

Economic Issues in Regional Development in Western Visayas

ALEX UMADHAY

Good afternoon ladies and gentlemen.

The topic I will be speaking on this afternoon is entitled "Economic Issues in Regional Development in Western Visayas." I would like to clarify that we do not regard issues as issues, but rather as challenges. So we should take these issues in the context of challenges for regional development in Western Visayas. Many of you might have been aware of the organization of the Regional Development Councils (RDC) in all the regions throughout the country. The organization of the RDC's is the response of the government to the clamor of regionalization for development. Before the advent of the New Society, development was more or less concentrated in Manila and in the Southern Tagalog Region. This is one characteristic of a developing or an underdeveloped country, where the primate city gets most of the investment in development. In an attempt to disperse this lopsided development, the government has divided the country into different regions and organized regional development councils, composed of all the city mayors and governors as well as selected regional directors of National government agencies in the region whose functions are more or less geared to the process of development. This started way back in 1973. The organizational phase for the RDC took one year. Operationally RDC began functioning in 1975. Regional development planning as we are doing it now, is just about two years old. While we had some semblance of regional development before 1972 through the organization of the so-called regional development authorities, these authorities were organized more for political expediences, rather than for real development work. Within the short span of years that the RDC has been operating as the coordinating, monitoring, and collating body for regional

Director, Region VI, National Economic and Development Authority.

development, it has succeeded in rationalizing the development efforts of the diverse regional agencies operating in the region including local governments. Lately, the functions of the RDC were further strengthened with the issuance of Letter of Implementation No. 542, which established the functions of the Chairman of the RDC, among which was to direct the implementation of projects in the region; to administer the share of the regions in the regional development fund, which was created by the National Budget, and to further strengthen the technical assistance aspect of RDC with respect to original agencies and local government. As of now, the RDC has formulated a regional development plan which is in the process of undergoing final printing in the NEDA central office in Manila.

In the course of preparing the regional plan covering the ten-year period up to 1987, we have analyzed some of the progress made by the different regions, in our particular case, Region VI, otherwise known as Western Visayas, and that in the process of analysis we have brought out some challenges, gaps or discrepancies which have to be handled, if we are to proceed in meeting our desired goals. Bear in mind that this process of regionalization is relatively a new thing in the country, despite our long history of so-called Regional Development Authorities. What we are doing now was not done before and in the short span of time we have succeeded in trying to coordinate the planning processes of the different agencies including the local governments, and to come up with a regional plan. From 1972 up to the present, we have attained marked successes more especially in the production of commodities. There are still problems which we have to meet. And I will deal with these problems in my paper.

The Western Visayas as you all know, is basically an agricultural region. Whereas formerly, we were producing rice but was still in short supply. Through the programs of the government we were able to produce a surplus of rice. And we are now exporting this rice to Indonesia. We are gradually supplanting Central Luzon as the main rice-producing region in the country. We produce an excess of sugar. In fact we produce 66 percent of the total national production for sugar. We are also a surplus producer of fish. We are also exporting mangoes, at least to Japan, of course through Hongkong.

This Region therefore depends on agriculture for most of its sources of income. Basically in physical volume, we have increased the production of rice, sugar, fish, and we are not only increasing

our production of fruits and vegetables. The effect of this production from 1971 to 1975, was to increase the level of family income from ₱3,214 in 1971 to ₱5,484 in 1975, or a 17.6 percent annual growth rate. At first glance this income distribution appears to be better in 1975 than in 1971, if we compute it in terms of current peso value. If we divide the income levels of the people into three and categorize them into low, middle, and high-low income meaning ₱1,000 to ₱3,999, in current peso terms—we will notice that there was an expansion of the shift of income from the low to the middle from 18.5 per cent in 1971 to 37.7 percent in 1975. If we categorize the middle as those having an income of ₱4,000 to ₱9,999, and the high from ₱10,000 to over ₱30,000, we will discover from this computation that there was a shift from 3.4 percent in 1971 to 8.6 percent in 1975 for high income families. For per capita gross regional domestic product in 1978 alone, the per capita gross regional domestic product is equivalent to ₱2,257 based on a gross regional domestic product of around ₱6.5 billion. Now these figures as to the growth rate of family income and the ₱6.5 billion gross regional domestic product which is the sum total of all the goods and services produced in the region for 1974, would indicate that this region is a rich region. In fact, most of the analysis points to this region (Region VI) as the one with the second highest gross regional domestic product, second to the Southern Tagalog Region (Region IV), including Metro Manila. But for you who have analyzed this closely, the gross regional domestic product is the sum total of all the goods and services produced by this region. The gross regional domestic product or GDP or for that matter the gross national product will not reveal to us the distribution of income or the wealth of the region. Our analysis shows that in spite of this high gross domestic product, the income distribution of the region needs further improvement. For example, while the average family income for the region for 1975 is ₱5,484 per family, 55 percent of the total families of this region receive an income lower than ₱5,484. In fact only 9 percent of the total number of households in this region receive an average family income, while 25 percent of the total households of the region receive an annual income of ₱6,000 or more annually. It was noticed that 33 percent of the total number of households in this region receive an income of less than ₱3,000. Now this is one challenge that this region must face, that while our gross regional domestic product might be increasing, the distribution of the wealth of the region leaves something to be desired. We have

