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Regional Development in the Philippines: A Review of Experience, State of the Art and Agenda for Research and Action

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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Regional Development in the Philippines: A Review of Experience, State of the Art and Agenda for Research and Action

Ruben G. Mercado

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ABSTRACT

Regional development policy and practice took significant transformations over the last five decades. Its relevance has been challenged in recent years by the new economic geography that emerged in view of globalization and as most nations veer towards a more democratic and decentralized approach to plan and implement their various development activities. Given these advances, the emergence of new regional dynamics calls on countries to fine-tune current regional development perspectives and/or to develop new ones that are not only more in sync with the present and future global context and with the governance systems being adopted that are becoming more and more decentralized and grassroots oriented.

The Philippines is one of the developing countries that have made great strides in adopting regional development perspectives in national development planning. As early as the mid-70s, serious efforts have been taken to put regional planning in the mainstream of national development activities. After about thirty years of regional planning, it is an opportune time to reexamine the country's experience thus far and reflect on how the current policy and practice can be reconfigured to suit present and likely future development concerns. This study is an attempt to put together these long years of experience through a reexamination of the original ideas and concepts of regional development and reflecting on how the same have influenced the perspectives of the country's policymakers in actual regional policy and planning. The objectives of this study also align with the current realization that there is a need to provide a stronger research base that will aid in the more meaningful integration of regional concerns in national development policy analysis and formulation. It is hoped that this attempt at providing a comprehensive assessment of regional development theories and practices and suggesting a research agenda will help jumpstart more studies that will fill such gap.

Key words: regional development, development planning, urban-rural transformation, globalization, decentralization, urban development, and research agenda

TABLE OF CONTENTS

INTRODUCTION 1-3

Background 1
Study Objectives and Structure 2

PART 1 **REGIONAL DEVELOPMENT THEORIES AND STRATEGIES** 4-29

1.1. Theoretical Basis for Regional Development 4
- Neo-Classical Economics 4
- Agriculture vs. Industry Debate: Balanced and Unbalanced Growth 6
- Rural vs. Urban Development 8
- Centralization vs. Decentralization 9

1.2 Major Regional Development Practices: A Survey of the Old and the Emerging
- Growth Pole/Growth Center Strategy 10
- Balanced Agro-Industrial Development Strategy (BAIDS) 15
- Integrated Area Development (IAD): Old and New 16
- Decentralization 20

1.3 New Concepts and Thinking on Regional Development
- Formation of New Urban Spatial Forms 23
  - World City
  - Mega-City Growth and Management
- Urban-Rural Transformation 26

PART 2 **REGIONAL DEVELOPMENT POLICIES AND PRACTICES IN THE PHILIPPINES** 30-64

2.1 General Antecedents to Regional Development Policy and Practice
- Historical and Socio-Economic Factors 30
- Geographic, Cultural and Political Factors 34
- Administrative Machinery Improvement 35

2.2 1967-1972: Rural Development and Regional Dispersal Thrust
- Regional Policies and Programs 36
- Regional Development Process 36
- Regional Institutions 37

2.3 1972-1976: Regional Policy Strengthening and Organization and Support Facilities Development
- Regional Policies and Programs 39
- Regional Development Process 41
- Regional Institutions 41

2.4 1976-1982: Towards Greater National-Regional Planning Linkages
- Regional Policies and Programs 42
- Regional Development Process/Institutions 44

2.5 1983-1987: Agro-Industrial Development and Regional Process Refinement and Institution-Building
- Regional Policies and Programs 47
- Regional Development Process/Institutions 48

2.6 1987-1992: Agro-Industrial Development, Reconstruction and Decentralization
- Regional Policies and Programs 52
- Regional Development Process 54
- Regional Institutions 55

2.7 1993-1998: NIChood and Strengthening Decentralization Thrusts
- Regional Policies and Programs 57
- Regional Development Process 60
- Regional Institutions 60

2.8 1999-present: Poverty Alleviation Focus
- Regional Policies and Programs 62
- Regional Development Process 63
- Regional Institutions 64

PART 3 **RESEARCH ISSUES IN REGIONAL DEVELOPMENT** 65-81

3.1 Macroeconomic View of Regional Development 65
- Regional Development and Globalization
- Regional Development Impact of Macroeconomic Policies
- Regional Convergence Analysis

3.2 Agriculture and Regional Development 67
- Improving Agricultural Productivity and Competitiveness
- Enhancing Agro-Industrial Linkages

3.3 Infrastructure Development 68
- State of Regional Infrastructure Development

- LGU Involvement in Infrastructure Development
- Water Transport Development
- Issues in Air Transport
- Infrastructure Development and Tourism
- Interregional/Inter-area Flow of Goods and Services

3.4 Critical Assessment of Land Development and Management Policy 71
- Land Use Classification and Conversion
- Land Management and Administration

3.5 Assessment and Reformulation of Regional Industrial Development Strategy 73
- Incentive Structure for Industrial Dispersal
- Development of Small and Medium Enterprises (SMEs)

3.6 Assessment of Urban Development Competitiveness and Governance 76
- City Competitiveness Assessment
- Study on Improving Urban Governance

3.7 Analysis of Existing Regional Institutions and Future Prospects 79
- Redefining the Role and Structure of Regional Institutions
- Managing Mindanao
- Study on Transborder Regions

3.8 Development of Regional Development Planning Strategies and Tools 80
- Assessment of Regional Development Strategies
- Regional Econometric Model
- Integration of Planning Documents

REGIONAL DEVELOPMENT IN THE PHILIPPINES: A REVIEW OF EXPERIENCE, STATE OF THE ART AND AGENDA FOR RESEARCH AND ACTION

Ruben G. Mercado

"….in the few years that Nations have sought economic development as an explicit goal, it has become clear that the arithmetic of macroeconomics has need of and is made more powerful by the geometry of regional considerations. Not only must decisions be made on how much of a scarce resource shall be allocated to a given purpose, but also on where investments shall take place. Region and space are neglected but are necessary dimensions of the theory and the practice of economic development."

- Friedmann and Alonso (1964)[1]

"… one of the best ways to understand how the international economy works is to start by looking at what happens inside nations. If we want to understand differences in national growth rates, a good place to start is by examining differences in regional growth; if we want to understand international specialization, a good place to start is with local specialization."

- Krugman (1991)[2]

"The conventional model of regional planning as one component of state-centered planning strategies which has been an important feature of the macro-planning of many states of the developing countries over the last three decades has to be redefined, reconstructed and reconfigured in the current global situation."

- Conclusions of the UNCRD Global Forum on Regional Development Policy: Redefining Regional Development in a Changing World. (1998)

INTRODUCTION

Background

The importance of regional development policy for national development cannot be overemphasized. On one hand, it is especially important in countries where regional disparities are fairly marked that these imbalances cannot just be overlooked both from the point of view of attaining equity as well as maintaining social cohesion. On the other, the development of regions considering their growth potentials would help promote sustainable growth of the national economy through a more rational population distribution, increased employment opportunities and enhanced productivity.

Regional development policy took significant and rapid transformations over the last five decades. Regional development concepts and strategies saw various evolutions and the relevance of these have been challenged in recent years by the new economic geography that has emerged in view of globalization. The most recent regional

[1] Friedmann, John and William Alonso (eds.) (1964). Regional Development and Planning: A Reader. Cambridge, MA. MIT Press

[2] Krugman, Paul (1991). Geography and Trade, Cambridge, MA, MIT Press

development processes have been referred to as the restructuring of the "national-regional space" in terms of "unbundling of national territory", the "rescaling of territorial relations" and the "reworking of urban-rural relationships" (UNCRD, 2001)[3]. Moreover, most nations are veering towards a more democratic and decentralized approach to plan and implement their various development activities. Given these advances, the emergence of new regional dynamics calls on countries to fine-tune current regional development policies and practices and also to develop new ones that are not only more in sync with the present and future global context but also with the governance systems being adopted that are becoming more and more decentralized and grassroots oriented.

The Philippines is one of the developing countries that have made great strides in adopting regional development perspectives in national development planning. As early as the mid-70s, serious efforts have been taken to put regional planning in the mainstream of national development activities. After about thirty years of regional planning, it is an opportune time to reexamine the country's experience thus far and reflect on how the current policy and practice can be reconfigured to suit present and likely future development concerns. This study is an attempt to put together these long years of experience through a reexamination of the original ideas and concepts of regional development and reflecting on how the same have influenced the perspectives of the country's policymakers in actual regional policy and planning. The objectives of this study also align with the current realization that there is a need to provide a stronger research base that will aid in the more meaningful integration of regional concerns in national development policy analysis and formulation (NEDA, 2000)[4]. It is hoped that this attempt at providing a comprehensive assessment of regional development theories and practices and suggesting a research agenda will help jumpstart more studies that will fill such gap.

Study Objectives and Structure

The specific objectives of this study are as follows:

1. To document the evolution of regional development thinking/concepts culled from a review of international literature on the subject as well as the policies and strategies that have been adopted in the Philippines from the 70s to the present derived from these concepts.

2. To summarize the state of the art or the emerging models, approaches and issues on regional development that would have implications on contemporary national and local planning.

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[3] United Nations Center for Regional Development (UNCRD) (2001). *New Regional Development Paradigms*, David W. Edgington, Antonio L. Fernandez and Claudia Hoshino, eds. Greenwood Press, Westport, Conn.

[4] National Economic and Development Authority (NEDA) (2000). *Revisiting the NEDA Planning System: Challenges, Gaps and Proposed Intervention*. Unpublished Document.

3. To outline the research imperatives and development actions needed to improve regional development efforts.

The paper will be divided into three major parts guided by the above cited objectives, as follows:

Part 1 discusses the evolution of regional development theories and concepts as well as new and emerging ones.

Part 2 explains and evaluates the policies and practices that have been adopted in the Philippines in relation to these concepts or perspectives.

Part 3 explores research policy areas that will be useful in crafting future regional development policies and strategies.

Part 1
REGIONAL DEVELOPMENT THEORIES AND STRATEGIES

1.1 Theoretical Basis for Regional Development

Any discussion on regional development cannot be divorced from the long debated issue on what development is in general and how it can be achieved. A number of the multitudinous theories and concepts of development that have been put forward in the past hundred years have significantly shaped regional development thinking. The following sections discuss these theoretical trajectories in terms of their basic concepts or perspectives and how the same have translated into policies and strategies in regional development.

Neoclassical Economics

Neoclassical economics became one of the important bases of regional development policies as it had been applied to the analysis of regional imbalances and the manner by which such problem can be resolved. While the classical economists have concerned themselves with the exploration of the formation, distribution and utilization of the national surplus, the "Neoclassicists" focused chiefly on the problem of resource allocation.[5]

Richardson (1973)[6] explains the claim of neoclassical economics that regional disparities in terms of supply and demand of factors of production (labor, capital, technology) or commodities will even out inevitably given the sufficient increase in the accessibility between regions and consequently by the mobility of these production factors and commodities. According to the theory, regional imbalances in supply and demand manifest themselves in differences in prices of these factors of production and commodities. That is, prices will be low in region A if it has excess supply. In contrast, prices will be high in region B if it has excess demand. With perfect mobility of the production factors and commodities, these factors and commodities will move from regions of low prices to regions of high prices. As a result, region A will have a diminished supply and therefore increased prices, while in region B, supply will increase and cause prices to decline. Prices are, thus, expected to converge towards an interregional equilibrium such that factor and commodity prices over the entire national territory are equal. This is important as the theory assumes that equal factor prices would lead to equal income levels.

