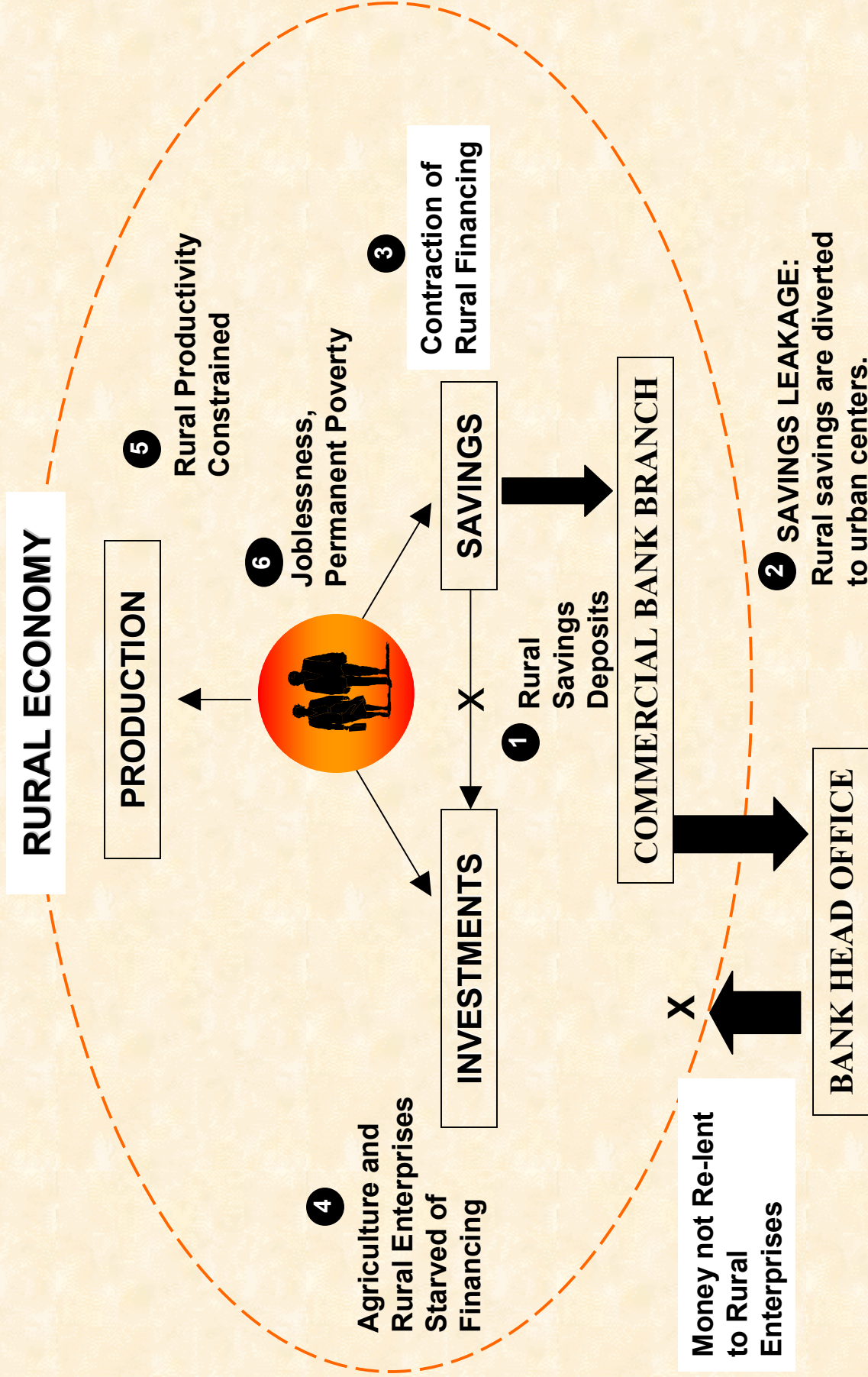
- 3 Money is an allocator of resources.

Providing money through credit therefore enhances access to resources and promotes social equity.

- 4 Money is an enabler: Money through credit provides access to resources that generate livelihood/income, economic/financial returns.

- 5 As a motivator, money can encourage people to do productive work.

IMPACT OF SAVINGS LEAKAGE ON RURAL AREAS





END