therefore to increase the participation of around 60 percent of our households that they could at least increase their household income to an average of ₱5,000 a year. How shall we do this? It is suggested that in order to redistribute income we have to increase employment and labor productivity. At the same time we try to adopt policies which will limit excessive population growth. Here in Region VI, if you notice, we are gradually exhausting our arable land area. For those of you who had an ocular view of the Region, if you have taken an airplane or a PAL jet to Manila or to Cebu, you will notice that the mountainsides are gradually being cultivated. This can be due to population pressure. Now if we have to increase income and to provide more employment for a growing population, which is growing 2.8 percent annually in this Region, we have to adopt the strategy of intensifying cultivation of the already arable cultivated area and increase production per unit area. At the same time, we have to conserve the upland area, prevent the denudation of forests, and adopt the right kind of cropping systems for the upland to increase production and the share of labor in that increased production. This will need of course support system from the government, by way of providing farm to market roads, credit facilities, irrigation systems, transfer of technology, marketing provisions for these products, and of course the need for continued education of our farmers.

Since income is tied up with employment, the second challenge therefore will be through the intensive cultivation of the already arable cultivated area and the initiation of the proper cropping system and the environmental protection for the upland areas. We will hopefully increase labor participation in the agricultural sector. But the agricultural sector alone cannot absorb a growing labor force, and with the expected increase of production which will create a surplus in the agricultural area, provision must be made for the processing of this excess by strengthening the establishment of an agroindustrial base. By strengthening and establishing an agroindustrial base, we can absorb more labor. At present our open unemployment trade is 5 percent, out of a total labor force of around 1.4 million. Open unemployment is equivalent to 75,000 people unemployed. If we add to this the fact that there is disguised unemployment in the rural areas, the 5 percent might increase. The studies of Dr. Hunt Hent Long of *PCARR* in *SEARCA*, on the employment patterns in the rural areas, indicate that those in Region VI, have plenty of people who are under-employed and that the

farmers get 50 percent only of whatever income they earn from off-farm activities.

If population continues to grow therefore and the region does not adopt a strategy of absorbing unemployed and underemployed, the income pattern of the Region will further show an increase of the number belonging to the low income group. Since the generation of more employment and the full utilization of those who are underemployed are some of the basic strategies of the region, it is necessary for us in Region VI to absorb the unemployed and underemployed first in the agricultural sector and at the same time develop the agroindustrial and industrial sectors. This will mean that we will have to invest not only in the development of agricultural sector but also in the development of the agroindustrial base and later on the industrialization activities through the production of consumer goods.

Since investment not only in human resource but also in the physical infrastructure is vital, we come to the next issue. Our entrepreneurs in the region must take an active part in channeling the capital that they can raise towards the development of the region. We notice that the entrepreneurs of Region VI are quite shy. They prefer to invest in other places like Manila and Mindanao rather than in Region VI. It is a challenge therefore for the Region to bring this capital to be invested in the other region(s) through incentives. The incentives we are proposing are first, the establishment of industrial estates, the construction of more infrastructure support like better roads, ports, harbors, and the training of skilled workers and others. Of course, added to this, is for the Region to supply the necessary raw materials.

So far we have discussed three issues or challenges: the challenge of income disparities, the challenge of unemployment and underemployment, and the challenge of the mobilization of capital. These are basically what we call the mobilization of macro-resources of the region. But over and above this would be the development of the people of the region. Our analysis shows that while in aggregate terms for the region we might have better hospital facilities, schools, and some health services, we notice that most of these health and social services are concentrated in urban areas. This creates pockets of depressed areas in the region where health and social services are minimal. In Region VI there are around 40 municipalities whose wealth, health, and accessibility levels are very low. It is to these 40 municipalities that we must address ourselves in the delivery of

social services, as well as the initiation of economic activities so that employment generation and income will be further improved. Our analysis shows that these 40 municipalities are depressed because they are inaccessible. They are inaccessible because there are no roads, good roads for that matter, that connect them to the mainstream of economic life of the region. While these 40 municipalities are not necessarily resource-poor, the people living in them are not able to increase their production or fully utilize their resources, because they cannot trade these resources with surrounding municipalities or with urban areas. They cannot trade because there is no artery of trade and commerce available to them. Therefore, under that situation, they continue to maintain a subsistence economy. For even if we introduce technology, and they are sold to the technology, they will not adopt it because they cannot earn any profit.