An important condition for the attainment of the so-called interregional equilibrium is the national territorial integration. This can be attained through improvements in national transport and communications network and the greater promotion of mobility and integration of production factors and commodities in the national and international markets.

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[5] A good detailed account of the economic doctrines or orthodoxies is found in Felderer, Bernhard and Stefan Homburg (1987). *Macroeconomics and New Macroeconomics*,. Springer-Verlag, Heidelberg

[6] H.W. Richardson, *Regional Growth Theory* (London: MacMillan, 1973).

The theoretical position of neoclassical economics, in other words, rests on the principle that market forces assure "equilibrium" in the spatial distribution of economic activity as well as of everything else. Therefore, to reduce regional gap, the neoclassical economic theory suggests that a broad strategy would involve the acceleration of growth in the leading region and encouraging migration of unemployed and low-productivity labor to this region from the lagging regions.

Caution has been placed on the views espoused by neoclassical economists. For instance, Stohr (1981)[7] argued that the assumptions of neoclassical economic theory did not materialize in practice due to the "selective nature of the migratory process, the differentiated mobility of specific production factors", among others. As a result of the market mechanism, Stohr believes that an increasing divergence is achieved rather than the theoretically assumed convergence of interregional disparities.

Perroux, Hirschman and Myrdal have been considered the forerunners of the *trickle down or the center down paradigm*, which had been the basis for the development of the growth center approach.[8] The concept largely mirrors the view of neoclassical economics. Stohr (1981) in succinct terms, explained that the trickle down paradigm purports that "development can start only in a relatively few dynamic sectors and geographic locations from where it is expected to spread to the remaining sectors and geographical areas of a country". The trickle down process starts from a high level (from worldwide or national demand, or from world or national innovation centers) filtering down and outward to national and regional units through various mechanisms: urban hierarchy, multi-plant business organizations and large-scale government organizations.[9]

There had been a number of criticisms posed on the paradigm. For instance, it has been argued that intersectoral propulsions or developments in the center have led to a spatial concentration of activity clusters rather than the spatial diffusion of these activities away from the center. Relatedly, multi-plant business organizations have also concentrated their key activities or functions (decision-making, research and development) in large metropolitan areas and only relegated low-level routine functions to lower levels of the urban hierarchy or to the peripheral areas. Thus, the prime

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[7] W. Stohr "Development from below: The Bottom Up and Periphery-Inward Development Paradigm" in Stohr and Taylor, eds, *Development from Above or Below? The Dialectics of Regional Planning in Developing Countries* (London: Wiley, 1981) as quoted in Stohr " Another" Regional Development? In *Changing Perception of Development Problems, Regional Development Series Volume 1*.

[8] Stohr (1981) mentioned that the original writings by these authors can be found in the following: Hirschman, Albert (1957). *The Strategy of Economic Development*, G. Myrdal, *Economic Theory and Under-Developed Regions* (London: Duckworth, 1957) and F. Perroux, "La notion de pole de croissance" in *L'economie du X Xeme Siecle*, 2nd ed. (Paris: Presses Universitaries de France, 1964), pp. 142-154

[9] Related papers include: BJI Berry, Hierarchichal Diffusion:The Basis of Development Filtering and Spread in a System of Cities" in NM Hansen, ed, *Growth Centres in Regional Economic Development* (New York:The Free Press, 1972); JR Lasuen, Urbanization and Development: The Temporal Interaction between Geographical and Sectoral Clusters" *Urban Studies* 10 (1973): 163-88 and A.Pred, *City Systems in Advanced Economies* (London:Hutchison, 1977).

developmental benefits have accrued to the center where their headquarters are located leaving little benefits, if at all, to areas outside of it.

Agriculture vs. Industry Debate: Balanced Vs. Unbalanced Growth

The debate on which should be a priority for developing countries – agriculture or industry – has been a major development issue in the 1950s and 1960s. [10] Given the past experience of developed countries where agricultural development preceded industrial development, a strong argument in favor of agriculture became a popular view. Furthermore, it has been emphasized that since in many developing countries, food shortage is prevalent and considering that the majority of people are engaged in agricultural activities investments including foreign aid that will be used to provide technical assistance that would lead to greater productivity in the sector will not only solve the food problem but at the same time increase people's income and improve the country's foreign exchange[11].

The view in favor of industrialization based its argument also from the past experience of developed countries. In as much as industrial revolution changed the development state of Europe, USA and Japan, it was argued that developing countries should proceed in the same path. The style of industrial development being proposed was inarguably no different from that taken by developed countries. Thus, industrialists posit that resources (savings or foreign aid) could be mobilized to invest in basic industries, various infrastructure projects including power, machine tool industries, etc. for progress to be achieved.

The whole agriculture versus industry debate has been tied to the controversy regarding the concept of balanced growth on one hand and the perspective of unbalanced growth on the other. Those who further the unbalanced growth concept believe that growth could be successfully generated only in the leading sector/s of the nation's economy. Thus, investments should be concentrated on those sectors, which showed higher capital-output ratio. Resources generated from the leading sector/s can be used to uplift the sectors that are lagging. The concept, in effect, suggests that a country should

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[10] Misra, R. P. (1981) The Changing Perception of Development Problems, in Changing Perception of Development Problems, Regional Development Series Volume 1. UNCRD: Maruzen Asia, Nagoya, Japan. Misra referred his readers to the following literature: For agriculture fundamentalism: John W. Mellor, *The New Economics of Growth: A Strategy for India and the Developing World* (Ithaca and London: Cornell University Press, 1976); T.W. Schultz, *Transforming Traditional Agriculture* (New Haven:Yale Univ. Press, 1964); Ranaan Weitz, *From Peasant to Farmer: A Revolutionary Strategy for Development* (New York: Columbia Univ. Press, 1971). For unbalanced growth see Albert Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958). For balanced growth, see Alfredo Navarete, "Mexico's Growth: Prospects and Problems" in Eastin Nelson, ed., *Economic Growth: Rationale, Problems, Cases* (Austin: Univ. of Texas, 1969), p. 127. See also Hans Singer, "*The Concept of Balanced Growth and Economic Development: Theory and Facts*".

[11] This was inspired by the law of comparative advantage, which proposes that, underdeveloped nations, by virtue of their factor endowments, would be better of by increasing their primary activities to satisfy local demand and produce surplus that can be exported. This in turn would place them in a position to satisfy their need for manufactures by importing them from countries, which enjoy a comparative advantage in the production of such goods.

make a deliberate choice on whether to take on an agricultural development path or an industrial development direction given such considerations.

The other view, i.e. balanced growth policy[12], argues that concentrating resources only in a few sectors especially those which have the absorptive capacity for modern technology would undermine the potentials of the other sectors. This is especially in cases where the other sectors comprise the major component of the economy and particularly difficult in cases wherein the sectors are closely linked and interdependent that lifting one or few sectors would risk others to be neglected in the process. Those who argue against balance growth contends that the likely resources needed to implement large-scale and simultaneous investment efforts in a developing country may be found wanting. Hirschman's contention is that the inputs necessary for balance to occur such as capital, entrepreneurship, regulating policies and informational mechanisms on demand, supply and prices that are to be applied simultaneously within and among all the regions are very limited in underdeveloped countries. Thus, a better option given this consideration is to have a clear identification of strategically correct sequences of investments that would realize the greatest total linkages among these investments.

The whole debate of balanced and unbalanced growth was extended in the area of spatial development. The unbalanced growth advocates would pursue a spatially selective investment pattern while those who promote balanced growth would idealize a spatially balanced pattern. The advocates of the former have also been adherents to the trickle down or center down paradigm, discussed above, and thus held on to the growth pole theory that was very popular during the 1960s. Industrial fundamentalism was associated with both the unbalanced growth advocates as well as the growth pole theorists, which all think that development was essentially spotty and that it could not be started everywhere. This is primarily due to constraints in resources and therefore the optimal option is to invest the limited resources in selected sectors and places.

Misra (1981) believed that neither of the approaches discussed above could be adopted as a matter of principle in view of the variety of development situations in the world. Developing countries may need both approaches depending on the specificity of circumstances and since the relative importance accorded to a particular sector, region or group changes through time.

The debate between agriculture and industry has allowed for more discussions on the interrelationships between the two sectors and the contribution that each can make to each other. It has triggered the development of modern balanced development theories that discusses the extent of compromise between the two sectors, the nature of

[12] Principal literature on balanced growth are: Rosenstein-Rodan, Paul N.(1943) Problems of Industrialization of Eastern and Southeastern Europe, *Economic Journal*, June-September; and *Notes on the Theory of the Big Push* (mimeographed 1957); Nurkse, Ragnar (1963), *Problems of Capital Formation in Underdeveloped Countries*, Oxford; Lewis, W.A (1955), *The Theory of Economic Growth*, Homewood, Illinois; Seitovsky, Tibor (1954), Two Concepts of External Economies, Journal of Political Economy, April.

development investments and structural changes in an economy. Higgins (1968)[13] aptly puts the debate to a tentative resolution:

> It is important to distinguish between balanced growth as a technique of development and a goal; even Hirschman's zigzag growth must have some kind of "balance" as the ultimate aim. One might, that is, deliberately create ex-ante imbalances in order to produce subsequent ex post balance at a higher level of per capita income. Once we recognize that we are not dealing with an "either or proposition", we can stop talking about balanced and unbalanced growth altogether, and talk instead about functional relationships among the major sectors and regions of an economy.

Rural vs. Urban Development

The arguments for or against urban and rural development has centered on two major directions: 1) which style of life (rural or urban) is better for mankind; and 2) which strategy (rural development or urbanization) should be adopted to develop a country. The second is more relevant to the present study, and thus, will be discussed at length. [14]

The 1950s and early 1960s were the periods in which urbanization and industrialization were vigorously pursued worldwide. Most of the developing countries have accepted a prescription for development that is based on economic growth with urbanization and industrialization as the main ingredients and effectively has been considered largely anti-rural. As emphasis was on large-scale manufacturing, large cities were preferred to provide the infrastructures and manpower skills needed for mass production. Thus, agriculture mechanization was introduced to free some rural labor force to work in large urban centers. Additional growth poles or centers were developed to absorb labor and to meet the demands for other economic sectors. Development was made synonymous to urbanization and industrialization.

It was realized in the late sixties that industrial growth has its limits. The domestic market for industrial goods was limited and the developed countries were not prepared to assist developing countries to build a strong industrial base. The thought that rural areas are just transitional and will eventually disappear with urbanization and industrialization has been disproved by experience. Most of the people in the developing countries continue to live in rural areas and that rural poverty has remained an important developmental challenge.

In the early seventies, much of the thinking had shifted to rural areas mainly because of the inadequate achievement of urban and industrial development approach in the past in absorbing labor and in reducing poverty in the countryside where most people in the developing countries live. In fact, urbanization and industrialism were blamed for

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[13] Higgins, B. (1968). The Strategy of Economic Development, New Haven, Yale University Press.

[14] Drew heavily from Misra (1981) largely drawing from Michael Lipton, *Why Poor People Stay Poor: Urban Bias and World Development* (Cambridge:Harvard Univ. Press, 1977) and M. Lipton and Bertrand Renaud, "*National Urbanization Policies in Developing Countries*" (World Bank Staff Working Paper, No. 206) (Washington, 1979).

aggravating the poverty condition in the rural areas. This sentiment strengthened development strategies that have focus instead on rural development.

Development theorists have raised, however, the inefficacy of adopting a dichotomous development of the two sectors. Koppel (1991), in arguing that the choice of a rural or urban alternative seems to be a deceptive dilemma, has called it an ersatz debate[15]. Misra (1981), summarized the arguments by raising three fundamental questions: 1) whether it is possible to develop rural areas without urban development and urban areas without rural development; 2) whether there is a country that has developed relying solely either on rural and urban sector; and 3) whether poverty and underdevelopment are divisible in clear-cut rural and urban components. A negative response to these questions would lead to the proposition that the issue is not which to develop first between rural and urban areas but rather in finding ways to develop both in order to meet various national, regional and local needs. Thus, development process should be redefined in such a way that urban development promotes rural development and rural development supports urban development. Such linkage can lead to the reduction of gaps in income, productivity, social services and quality of life in general between urban and rural areas.

Centralization vs. Decentralization

One of the basic issues that have been placed in the theoretical and policy discussions is the extent the economy and polity should be controlled by the central authority in the developing countries.[16] In most of these countries, the general trend has been towards centralization of the power of decision-making. As an alternative, decentralization envisions a structure where central authority has limited power and local communities takes most of the decision-making and responsibility.

Much of the arguments for centralization concern the state of the maturity or preparedness of the country's citizenry to govern or to shoulder responsibilities of development. Thus, concepts of centralization such as guided democracy and limited franchise grew out of this contention. The need for central authorities to be strong and take on the increased role as a decision-making agency is because the sub-national or local units have not matured while the international order is still inequitable and undependable.

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[15] Koppel, Bruce (1991) The Rural-Urban Dichotomy Reexamined: Beyond the Ersatz Debate, *in The Extended Metropolis (Settlement Transition in Asia)*, Norton Ginsburg, Bruce Koppel and T.G. McGee, eds., University of Hawaii Press, Honolulu. Further elaboration on related line of argument will be made in later section of this study.

[16] Early thoughts on the subject in academic literature include the following: James W. Fesler, "Centralization and Decentralization" in David Sills, ed., *International Encyclopedia of the Social Sciences* (New York: The MacMillan Co., 1968); John D. Montgomery, "Allocation of Authority in Land Reform Programs: A Comparative Study of Administrative Processes and Outputs," in *Administrative Science Quarterly* (March 1972); Norman Furniss, "The Practical Significance of Decentralization," *Journal of Politics* 36 (No.4, 1974); Walter Stohr and D.R.F. Taylor, eds., *Development from Above or Below* (New York: John Wiley, 1981).

The arguments for decentralization are many and generally grew out of the weakness of and dissatisfaction over a centralized system of governance. It has been pointed out that popular participation, which is an important element of development, is weakened by centralization. Moreover, a decentralized system is more able to be in touch with the people's socio-economic realities – meet the basic needs of the people, ensure popular participation in development and mobilize the material and human resources for development on voluntary basis.

Similar to the urban-rural or agriculture-industry debate, the dichotomous approach to centralization-decentralization issue has been criticized. Each country is admonished to seek the dynamic balance between centralization and decentralization at each stage of their development rather than subscribe to one form of governance system altogether.

1.2 Major Regional Development Practices: A Survey of the Old and the Emerging

The theoretical debates and controversies concerning development issues have significantly shaped the strategies and approaches in regional development in various countries. Especially among developing countries, the challenge has always been how to confront the phenomenon of uneven development between rural and urban places and among regions or geographic areas. [17] This has been the subject of attention not only of national policymakers but also international development organizations.

The proceeding discourse highlights the more popular strategies, which have been adopted by a large number of developing countries in a struggle to address uneven development in their countries. Also included in this discussion are the emerging concepts, which are gaining attention in recent development nomenclatures. The basis of these approaches may be found in one or more of the theoretical underpinnings described in the previous section.

Growth Pole/Center Strategy. The growth pole strategy, (or its variants, development poles or growth centers), is inarguably the most discussed and practiced among all the other regional development strategies.

The concept of growth pole was introduced in 1949 by a French economist named Francois Perroux. According to Darwent (1979) Perroux's work created deep and serious confusion, partly because of the ambiguity of Perroux's initial formulation, partly because of mistranslation from French to English and vice versa, and partly because of

[17] Advanced countries have also been aware of regional gaps and have adopted strong measures to address the same. Higgins (1981) cites as examples the following: In Canada, sophisticated and expensive regional planning activities were undertaken in provinces and a Ministry of Regional Economic Expansion was established with sweeping powers to reduce regional disparities. The UK enacted laws towards reducing regional disparities between the North and South. France, concerned about agglomeration in Paris, accelerated industrialization of other metropolitan regions. Similar programs were undertaken in Belgium and Spain. In the US, depressed areas became a big concern and a Department of Commerce and Economic Development Administration was set up to set up growth centers to generate income and employment to marginal agricultural districts.

the semantic confusion of later authors. The original concept of a growth pole was actually independent of a spatial context or a geonomic (or geographic) space. Rather, growth pole relates "only" and "specifically" to abstract economic space[18]. He, then, defines growth poles as:

> "….centers (poles or focii) from which centrifugal forces emanate and to which centripetal forces are attracted. Each center being a center of attraction and repulsion has its proper field which is set in the field of all other centers."

Thus, poles can either be firms or industries or group of firms or industries which can be "propulsive" if it has high interaction with many other firms, high degree of dominance and great in size. Darwent explains that the distinction between economic space (in which Perroux's poles are defined) and geographic space (in which poles are located) is basic and important which has been neglected and thus caused the deep and serious confusion of the concept. Moreover, according to Higgins (1981), Perroux was more concerned with combating the neo-classical view of market forces assuring equilibrium in the spatial distribution of economic activity and to insist instead on polarization and domination-dependence rather than in purporting his views towards eliminating regional disparities.

Nonetheless, later writers have tried to extend the growth pole notion either without referring to geographic space[19] or attempting to marry the economic and geographic spaces together. With respect to the former, the treatise in American literature have allowed for the development of the concepts quite different and broader than the original growth pole notion. Among the more popular work on this is Hirschman (1958) who introduced the unbalanced growth concept[20]. In the course of time and since the question of location loomed large in regional development, development planners especially concerned with regional growth have been drawn to theories and concepts that relates to growth pole notion in geographic space. This has spurred interest in developing the concept of "growth centers" which in contrast to growth poles, refer to locations in geographic space.

The concept of growth center is that economic and social development is initiated and transmitted to an area around it. The concept has varied implications to normative questions of regional economic development especially with respect to regional allocation, i.e. investment is best concentrated in growth centers rather than scattered around in some vague quest for "balance" or "equity". Much of the work in growth

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[18] It relates specifically to a field of forces versus the other notions of abstract spaces. Perroux defines these spaces as those defined by plan or as a homogeneous aggregate.

[19] Darwent (1979) cited the following literature: Derwa, L. (1957) *Analyse input-ouput de la region* Liegoise, Revue de Conseil Economique Wallon, September-November; Davin, L.E., Degeer, L., and Paelinck, J., (1959), *Dynamique Economique de la Region* Liegeoise (Presse Universitaire de France, Paris); Poittier, P., (1963), *Axes de Communication et Theorie de Developpement*, Revue Economique, XIV, January; Paelinck, J. (1965) *La Theorie du Developpement Regionale Polarise*, Cahiers de I'l.SEA, L 15; Perroux, F (1968*) Les Investissements multinationaux et l'analyse des poles de developpement d'integration*, Revue Tiers-Monde, IX, 34.

[20] A discussion has been made in the previous section but will be tackled again later in balanced agro-industrial development strategy.

centers had been based on the work of Boudeville (1966)[21] most especially in his conception of three types of regions: homogenous, polarized and planning regions. This concept has been incorporated in the French regional planning where it identified these regions as areas for investment. The polarized region of Boudeville is similar to Friedmann's center-periphery model which will be discussed later as it is compatible to the central place structure of a hierarchy of cities of ascending size and function, with the "growth centers" normally being the larger cities in the region.

Other scholars, which extended the growth center concept and received much attention are those on the application of location theory in the studies of W. Isard and E. Schooler and the center-periphery paradigm of J. Friedmann .[22]

Isard and Schooler (1959) demonstrated the link between the pole and its location as a by-product of their industrial complex analysis. Through a linear programming solution, they showed that one could determine what to invest in (growth pole) considering the optimum size of each of the elements in the complex, the scale economies involved and the transport costs of each of the inputs and outputs. Then the optimum location for the optimum combination of the linked processes in the complex is determined in terms of some objective functions, e.g. profit maximization. In their application of the approach in Puerto Rico, they were able to determine which of the processes would be best agglomerated to achieve localization economies and which should be dispersed to minimize transportation costs.

Growth centers have been synonymous to cities or urban areas. This was largely because the criteria set to define a growth center in most cases were characteristics of most urban areas. There are those who have categorically restricted growth centers to urban places. For instance, Fox (1966)[23] has defined growth centers to "an urban place which can act as a focal point for development planning". His criteria to distinguish between urban areas which are growth centers and those that are not, include the following: strong linkage to the national economy, the center of a labor market, a major retail trade area, high level tertiary functions, a large volume of wholesale trade, and good communications. Darwent (1979), however, argues that even these criteria fall short of enabling the distinction because they are general descriptions of urban areas. Perhaps this explains the same dilemma encountered by planners who have later adopted the growth center approach in crafting regional development strategies.

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[21] Boudeville, J-R (1966) *Problems of Regional Economic Planning* (Edinburgh University Press). Earlier important works of Boudeville were written in French as far back as 1957.

[22] Cited in Darwent (1979) are the original literature on the subject: Isard, W. (1960), *Industrial Complex Analysis, in Methods of Regional Analysis* (MIT Press, Cambridge); Isard, W and Schooler, E. W. (1959) Industrial Complex Analysis: Agglomeration, Economics and Regional Development, *Journal of Regional Science*, Spring; Friedmann, JR., (1966), *Regional Development Policy – A Case Study of Venezuela* (MIT Press, Cambridge); Friedmann,JR (1967) *A General Theory of Polarized Development*, mimeo, Santiago, Chile, August; Friedmann, JR (1968), *The Role of Cities in National Development*, mimeo, Santiago, Chile, February.

[23] Fox, C. (1966) *The Role of Growth Centers in Regional Economic Development*, Department of Economics, State University of Science and Technology, Ames, Iowa, September.

Friedmann has been regarded as one that has transcended the simple notions of growth pole and growth center. His center-periphery concept has gone beyond intersectoral distribution of resources which growth pole notion tried to address to encompass real problems of regional development in geographic space. The context upon which he introduces his concept is that of nations which are in transition from being a colony to independent economies. He believed that these economies usually have a single center and a periphery that is loosely tied to that center. The center and its periphery have minimal relationships and if developed, it is usually one-sided, where the periphery remains backwards and exploited and unable to grow because it is supporting the growth of the center. Friedmann presupposes that economic growth would occur through the emergence of a highly developed and interconnected functional hierarchy of cities and towns and such growth is proportional to the size of agglomeration. This hierarchy of cities is a means of integrating the periphery with the center or core. Friedmann, with influence from theories and concepts forwarded by Perroux and Boudeville, further defined regions into "homogeneous" and "interdependent". The latter characterizes his polarized regions. In such case, the periphery of a polarized region can be divided into four parts: upward transitional, downward transitional, resource frontier and special problem. Upward transitional regions are areas which are growing with high growth potential but are capital constrained. Downward transitional regions are old rural (or industrial) economies in decline and where emigration is most evident. Resource frontiers are new settlement zones in which potentials for growth is large. Special problem regions are those needing policy interventions more than the other cited regions. This classification, thus, allows distinction of regions according to needed policy actions and that the treatment of regional problems are not taken in isolation but in consideration of the whole regional system. Given the above discourse, Friedmann's concept had been considered a step beyond the original notion of growth pole and growth center and one that proposes a general model of the spatial aspects of regional economic growth.