Inadequate infrastructure support results in inadequate distribution of the delivery of health and education services to these areas. Doctors and teachers generally prefer to render service in easily accessible areas. Yet these 40 municipalities if properly developed can contribute much to employment generation and consequently to the distribution of income. While our strategy calls for increased production in the agricultural sector and the consequent shift to agroindustry and industrialization, we have to consider the fact that as a region progresses, certain trade-offs have to be made. In short we have to pay the price for progress. This price comes in terms of ecological pollution and the despoliation of the environment. Anticipating this challenge which we will have to meet in the future, this Region at least makes it a point that in our drive for physical progress, we must balance this growth with the preservation of ecological balance. For an agricultural region like Region VI which depends on the quality of the ecology in order to increase production in the agricultural sector, we deem it wise to shift to such industries which are practically nonpolluting, and controls to preserve the environment will have to be strictly implemented. Since this Region will be growing in population, whereas our land area is limited, then the wise use of our available land area through proper land use, will have to be initiated. And so it is for this purpose that this Region will grow into an integrated area development process. The entire Region will be divided into integrated areas which have a certain element of homogeneity to be developed according to their potentials. It has been the experience

of all regions in the past that, whereas the national plan deals with so many number of projects to be initiated and constructed, it does not spell out the location of these projects. We hope that through the development area—development scheme, the Region can pinpoint the project requirements of its area and hence determine the locational aspects of projects within. Thus, through this method, the requirements for public transport, water supply, recreation facilities, markets, growth center of each area in the Region could easily be pinpointed, and hence, influence the allocation of resources from the national government to local specific projects.

So far we have identified some issues. To summarize, we have discussed income disparities, unemployment, and underemployment, the need for mobilization of capital through entrepreneurs, the unequal distribution of health and education services, the need for ecological balance, and the need to initiate projects on a location specific basis, so that the depressed areas could get their share of government support to trigger their own development.

Cutting across all of these issues is the issue of inflation which is worldwide, because inflation affects the purchasing power of households. Any strategy which attempts to increase household income, will have to ultimately face the fact that this income will be eroded by the inflation rate. And it is incumbent not only on the part of the Region, but on the part of the national government to stabilize the rate of inflation. While we might increase household income by 20 percent or 50 percent (if the inflation rate is very high), the results will be negative income or negative purchasing power. Again cutting across these issues, would be the rate of growth of our population. If the demand for resources exceeds the capability of the region to produce, and demand is influenced by the number of people demanding for goods and services, then the capability of the region to provide the necessary resources will decrease and therefore income might decrease. So these are some of the main issues that I can bring out to you within the limited time available. But these are the most important issues which all of us must face in the Region. In order for us to meet these challenges effectively, we must mobilize not only the private sector, not only the government sector, but also the resources available to the nation and channel it to areas which we consider vital in the development of specific areas in the Region. For this purpose we have to initiate the necessary organizational structure which can work effectively in the regional level. The RDC is

styled towards that direction. But more and more, we will need the necessary orientation from the regional government agencies. This orientation is needed to pull their resources together towards one direction, rather than engaging in destructive interdepartmental competition. There must be one organization that can pull the resources of both the government agencies and the private sectors, and channel these into areas where growth will be maximized, where special services will have the desired effects in increasing and improving the quality of life of the people. Coupled with the organization in the regional level will be a recognition and acceptance on the part of policymakers in the national level, of the need for a vertical coordination between the national level development efforts and the efforts of the regional organization to engage in development. What I am trying to stress is that in most instances people involved in developmental projects in the national level try to trigger faster growth in the national level and underestimate the fact that this can be made by the Region to attain the goal. This can be maximized if in the development of programs and projects, the proper notation in allocation of space in the regional level is achieved. It is through this linking of the national planning process and regional planning process aggregated into the area level that the goal of national development for accelerated growth, social equity and social justice, income redistribution, and increased volume of production can be attained.

The issues that I have presented and their solutions would greatly help in attaining that accelerated growth.