In time, growth pole or growth center concept has become increasingly explained to refer to the development of an urban center that can attract economic activities through infrastructure and direct incentives, which in turn will generate "spread effects" (in Perroux's term, *effets d'entrainment*) in the peripheral region of that urban center in the form of increased employment and higher incomes. The pattern of regional development was expected to follow the growth of the urban hierarchy and thus, regional gaps can be reduced by changing the structure of urban growth.

Higgins (1981) in his reflection of the growth pole concept and its variants have pointed out the enormous literature written on the subject and the huge extent of experience in the application of concept. He said that there are only few developing countries which did not make use of the concept in planning or even in making it the core of their national development plans. In trying to evaluate the merits of the growth center approach, Higgins stressed the importance of appreciating the context upon which Perroux made the assertion: early 1950s when the economy of France and Western Europe still resemble the 1920s and largely at Stage II (transitional) and underway to

Stage III (industrial)[24]. During this period, many of the industries were still natural resourced based and are located in places accessible to raw materials and energy. It is in this situation where the simple growth pole theory works. Thus, where industrial expansion and primary production in the same geographic area can be planned together, the theory still holds and that the opportunities for creating symbiotic feedback relations between urban and regional areas should be maximized. The reason for failure of the concept is the simplistic application of the concept in which intervention is limited to attracting industries to an urban center in an undeveloped region whose activities are unrelated to the resource base of the peripheral region and then expecting "spread effects" to occur more or less automatically through "market forces". The rapid technological progress that has been achieved thus far had also changed the context upon which the growth pole approach should be approached. Of note is the fact that a metropolitan area may no longer perform the function of the growth pole of the peripheral region as the leading sectors of its economy becomes human resource-based rather than natural resource-based. Thus, its "spread effects " may not be felt in its own peripheral region. Moreover, its growth is no longer in response to growth in its peripheral regions but to the entire urban hierarchy or in the case of big metropolises (now called mega- or global cities) to worldwide economy.

As an alternative strategy to the growth center paradigm and in answer to the debate on reversing polarization associated with the growth pole strategy, Friedmann and Douglass (1978)[25] put forward the concept of agropolitan. Stohr (1981), mentioned that the agropolitan provided the type of "bottom up" approach to development planning and the achievement of income equality faster than growth pole strategy can. The features of the agropolitan included the following: a) a relatively small geographical scale; b) a high degree of self-sufficiency and self-reliance in decision-making and planning, based on popular participation and cooperative action at local levels; c) diversification of rural employment to include both agricultural and non-agricultural activities, emphasizing the growth of small-scale rural industrialization; d) urban-rural industrial functions and their linkages to local resources and economic structures; and e) utilization and evaluation of local resources and technologies. According to Lo and Marcotillo (1998)[26], the export-oriented policies in the 1980s have relegated the agropolitan concept to the concerns about urban sustainable development particularly its emphasis on ecological constraints and decentralized and participatory approach. On the other hand, because of the failure of the growth pole strategy to effect the "spread effects", scholars have been drawn to the exploration of the basic concept of growth pole theory to urban-hinterland relationship at the national level (Ginsburg, Koppel and McGee, 1991)[27] and beyond national level

[24] National development has been classified into four phases: Phase I: Pre-Industrial Phase II. Transitional, Phase III Industrial and Phase IV Post Industrial.

[25] Friedmann, John, and Michael Douglass (1978). "Agropolitan Development: Towards a New Strategy for Regional Planning in Asia". In Fu-chen Lo and Kamal Salih (eds.) *Growth Pole Strategy and Regional Development Policy*, New York: Pergamon Press.

[26] Lo, Fu-chen and Peter Marcotillo (1998). *Globalization and the Changes in Cities of the Asia-pacific Region*. Paper presented at the UNCRD sponsored Global Forum on Regional Development Policy, 1-5 December 1998, Nagoya, Japan.

[27] Ginsburg, Norton, Bruce Koppel, and Terry McGee (eds.) (1991). *The Extended Metropolis: Settlement Transition in Asia*. Honolulu: University of Hawaii Press.

through the use of world systems analysis in advancing notions of international urban city systems (Cohen, 1981[28]; Friedmann, 1986[29]; Sassen, 1994[30]).

Balanced Agro-Industrial Development Strategy (BAIDS)

The BAIDS took its origins from the agriculture and industry debate and the balanced versus unbalanced growth contentions. In its broadest sense, it is a strategy of support for both agriculture and industry. Sutcliffe (1971)[31] put it into two basic propositions:1) the rise in agricultural incomes above subsistence level stimulates the demand for outputs of manufacturing industries; and 2) the expansion of incomes in the industrial sector results in an expansion of agricultural production through increased demand for food and agro-based industrial inputs. Thus, BAIDS takes the following specific objectives for each sector: In agriculture, emphasis is on increased production, marketing improvement, land-tenure changes, rural income improvement and disparity reduction, among others. In industry, promotion of labor-intensive industries using locally available agricultural inputs is undertaken and that small scale manufacturing is directed for rural consumption.

The implications of BAIDS on regional development can be seen at two policy levels: national and regional. The national policy perspective looks at regions as units of analysis while the regional perspective looks at the balance between sectors within the region.

National Policy Perspective. Balanced growth emphasizes the need for the different sectors of the developing economy to be at pace with each other. In the case of BAIDS, it espouses that industry must not get too far ahead of agriculture or vice versa. Thus, since regions differ in the status of their agricultural and industrial development and their natural resource endowment, investments should not be over-concentrated in one region to the neglect of others. Given such regional differences, the pursuit of BAIDS will necessitate the estimation of growth rates in each sector and region that would achieve the desired balance from a national perspective. This can be done by exploring and highlighting each region's specialization in agriculture and/or industry in relation to the locational distribution of resource inputs to these sectors. The determination of regional specialization will aid in the formulation of an efficient program of public and private investments that would operationalize such agriculture-industry link. Such program will also answer the criticism posed by unbalanced growth theorists on the lack of capital and other needed inputs to simultaneously develop agriculture and industry within and among regions of the country.

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[28] Cohen, R.B. (1981). The New International Division of labor, Multinational Corporations and Urban Hierarchy" in Michael Dear and Allan J. Scott (eds) *Urbanization and Urban Planning in Capitalist Society*, London:Methuen.
[29] Friedmann, John (1986). The World City Hypothesis, *Development and Change* 17:69-83
[30] Sassen, Saskia, (1994). *Cities in a World Economy*, Thousand Oaks:Pine Forge Press.
[31] Sutcliffe, R.B. (1971). *Industry and Underdevelopment.* Addison-Wesley Publishing Company, London.

An important government move to pursue BAIDS is the provision of necessary and sufficient infrastructure support to both sectors. The achievement of balanced provision of infrastructure to nurture the interdependence between agriculture and industry for each other's outputs is critical in this regard. This would entail predetermining priorities for agro-industrial development, pre-designing and selecting infrastructure investments to cater to this process and packaging appropriate restrictive and incentive policies to guide such development. Undertaking such activities will also call for reforms in the industrialization policy, e.g. de-emphasizing major industrial expansion which require importation of raw materials and instead promoting agro-based ventures on a large scale. Moreover, infrastructure policy vis-à-vis industrialization must also be girded towards provision of facilities that will equally promote the development of agriculture. Lastly, rationalization of policies and institutional coordination must be strengthened so as to give direction to both agriculture and industry sectors.

Regional Policy Perspective. Within regions, regional policy must be crafted in such a way that it promotes the exploitation of agro-industrial linkages in terms of infrastructure programs as well as policies and guidelines that facilitate investment decision-making in agriculture and industry. There are a number of considerations that have to be made in this regard. First, a good deal of physical planning and locational analyses must be done to produce a physical distribution framework that layouts the optimal spreading of infrastructure facilities (e.g. roads and bridges, power generation and distribution, water supply and communications) to facilitate agro-industrial linkages. Second, industrial location within the region must be given greater attention. This will involve the need to consider human settlement provision, people-oriented services and other social amenity as industries tend to attract and concentrate population around them. Third, regional and local plans must veer from being indicative towards being more operational, providing a clearer and coherent integration of social, economic, physical and institutional reforms as well as investments and priorities for developing agriculture and industry. These plans should be used as basis for resource allocation. In this regard, investment planning should seek to identify the backward and forward linkages between agriculture and industry so as to pinpoint areas for infrastructure development where public investments can be critical and those that are ripe for private investment.

Integrated Area Development (IAD)

What follows is a discussion on the IAD concepts and its application in its original form and its later or emerging applications. This paper termed the former as the "old IAD" while the latter as the "new IAD".

The Old IAD

The Integrated Area Development or IAD approach evolved from traditional rural development strategies such as community development, comprehensive planning and integrated rural (agriculture) development. It is also one of the tools whereby decentralized planning can be operationalized. Through this approach the population in

the area can be involved in identifying projects beneficial to them and would be able to discuss and plan the projects together with planners, technicians and politicians. [32]

The basic idea for an IAD is to build a "planning region" or a "community region" that has a common interest in some development projects or set of projects. There are varied approaches in setting up these planning areas or IAD units. The general principle is that these units should be small enough to be "seen steadily and seen whole", possessing some kind of cohesion and homogeneity but big enough to be of some significance in the overall national development scene. The search for a "homogeneous region" became a failure and thus a more pragmatic approach was taken. In this vein, some IAD units were conceived or chosen on the basis of the following: influence of feeder roads, river basin, irrigation projects, erosion zone, reforestation area, mining area, resettlement area, school districts, among others. However, still the concept of "ideal" or "functional" units have been problematic and there was a realization that IAD units necessitate an institutional mechanism or organizations at the local or community level to plan and execute the projects and where funds can be channeled. The Philippine experience in IAD planning had been important in this realization, particularly in establishing the limits to decentralizing IAD units to keep its operation manageable. Efforts to establish IAD units on the basis of "ideal" or "functional" units through collections of *barangays* have created more problems and thus the decision was to utilize existing political and administrative units, specifically, the provinces as IAD units. It was realized that it is better to utilize existing LGUs unless there are definite reasons they could not be effective. In some countries where the LGU is weak or where it is absent, community organizations or councils were set up and they become the political authority units or the LGUs in effect.

While it is admittedly difficult to lay down a complete analytical framework for delineating communities or areas as IAD units that can be generally applicable, Higgins (1981) enumerated six general principles in this regard which can be met in real field situations:

1. *Functional Meaning*. The area (in spatial terms) must have some meaning in terms of function. They should not be haphazard or meaningless in terms of the development planning exercise (e.g. not cutting region into rectangular areas of identical size and shape). Borders should have a development planning significance, e.g. area of influence of a feeder road, an irrigation project, resettlement, erosion, zone etc.

2. *Inhabitants are Target Population*. The population inhabiting the area should constitute a target (vulnerable) population in some sense. Borders of the area should distinguish its populations from the populations of other areas, e.g. beneficiaries of feeder roads, population interested in school or clinic, etc.

[32] In a sense, the old IAD approach takes the bottom up perspective of the agropolitan approach as discussed in the previous section.

3. *Integration Potential*. The area should be suitable for integrated development whether alone or in conjunction with a limited number of other areas.

4. *Aggregation Potential*. The area should be capable of aggregation with other units to permit integrated planning and development at the provincial, regional and national levels.

5. *A Political and Administrative Unit*. The area should be itself a political or administrative unit, with an organization suitable for participation of the target population in planning and execution of projects and programs, or it must be capable of easy aggregation with other areas into such a unit. The political authority may, however, be a regional development authority, a special body with representatives of all levels of government interested in the execution of program or local organizations altogether outside the existing political and administrative structure, e.g. youth groups, community councils, etc. Caution has been placed, however, in adopting either of the two depending on which one is worse.. The former (political units) will leave the way to bureaucratic manipulation while the latter (non-political organizations) may merely deliver the population into the hands of the local power structure.

6. *Available Information and Statistics*. The area must be one where statistics and other information already exist or one where the same can be available without excessive cost or delay.

The New IAD

The IAD concept has seen transformations and has taken new terminologies in the process. While it has been so, one will find still similarities of these new IAD approaches to the basic or "old" IAD concept but this time in a new or bigger dimension and dynamics. This study classifies these new or emerging IAD approaches into two general categories according to the nature of the approach -- their objectives and the setting in which it is applied:

Inter-Regional or Inter-Local Approach

Clustering. In the past decades, the use of clusters or clustering, networks and other related terms have emerged. The use of the term cluster has been popularized with the introduction of Porter (1998)[33] of the term in the context of competition of firms and locations. He defined a cluster to mean "a geographical proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities". He showed the significance of these inter-industry linkages in the competitiveness of national (and regional) economies. However,

[33] Porter, Michael (1998). On Competition. Boston: Harvard Business School Press.

these concepts according to Stohr (1998)[34] are not entirely new but developed from previously used concepts. Stohr has identified the origins as those of as intersectoral growth poles of Perroux (1955), the spatially-determined "growth centers" of Boudeville (1966) and Marshall's (1890) industrial districts.

There are two ways clustering has been used in regional development strategies. The first is a traditional strategy, which identifies a "growth cluster" basing itself from the growth pole or growth center paradigm. A growth cluster is where clustering of areas (small political units, e.g. municipalities) are based on criteria such as common economic activities, growth potentials and physical linkages. A growth cluster has a center which offers more diversified and higher level of services than what is present in the influence areas which can perform any of the following roles: industrial center, trading center, administrative center, educational center, recreational center and other functional roles.

A more recent use of clustering is in pursuit of sustainable urban development and environmental management. Here, a cluster is defined as a subregional development area wherein the boundaries are determined using inter-local delineation covering two or more areas or political units. Such cluster comprises a development sub-region which is a suitable unit for land management and planning due to its physical, demographic, spatial and economic characteristics. The criteria to determine the boundaries of a cluster includes the following: economic (existence of common economic base, complementary resources, high economic growth and export potentials), social (having the same cultural background and using the same language and dialect), physical (geographically contiguous and linked by infrastructure networks), spatial (complementarity of functional roles within the urban structure), political (the demarcation of the cluster coincided with the administrative boundaries of the LGUs) and environmental (experiencing similar environmental problems and existence or use of common resources such as water).[35]

Inter-country Approach

Transborder Regions. The creation of transborder regions or cross-border regions as exemplified by growth triangles and similar kind of integration of sub-national areas across national boundaries have been very prominent in Asia especially in the 1990s. Currently, there are six of these government-sponsored regions that are in operation: 1) Tumen River Area Development Program (Russia, China, North Korea, South Korea, Japan); 2) Southern China Growth Triangle (Hong Kong, Taipei, China and Southern China manily parts of Guangdong and Fujian provinces); 3) Greater Mekong Subregion (or GMS including areas in Vietnam, Laos, Cambodia, Thailand); 4) Singapore-Johor-Riau Growth Triangle (Singapore, Malaysia and Indonesia); and 5) the Brunei Darussalam-Indonesia-Malaysia-Philippines (BIMP) East ASEAN Growth Area (EAGA).

[34] Stohr, Walter B. (1998). *Subsidiarity: A Key Concept for Regional Development Policy*, Paper Presented at the UNCRD Global Forum on Regional Development Policy, 1-5 December 1998, Nagoya, Japan.

[35] This approach has been used in the on-going World Bank-assisted project in the Philippines "Cavite-Laguna (CALA) Urban Development and Environment Management Project".

Douglass (1998)[36] observes that the current transborder regions in Asia as mentioned above cover sites which had serious political and ideological conflicts in recent years and yet they now comprise zones of international economic integration and cooperation. The reduction of political tensions may explain partly the foundation of the rekindled interest in forming regional cooperation. In fact, Tang and Thant (1994)[37] mentioned this factor in the formation of growth triangles along with the other traditional rationale for regional cooperation in Asia such as increase in economies of scale, exploitation of complementarities in production and enlarging the size of markets.

Transborder or crossborder regions are what Douglass (1998) calls the emerging forms of so-called "transnational spaces", a term for geographies that are detached in varying degrees from normal regulation by the nation state. The more classic forms of these transnational spaces include export-processing zones (EPZs) or free port zones[38]. While both exploit international mobility of capital and the comparative low-cost of labor, there are basic differences in the features of a growth triangle or crossborder regions with EPZs. First, is the involvement of more than one country compared with EPZs, which only one country is involved. Second, there is a wider range or diversity in activities from economic (including tourism) to cultural, or even educational activities compared with EPZs which are largely manufacturing. Third, there is a much more complex policy coordination required than in EPZs.

The success of cross-border regions had been attributed to three factors: economic complementarity (significant differentials in factor endowments), geographical proximity (to reduce transaction and transport costs and seize cultural and linguistic similarities), political commitment (willingness of member countries for compromises in sovereignty), policy coordination (tariffs, employment regulation, real estate, finance, foreign investment and foreign exchange) and infrastructure development (ports and harbors). While the benefits are enormous, the costs for capital development and physical maintenance are also high. The experience of existing crossborder regions showed that member countries minimized start-up costs by taking advantage of existing physical infrastructure if possible. It is expected that on a longer term, the benefits point to both regional development goal attainment as well as the development of human resources.

Decentralization

Stohr (1998) pointed out the occurrence of the movement in responsibility for regional development policy from being that of the central government (mainly in the 1960s and 1970s) to its being a local/regional "self-help agenda" (mainly since the

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[36] Douglass, Mike (1998). *Globalization, Inter-City Network and Rural Urban Linkages: Rethinking Regional Development Theory and Policy*. Paper presented at the UNCRD sponsored Global Forum on Regional Development Policy, 1-4 December, Nagoya, Japan.

[37] Tang, Min and Myo Thant (1994) *Growth Triangles: Conceptual Issues and Operational Problems*, Asian Development Bank, Manila.

[38] These zones refer to demarcated enclaves outside a nation's normal customs barriers, where foreign firms enjoy favored treatment with respect to the importation of intermediate goods, taxation and access to infrastructure. Most of the output is for export.

1980s). The movement from central to local government responsibility was not only driven by the lack of central government funds but by the inability of the former to solve local problems in periods of rapid change.

Decentralization under the principle of subsidiarity has been adopted as an important strategy particularly in regional development administration. The principle of subsidiarity posits that the decision-making powers, development responsibilities and control over resources must be relegated to the lowest possible level in order to broaden public sector legitimacy, transparency and accountability and thus contribute to effective governance and service delivery. During the past three decades, developing countries have attempted to implement various decentralization policies along this principle.

Rondinelli (1990)[39] has typified decentralization into two major forms: deconcentration and devolution. Deconcentration refers to the transfer of power to the local administrative units or offices of the central government. On the other hand, devolution refers to the transfer of power to subnational political entities or subnational units of government, whose activities are outside the control of the central government. There are two important dimensions of decentralization that are more or less associated with such typology: administrative decentralization and fiscal decentralization. The former is associated with deconcentration which exists when resources are generated centrally but a part of it is allocated to decentralized units which implements the spending activities according to the guidelines or control set at the central government. The latter is related to devolution wherein the decentralized units have the power and authority to generate resources through its taxing powers and to spend the same according to established legal criteria (Ugaz, 1997)[40].

Devolution and, thus, fiscal decentralization has been regarded as the more important and meaningful aspect of decentralization. Conceptually, fiscal decentralization has two major concerns: the expenditure assignment and revenue assignment. Expenditure assignment refers to the definition of functions and services that will be performed by local government and that by the center. On the other hand, revenue assignment concerns the power and authority of local governments to raise and administer tax revenues.

The rationale for government intervention in an economy (externalities, public goods, economies of scale, absence of markets, imperfect information, etc.) provides the basis for the assignment of powers to each level of government. The spatial characteristics of public goods has been the basis for the decentralization theorem as formulated by Oates (1972) which states that "centralization is costly if it leads the government to provide a bundle of public goods that diverges from the preferences of the citizens in particular areas". Thus, the main economic justification of the assignment

[39] Rondinelli, D. (1990). Decentralizing Urban Development Programmes: A Framework for Analyzing Policy Options, USAID Office of Housing. Washington, D.C.

[40] Ugaz, Cecilia (1997) *Decentralization and the Provision and Financing of Social Services: Concepts and Issues,* Working Paper No. 130, World Institute for Development Economics Research, The United nations University

bases largely on allocative and efficiency considerations. Tanzi (1995)[41] identified five considerations in this regard:

- Decentralization induces competition among jurisdictions. This is likely to produce the same kind of allocative benefits in the case of private sectors in a competitive market.
- Decentralization allows experimentation in the provision of output. Quality in the provision of services will be a likely outcome.
- Decentralization may generate a smaller public sector and a more efficient economy.
- Decentralization expands the possibilities for increased participation.
- Decentralization promotes accountability through clearer and closer linkages between the benefits of local public services and cost of these benefits.

It has been recognized that the benefits of decentralization or efficiency gains derived from decentralization can be achieved if and only if vertical coordination (among levels of government) and horizontal coordination (among localities) as well as some degree of centralized decision-making can be established.

The efficiency consideration in expenditure assignment can be readily established in the case of expenditure assignment but not as strong as in revenue assignment. The reason is twofold. One is that the local government may not possess the institutional capacity to raise and administer tax revenue. The other relates to the equity and redistributive function reserved to the central government. In other words, taxes used for redistributive purposes are usually the responsibility of the center. This asymmetry in expenditure and revenue assignments thus reinforces the need to build a transfer system from the central to local government in order to facilitate the financing of development activities which local government are supposed to perform. This intergovernmental fiscal relationship allows for the set of arrangements for coordinating and sharing particular tax bases among different levels of governments.

2.3 New Concepts and Thinking on Regional Development

The increased interaction of nation states, enhanced trade and economic activities, greater mobility of people and ideas within and across national boundaries propelled by technological revolution through information and telecommunication technology and transport development have had far reaching effects on every aspect of a nation's life. The accelerating speed, scope, scale and complexity of globalization in recent years have been marked especially in the transformation of the spatial and social structures. Evident in recent years is the growing literature on the identification, classification and management of new urban forms (world city, megacity, extended metropolitan regions, etc.) that has emerged in relation to the realities of the increased global connections and economic forces. Concomitantly, and in reaction to the growing attention given to these

[41] Tanzi, V. (1995*). Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects.* Presented at the World Bank's Annual Bank Conference on Development Economics. As quoted in Ugaz (1997)

new urban forms, there has been a resurgence of the long-standing debate on urban and rural development but this time in the direction towards loosening, if not, a total erasure of the dichotomy.

Formation of New Urban Spatial Forms

With globalization came the greater interest on cities and urban areas as they have been thought to face greater challenges in trying to respond to the pressures and implications of the new global economy. Two major spatial forms that a great deal of attention has been paid to include world cities and megacities and these are discussed below.

World City Formation. Douglass (1998) pointed out that the term 'world cities" was an old term coined by Geddes in 1915 and reintroduced by Peter Hall in 1966. However, the use of such term does not embody the globalization processes that have occurred after the 60s. In this respect, Sassen (1997)[42] pointed out that these processes include the globalization of industrial production and the full development of finance circuits at the world scale. World cities have now assumed the role as "massive concentrations of information" about investment opportunities, markets and management and this entailed the development of "a vast physical infrastructure containing strategic nodes with hyperconcentration of facilities". Governments now intentionally compete to restructure its major metropolitan regions to achieve world city status by creating a built environment for global capital and to produce support services that allow for "increasing centralization of transnational control functions that is required to manage globally dispersed operations and linkages" (Douglass, 1993). Thus, world cities have been regarded as control points, and centers of decision-making and authority (Clarke, 1996)[43].

There have been differing criteria to define a world city or categorize existing major cities in the world as such. Three major scholars have given their views in this regard. Friedmann (1995)[44] introduces four criteria: 1) numbers of headquarters of international institutions; 2) rapid growth of the business sector;3) major transportation modes; and 4) existence of a major financial center. Simon (1995)[45] reduced the key criteria to three but introduce new dimensions to the criteria: 1) existence of a sophisticated financial and service complex serving a global clientele; 2) a level of international networks of capital information and communication flows; and 3) a quality of life conducive to attracting and retaining skilled international migrants. Short, et. al

[42] Sassen, Saskia (1997). Cities in the Global Economy, *International Journal of Urban Sciences,*1:1, 11-31
[43] Clarke, Giles (1996) Megacity Management: Trends and Issues. In *Megacity Management in the Asian and Pacific Region, Volume 1*. ADB, Manila.
[44] Friedmann, John (1995). The World City Hypothesis. In *World Cities in a World System,* edited by P. Knox and P. Taylor. Cambridge: Cambridge University Press
[45] Simon, D. (1995). "The World City Hypothesis: Reflections From the Periphery", In *World Cities in a World System*, ibid.

(1996)[46], on the other hand, listed down eight types of functions that represent a city with world city status. These are: 1) Finance (banks, stocks, real estate, insurance); 2) transnational corporate headquarters (commodity production/distribution); 3) Quarternary services (education, high technology producer services); 4) Transportation (air, sea); 5) Information (creation, processing, distribution); 6) Political/Ideological (government-economy-civil society relations); 7) Culture ("production"/dissemination); and 8) World "spectacular" events.

The world city formation has a huge impact in the way regional development strategy is being formulated in various countries as it has a significant bearing on the country's state of competitiveness. The shift in comparative advantage away from natural resources to "created assets" (UN, 1994)[47] that includes investments in the built environment is a new challenge facing nations today. Douglass (1998) rightly raised two lines of inquiry in this regard: 1) Can cities fall as well as rise as inter-city competition increases at the international scale?; and 2) Can world city formation be accelerated and achieved through purposeful government policy interventions? In reflecting on these questions, he posited that the world city formation phenomenon is a dynamic, competitive process rather than an end state. Such that there is no guarantee that cities occupying the highest in the hierarchy will maintain its position and that cities through strategic planning can be pushed to such status. With regard to the latter, he cited recent government moves in Asia towards what he terms as "intentional world city formation". In Korea, the Korea Research Institute for Human Settlements (KRIHS) has laid out a strategic physical plan making Seoul as a key global center. To achieve this, a spatial plan was formulated and identified key mega-projects many of which lie outside the national territory of South Korea.[48]

Hong Kong, which is already a major source of banking and communications for the Asia pacific region has recently built a new world-class airport thereby enhancing its status in the global competition. Singapore, aside from enhancing its Changi International Airport in competition with Hong Kong, has put forth its plans to become an information center of Asia and the world by creating "science habitats" comprised of "holistic and synergistic high quality working-living-learning and recreating environments that attract and retain top talent" and the world's first telecommunications Finance park for computer

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[46] Short, J.R., Y. Kim, M. Kuus and H. Wells (1996) "The Dirty Little Secret of World Cities Research: Data problems in Comparative Analysis," *International Journal of Urban and Regional Research*, 20:4, 697-717

[47] United Nations (1994). *World Investment Report: Transnational Corporations, Employment and the Workplace* (NY: UN Division on Transnational Corporations and Investment).

[48] A high-speed train that will cut travel time between Seoul and Pusan from 5 to 2 hours; A railroad axis along the Yellow Sea Rim connecting development corridors in Korea to Shanghai-Beijing-Simyang-Dandong axis in China; The connection of a Pan Yellow Sea Transportation Axis with (10 Trans-China Rail, the Trans-Mongol Rail that eventually lead to the European Continent and (2) the Trans-Manchuria Rail of China; The construction of pipelines together with the railroads and motorways to transport abundant natural resources from China and Russia to Korea; A New Seoul International Airport with 4,000 meter runways and the capacity to accommodate 155 airplanes through 24 hour operations to become the international air hub of Northeast Asia.

and communications systems (Corey, 1997)[49]. Malaysia has shown more ambitious stance in jumpstarting Kula Lumpur as a world city. Starting with the construction of what is currently the world's tallest building, the Twin Towers, it plans to develop a 22 office block City Center surrounding it. The city will be linked to a new international airport designed to serve as the hub for all of Asia. A hard-wired "Multi-media Super Corridor" with state-of-the-art telecommunications infrastructure will be installed through the creation of "digital" cities and inter-urban corridors.

Megacity Growth and Management. In the 70s much of the thinking and policy towards metropolitan regions is to slow down its growth by developing other regions of the country. In the 90s, arguing against controlling its growth, the policy direction has shifted towards better managing these places. Again, this is in relation to the view that large metropolitan regions produce wealth, employment, ideas, revenues and its growth is beneficial to the entire national economy. The improved management of the metropolis is also tied to the importance of addressing sustainable development as they are at the forefront of the process. Given their size and high-density character, metropolitan regions have the widest range and most severe problems in environment, land and transportation management (Stubbs and Clarke, 1996)[50]. The inevitable and unprecedented growth in the urban area and the need for intelligent management is seen as a major challenge given that mankind's future is seen to unfold largely in urban settings (Fuchs, 1994)[51].

Megacity is the term used to describe a city whose population has exceeded 8 million (as defined by UN in 1980) or 10 million in more recent literature (Clarke, 1996)[52]. While the definition has been based on population size alone, given the complexity of a megacity and its increasing role in the larger development process and for policy formulation and evaluation, a more comprehensive set of criteria has been proposed to classify megacities which would include financial resources, industrial/commercial structure, political role, educational facilities and scientific personnel, service functions, and the position in the world system (Goldstein, 1994)[53]. In the meantime, megacities are defined based on the most recent definition of 10 million or more population. As of 1994, there were 14 megacities of which 9 were in Asia[54]. By 2015, there will be 28 of which 17 will come from Asia[55].

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[49] Corey, Kenneth (1997). Digital Dragons and Cyber Communities; the Application of Information Technology and Telecommunications Public Policies and Private Partnerships to the Planning of Urban Areas, *International Journal of Urban Science*, 1:2, 184-209

[50] Stubbs, Jeffry and Giles Clark (eds.) (1996). *Megacity Management in the Asia and Pacific Region. Volume One*, ADB/UNDP/UNCHS (Habitat)/World Bank, ADB, Manila.

[51] Although other scholars have cautioned such romanticizing on the urban to the neglect of the rural as will be discussed in the later section.

[52] Clarke, Giles (1996). Megacity Management: Trends and Issues in Stubbs and Clarke (1996).). *Megacity Management in the Asia and Pacific Region. Volume One*, op. cit.

[53] Goldstein, Sidney (1994) Demographic Issues and Data Needs for Megacity Research. In *Megacity Growth and the Future*, Roland Fuchs, Ellen Brennan, Joseph Chamie, Fu-chen Lo and Juha Uitto (eds.) United Nations University Press, Tokyo, New York, Paris.

[54] The 14 megacities are: Tokyo, New York, Sao Paulo, Mexico, Shanghai, Bombay, Los Angeles, Beijing, Calcutta, Seoul, Jakarta, Buenos Aires, Osaka, Tianjin.

[55] The 28 includes, aside from the 14 cities included in 1994, Lagos, Karachi, Beijing, Dhaka, Delhi, Manila, Cairo, Istanbul, Rio de Janeiro, Lahore, Hyderabad, Bangkok, Lima and Tehran.

A growing number of literature has been produced that tackle the variety of concerns and issues megacities are currently facing and would be dealing with in the future. For instance, in 1990, the United Nations University has initiated a review of the mega-city phenomenon exploring its broad dimensions such as the demographic and economic causes of megacity growth and its morphology, the economic and social consequences of its growth and numerous management issues and approaches. The conference did not attempt to achieve consensus on the issues but recognized, given the differences in interpretations and policy recommendations proposed by various scholars and practitioners, the need for both basic and policy-relevant researches on the subject. In 1994, a major conference co-sponsored by the Asian Development Bank, World Bank and the United Nations has produced studies that dealt with megacity management as they relate to institutional structures, environmental management, transportation management, land management, private sector development, financial development in both the macro-view and specific experiences of selected megacities along these concerns (Stubbs and Clark, 1996). The conference was more action-oriented in approach and at the end gave final recommendations on the following key issues:

- strengthening local governments and special purpose agencies, making decision-making more transparent and improving both horizontal and vertical coordination;
- moderating the demand for services, such as water supply and private transportation;
- reducing waste generation and emission of pollutants;
- making land development and land transfers more efficient;
- privatizing services and/or activities related to service provision where it appears the private sector could be more efficient than the public sector;
- enhancing user charges for services, such as water supply and public transportation, generating higher revenues from property taxes; and
- relying more on non-government sources of funds.

The Habitat report had placed premium emphasis on the challenges facing cities in general and had put forward the view that well managed cities can provide an economic environment capable of generating employment opportunities and offering a diversity of goods and services (UNCHS, 2001). It underlined the need for promoting entrepreneurial cities or those that develop and sustain themselves by achieving a set of enabling conditions such as infrastructure, incentives, public and private partnerships housing and transport systems with good governance as its basic foundation.

Urban-Rural Transformation

Notwithstanding the focus on cities and urban areas in recent years, some scholars have tried to caution the recent fetish on cities by pushing for regional development thinking that allows for a more integrated view of urban and rural development. Koppel (1991) raised that, admittedly, there exists a dichotomy in terms of population density and material culture and that there is no denying that there are large cities in the same way as there is no denying that there are rural places. However, the failure has been in

finding a middle ground of defining development between the two and not within the urban dimension alone. He argued that development has become almost synonymous to urban and thus, there is always a temptation to define rural-urban transition of an area as peri-urbanization or the middle ground of the urban-rural continuum as the "peri-urban"[56]. He then suggested that socio-economic analysis be undertaken in these emerging zones of interaction as they may not be transient but distinct forms autonomous from rural or urban influences. Some writers have defined these new areas as extended metropolitan regions (Ginsburg, 1991; McGee, 1991), the dispersed metropolis (Jamieson,1991) and metropolitan interlocking region (Yixing, 1991). [57] Reservations on the terms have been expressed as they suggest the "urban sprawl" concept or the spread of the built-up areas of a large city rather than the recognition or the occurrence of linkages.

Douglass (1998) has put forward a strong view that rural-urban dichotomy is no longer useful as new forms of organization for production, technologies and labor mobility has emerged through the transcending capabilities of telecommunications and transportation networks as well as biotechnology. He then argued for an alternative view of rural development that redefined rural areas as no longer as consisting solely of agriculture and villages but as "part of the expanding urban and regional networks reaching from local to global scales". The regional network model that he proposes is one that debunks the growth pole/center model in terms of the expanse of economic sectors involved and not confined to urban-manufacturing, a horizontal urban system composed of a number of centers connected to hinterlands, a complex rural-urban field of interaction with growth stimuli emanating from both rural and urban areas and the dependence on decentralized planning systems and requires policy interventions not just related to industry but to a large degree agro-industry, resource-based manufacturing and agricultural diversification as well as urban services.

At the same time, there are still those who contend that urban-rural transformation is largely the result of urban and industrial forces shaping the rural areas. For instance, Castillo (1997)[58] based on her analysis of rural Philippines in the 90s, argued that the traditional concepts of urbanization, i.e. based on population living in statistically defined urban areas and the concept of rural-urban migration, have to be seen in a larger

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[56] Contemporary studies on urban development using these terminologies can be seen for instance in Douglas Webster (2000), *The New Importance of the Periphery in Emerging East Asian Cities: Suburbia and Peri-Urbanization: The Case of the Extended Bangkok Region*, Background Paper for the East Asia and City Management Course, May; and Douglas Webster (2001) "*Regionalization and Decentralization: Implications for Peri-Urban East Asia*" Paper Presented at the WB-ADB Asian Development Forum, Bangkok, Thailand, May.

[57] These terms are based on papers included in *The Extended Metropolis: Settlement Transition in Asia*, Norton Ginsburg, Bruce Koppel and Terry McGee, eds., (1991), op. cit.: Ginsburg, Norton (1991) Extended Metropolitan Regions in Asia: A New Spatial Paradigm; McGee, Terry (1991) The Emergence of Desakota Regions in Asia: Expanding a Hypothesis; Yixing, Zhou (1991) The Metropolitan Interlocking Region in China: A Preliminary Hypothesis; Jamieson, Neil (1991) The Dispersed Metropolis in Asia: Attitudes and Trends in Java.

[58] Castillo, Gelia T. (1997). *Beyond Manila: Reclaiming the Voice from the Countryside*. Paper presented during the Symposium in Honor of Dr. Gerardo Sicat and Dr. Jose Encarnacion, Jr. 23-25 September 1997, Traders Hotel, Manila. Philippine Institute for Development Studies.

perspective and in the way the process is having a far-reaching impact in the countryside. Castillo believed that the current urbanization process is one of urban and industrial functions "invading" or "developing" the countryside (or urbanization and industrialization of the countryside). Three manifestations or consequences have been identified regarding this movement to the countryside.

The first concerns the significant changes in land use patterns. Becoming more evident in recent years are conversions of agricultural lands to residential, recreational or industrial uses; uplands and coastal areas to recreational and tourism areas; and flat lands, mountains and water bodies converted into dump sites, quarrying, hydroelectric dams, etc. Socially significant in these conversions is that the traditional protagonists in the land tenure issue, i.e. landlord vs. tenants, have now shifted to farmers vs. real estate developers and powerful new landowners; farm workers vs. industrial plantation workers; community vs. capitalist entrepreneurs; foreign or domestic industrialists; and, government vs. indigenous peoples and their claims to ancestral domain, etc. Industrialization has been competing with the goals of the agrarian reform law and programs not only in terms of land use but also in the change in the perspective of landowners and agrarian reform beneficiaries who now values land not as an agricultural asset but rather as a valuable tradable resource for industrial or housing uses. Among the recent issue relates to the old controversy over the control and disposition of the country's agricultural lands where arguments had been placed in the context of addressing the equalizing opportunities between landless poor peasantry and the landless poor urbanites. Castillo, in reacting to the arguments on turning agricultural lands to homelots to provide homeless urban poor or to industrial estates to provide thousands of unemployed, raised the need to find out the emergence of urban and rural underclass made up of the displaced due to such action.

The second manifestation of the transformation is the phenomenon of rural squatting. Rural residential landlessness, which has been a phenomenon in the past, is gradually becoming more prominent as urban squatting. As early as 1968, 43 percent of households do not own their lots. Of this, 28 percent are rent-free. Residential landlessness will possibly become worse with population pressure and the fast-rising land values which push landless folks out of these rent-free lands. Squatting will, therefore, no longer be a monopoly of urbanites inasmuch as the residential land frontier in the rural areas is closing.

Lastly, incursions into ancestral domains of indigenous communities have been quite significant in recent years. Indigenous people have and will continue to become important to the nation not only because of their indigenous knowledge and the fact that ethnicity has become literally and culturally fashionable. More important are the valuable natural resources imbedded in their ancestral domains. Conflict of interests between indigenous communities and domestic and foreign mainstream interests are becoming more serious which led the Philippine Government to declare the rights of indigenous people. Because of the high human and financial cost, social costs must therefore be taken into account and given a peso value in estimating the economic benefits of projects.

Castillo also highlighted the changing profile of agriculture, farmers and farming and mentioned that agricultural investment will be more like an investment in urban welfare as farm production will increasingly be destined for urban consumers. Castillo (1995)[59] reported that more than 52 percent of national rice consumption is by the urban population.

The changing urban-rural relationships have also been displayed in many ways such as the emergence of new forms of urban-rural organizations. For instance, a number of metropolitan arrangements have been formed in the Philippines both as a result of greater local autonomy but also because of the increasing economic interactions between urban and rural areas (Mercado and Manasan, 2001[60]). The study revealed the innovative cooperative venture occurring between a highly urbanized city and the predominantly rural local government units contiguous with it in planning and implementing development activities as a new innovative approach in regional planning and governance.

[59] Castillo, Gelia T. (1995). Rice, rice and beyond: Understanding Fragile Lives in Fragile Lands, in *Fragile Lives in Fragile Ecosystems*, International Rice Research Institute. Proceedings of the International Rice Research Conference, 13-15 February 1995, Philippines.

[60] Mercado, Ruben G. and Rosario G. Manasan (2001). Metropolitan Arrangements in the Philippines: Passing Fancy or the Future Megatrend, in *New Regional Development Paradigms, Vol.2 New Regions—Concepts, Issues and Practices*, David W. Edgington, Antonio L. Fernandez and Claudia Hoshino, eds. Greenwoods Press, Westport, Conn. for UNCRD

Part 2
REGIONAL DEVELOPMENT POLICY AND PRACTICE IN THE PHILIPPINES

Regional development planning and policymaking in the Philippines has been in existence for more than thirty years to date. In about half of this span of time, occurred the long process of its adoption, organization and implementation before it became institutionalized in the national development policy and planning system. Before discussing in detail the full three decades of this experience, it is important to highlight what were the development thinking and experience during the post-war years and how these, combined with other equally critical factors, led eventually to the stronger commitment for regional development policy and planning. [61]

2.1 General Antecedents to Regional Development Policy and Practice

There were three precursors for the adoption and practice of regional development policy and planning. The first concerns the country's historical and socio-economic condition vis-à-vis development policies or directions taken prior to its adoption. The second relates to the general physical, cultural and political features of the country. The third factor is the government's continuing search for better administrative machinery.

Historical and Socio-Economic Factors. Two major events or forces have shaped Philippine spatial development, particularly in heightening the primacy or concentration of population and economic activities in the National Capital Region or Metro Manila, that eventually led to a more conscious consideration of the importance of regional development in national development thinking starting in 1967. First was the trade arrangement established between the Philippines and the United States following the transfer of colonial rule from Spain to the US. The second was the subsequent macroeconomic and trade policies adopted by the Philippines starting in 1947 after its formal separation of ties with the US.

The US Colonial Rule. The country's economic structure was largely agricultural when the US took over the colonial rule from Spain. In 1903, agriculture accounted for 55 percent of total output, with services contributing 32 percent while industry only accounted for 13 percent.[62] In terms of spatial configuration, Metro Manila's share in total population was only 4.9 percent and 6.5 percent of industrial employment. In

[61] The experience during the early period up to the end of the Marcos regime drew heavily from Lawas, Jose (1990) *Evolution of Regional Development Planning in the Philippines: A Process Documentation*, Unpublished Paper; and from Pernia, Ernesto, M., Cayetano W. Paderanga, Jr., Victorina P. Hermoso and Associates (1983) *The Spatial and Urban Dimensions of Development in the Philippines*, Philippine Institute for Development Studies (PIDS), Makati City.

[62] Hooley, Richard (1966). *Long Term Economic Growth in the Philippines, 1902-61*. in Conference on Growth of Output for the Philippines, Los Banos: International Rice Research Institute, quoted in Pernia et.al (1983).

contrast, the traditional agricultural regions[63] including Ilocos, Bicol, Western Visayas, Central Visayas, and Estaern Visayas, accounted for 67.1 percent of industrial employment. During this time, Mindanao and Cagayan Valley have remained to be unexplored.

A series of tariff laws were implemented starting in 1902 (Tariff Act of 1902) lowering the trading barriers between the country and the US towards eventually effecting a free flow of goods between the two countries. Considering the country's comparative advantage, goods traded to the US were mainly agricultural products (specifically abaca, sugar, tobacco and coconut). Pernia, et. al (1983), thus, stressed the fact that the country had specialized in the primary industry where it had comparative advantage relative to the American economy instead of attempting a balanced industrial structure. In so doing, the regions have also meshed closely with the rest of the American market instead of the other regions of the country or have based their comparative advantage with the American economy instead of in relation to other Philippine regions. Regions which benefited from the export orientation of the economy included those which produce the following top major agricultural exports to the US: rice (Central Luzon), sugar (Central Luzon, Southern Tagalog, Western Visayas), hemp (Bicol), coconut (Southern Tagalog and Visayas), and tobacco (Ilocos and Cagayan Valley).

Following the external developments in the US particularly its adoption of high trade barriers and the Great Depression in the 1930s (causing variability in the supply and demand for agricultural products) as well as the unfavorable world market for agricultural products, agriculture share in the country's total output deteriorated during the period from 1918 to 1939. Services sector, which was largely related to agricultural activities, also declined its share. On the other hand, industry increased its share with manufacturing sector gaining strength especially in food processing, tobacco and wood products. Areas where manufacturing establishments were concentrated include Metro Manila and its environs, Southern Tagalog and Central Luzon as well as in Central Visayas and Ilocos regions. These areas (except NCR) were also the top producers of export crops such as tobacco, coconut and sugar. Thus, population and economic activities have concentrated in all the aforementioned regions during the period.

It is noteworthy that during this colonial period there were attempts made to expand production sites and stimulate migration to the so-called frontier regions especially in Mindanao. In 1903, through the Public Land Law, a "homesteading" program was initiated, basically a resettlement program which involved the transfer of 5.3 million hectares of land to 1.4 million applicants. About 70 percent of the settlement areas were in Mindanao and the rest were scattered in other areas of the country (World

[63] It should be mentioned that the division of the country into regions had been made in terms of or in combination with administrative boundaries and economic zones. The formal convention (that considered both administrative and economic criteria, among others) has divided the country into initially 13 regions and eventually to the currently recognized 16 regions. A discussion of regional delineation will be discussed in the later sections. On the other hand, Pernia, et. al in their economic analyses divided the country into four zones: Metro Manila or NCR; Metropolitan Periphery composed of Central Luzon and Southern Tagalog; Traditional Agricultural Regions consisting of Ilocos, Bicol, Eastern Visayas, Western Visayas and Central Visayas; and Frontier Region composed of Cagayan Valley and Mindanao Regions.

Bank, 1980[64]). This resulted in the increase in total and rural population growth and an extremely high urban growth as well as the highest increase in economic growth during the period, although not sufficient to integrate in the country's space economy (Hermoso, 1983).[65]

Development Policies after Independence from US. The policy shift from agriculture to industrial bias adopted from 1947 through the late 1960s had a tremendous impact in the spatial diversity in the country and further strengthened the concentration of development activities in the NCR and its adjoining regions.

The theoretical debates concerning regional balance or spatial equity during this period were not confined to academics but among Philippine policymakers as well. Spatial equity as a government policy objective was a highly controversial issue. There were, however, strong adherents at that time to neo-classical economics thinking such that intervention strategies aimed to achieve spatial equity were deemed unnecessary.[66] Such thinking pervaded development planning in the country and, thus, existing spatial inequalities were viewed only as temporary economic features. Thus, efforts were undertaken to focus on optimizing GNP since it will eventually trickle down and generate progress to all urban and rural areas of the country.

The economic direction taken right after the country's independence from the US in 1946 was a turn around from the agricultural export promotion to an industrializaton strategy anchored on import substitution. This particularly meant a bias in favor of capital-intensive industries over the resource-based industries promoted prior to Independence. The NCR and its environs have already a comparative advantage and exhibited their potential as the base for industrialization given the existing average size of firms, capital intensity and labor and capital productivity during the close of the colonial period. Moreover, being the capital region, NCR is an attractive location for ease of access to international port, import licenses and foreign exchange, skilled labor market and to domestic market for products catering to urban living. Thus, the NCR and the neighboring regions benefited significantly from the package of policies implemented during the import-substitution period. Such spatial biases of trade and industrial policies have accentuated the polarization phenomenon shifting the center of population and economic activity of the country from the traditional agricultural region to the NCR and its adjoining regions of Southern Tagalog and Central Luzon.

In essence, the development experience of the country showed that the unprecedented growth in the national economy did not bring about the desired trickle down development. Regional imbalance persisted with the NCR dominating the country while interregional and intra-regional equity especially in their respective rural areas

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[64] World Bank (1980) *Aspects of Poverty in the Philippines: A Review and Assessment*, unpublished report

[65] Hermoso, Victorina (1983). The Development of the Philippine Space Economy in Pernia et. al. (1983), *op. cit.*

[66] It would be recalled that supporters of said thinking believe that regional disparities are normal consequences of the whole process of economic development and that regional incomes will eventually converge when growth diffuses more evenly throughout the regions on the assumption of perfect mobility of factors of production.

were significantly marked. Such regional imbalance had been caused by the import dependent import-substitution industrialization policy which did not promote backward linkages to the natural resource base of the regions. In addition, because of the focus on the strategy, agriculture sector was neglected and resulted in low regional productivity as well as wide gap in development between urban and rural areas. Metro Manila developed as a magnet that attracted labor, capital and entrepreneurial talents from neighboring provinces as well as other far away regions. This developed as investments on industrial activities and infrastructure were concentrated in Metro Manila and as the region gained more administrative and political power.

Sicat[67] (1968)[68] has posited the important role that the government has played in shaping the unbalanced development that occurred during the post-war years up to the late 60s. His analysis of the growth differentials among the ten regions of the country during the period showed that exchange rate policy adopted have influenced the growth of production activities and therefore the growth of the regions where these economic activities are more concentrated. Thus, during the phase of exchange control (1948-1961) which favored import-substituting industries, the regions that grew fastest were Metro Manila (principally the cities of Manila, Quezon, Caloocan and Pasay) and Southern Tagalog (mainly Rizal province). In contrast, during the period of peso devaluation and decontrol in 1961-1966, the fastest growing regions were those producing top agricultural exports such as tobacco, sugar and wood. These include Mindanao, Cagayan and Western Visayas.

In his further examination of regional growth in the country, Sicat (1970)[69] emphasized the importance of other macroeconomic policies adopted to spur industrialization as they impinge on the growth performance of the regions.[70] Aside from exchange rate policy, he mentioned three other important macroeconomic policies which were used in pursuit of industrialization based on import-substitution strategy: tariff rates and policies on domestic taxes and production subsidies, tax incentives given to specific industries and monetary policy. These policies unconsciously favored certain localities or promote industries that cluster around strategic points in the country, notably the national capital region which enjoyed the locational advantage as have been mentioned earlier. Moran (1978)[71] further extended Sicat's investigation up to 1974 and found out that the dominance of Metro Manila has pervaded in the 70s despite the awareness and efforts by

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[67] Pernia and Paderanga (1980) acknowledging the meager research done on regional development (owing probably to the preoccupation of socioeconomic practitioners to the macroeconomic problems of development, leaving the spatial context of economic development unexplored) cited the works of Gerardo Sicat in the early 1960s and 1970s as the earliest scholarly work that assessed the spatial dimension of development. Pernia, Ernesto M. and Cayetano W. Paderanga, Jr. (1980) *Urbanization and Spatial Development in the Philippines: A Survey*. Discussion Paper 8001. UP School of Economics, Diliman, Q.C.

[68] Sicat, Gerardo (1968) *Regional Economic Growth in the Philippines: 1948-1966*, IEDR Discussion Paper No. 68-1 (Quezon City:UP School of Economics).

[69] Sicat, Gerardo (1970). *Economics of Regional Development: Interaction of National and Regional Policies*, IEDR Discussion Paper No. 70-5

[70] In his own words: "Innocent looking policies of the past carry with them excessive biases in favor of industrial concentration that place the biggest single stumbling block to the speed of regional growth"

[71] Moran, Presentacion B. (1978) *A Policy Evaluation of Regional Dispersal of Manufacturing in the Philippines*, MA Thesis, School of Economics, University of the Philippines.

the government to correct the spatial imbalance. Two reasons were cited to explain the phenomenon. 1) "that the government policies are so recent that their effectiveness cannot yet be determined" or 2) "that these policies are not really effective in encouraging the dispersal of manufacturing activity to regions outside Metro Manila and Southern Tagalog". Sicat (1972) for instance cited the fact that the effort of the government through the Investment Incentives Act, implemented by the Board of Investment (BOI) to include regional dispersal as a consideration in providing tax and financial incentives to individual firms in selected industries, did not make a difference as it was diminished by other factors for site location. Moran (1978)[72] echoed the same conclusion based on the analysis of survey data on manufacturing firms that started in 1970 (when the government were explicit in its regional dispersal thrusts) that government policies for regional dispersal of industries have not been very effective in influencing plant location. Reyes and Paderanga (1983)[73] further revealed that as of 1978 locational clearances granted by the government through the Ministry of Human Settlements (MHS) have been mainly concentrated in the neighboring regions of NCR such as Southern Tagalog and Central Luzon. Lamberte, et.al (1993)[74] reviewing the industrial dispersal strategy with respect to fiscal incentives even bluntly concluded that the industrial dispersal program was a failure.

The inequalities that existed in terms of economic, social and political opportunities in the regions have escalated to the point that there was an immediate need for the government to intervene at least to lessen the pressures that threaten the social, economic and political stability of the country. Thus, during the 1960s, there were vigorous efforts to promote agricultural development and agro-industry activities in the country. In the late 1960s, the idea of regional development policy and planning has become more attractive.

Geographic, Cultural and Political Factors. The physical geography of the country, the diversity of population of different cultures and traditions and the political subdivision of the country that take account of such physical and population diversities have facilitated and contributed to the further shaping of regional development policy and planning in the country.

The Philippines is an archipelago made up of three major landforms: Luzon, Visayas and Mindanao. Each island is made up of mountain systems, hills and rolling land and plains. Such terrains serve as natural boundaries that divide the island into distinct areas or regions. These areas are inhabited by people of varying cultures and traditions and, therefore, conflicting interests are inevitable. Various ethnic groups can be found within each of the major islands of the country. For instance in Luzon, major ethnic grounds include: Ilocano, Ibanag, Igorot, Tagalog, and Bicolano. There are also

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[72] Moran, Presentacion B. (1978). Regional Structure of Philippine Manufacturing, *Philippine Review of Business and Economics*, Vol., XV, No. 2 (June).

[73] Reyes, Gilda B. and Cayetano W. Paderanga, Jr. (1983). Government Policies and Spatial Development. In Pernia, et.al (1983), *op.cit.*

[74] Lamberte, Mario, Rosario Manasan, Gilberto Llanto, Winfed Villamil, Elizabeth Tan, Fernando Fajardo, Maren Kramer (1993) Decentralization and Prospects for Regional Growth. Philippine Institute for Development Studies. Makati City.

mixed clans of these ethnic groups as a result of intermarriages due mainly to geographic proximity. For example, one can find in the eastern part of Cordillera (Cagayan, Isabela, Nueva Vizcaya and Quirino), a mix of Ilocanos and Ibanags. In the western Cordillera region (Zambales, Bataan and Pangasinan), one will find a mix of Ilocano and Tagalog. Tagalogs can be found mostly in the provinces of Nueva Ecija, Bulacan, Zambales, batangas, Cavite, Laguna, Marinduque, Mindoro, Palawan, Rizal, Romblon and Manila. The Bicolanos on the other hand are in the provinces of Camarines, Catanduanes, Alabay, Masabatre and Sorsogon. The Visayan islands have major ethnic groups composed of the Ilonggo (Panay and Negros islands), Cebuano (Cebu, Bohol and Syquijor) and Waray (Samar and Leyte). In Mindanao, there are four major ethnic groups. These are the Maguindanao (Lanao, Magundanao, Cotabato and Sultan Kudarat), Maranaos (Agusan, Bukidnon, Misamais, Camiguin, Surigao and Davao), Badjao and Tausog (Basilan, Sulu, Tawi-tawi and Zamboanga).

The political system of the country in terms of political subdivisions (cities, provinces, municipalities and barangays) and the government bureaucracy where government agencies have set up offices in these politico-geographic units as well as the legislative system where legislators are elected by people from these units have already built the foundation for a more meaningful subnational planning system.

Administrative Machinery Improvement. Starting the early post-war years, in an attempt to further better the delivery of services to more people and places, the government had been undertaking a periodic assessment of its structures and operations. One of the early efforts to introduce a spatial approach to development was the creation of field service areas. To effect simplicity, economy and efficiency in delivering public services of government ministries and agencies to beneficiaries, field services areas defined as regions were identified in terms of groupings of provinces and cities. The following were the basis for such grouping: 1) contiguity and geographical features; 2) homogeneity of cultural and language groupings; 3) commonality of transportation and communications facilities; and 4) relatively equal size of population and area. On the basis of these criteria, the Congress in 1956 approved the following eight regions with their respective regional centers:

Region I	Northeastern Luzon (Dagupan City)
Region II	Northsouthern Luzon (Tuguegarao, Cagayan)
Region III	Central Luzon and Tagalog (Manila)
Region IV	Bicol (Naga City)
Region V	Western Visayas (Iloilo City)
Region VI	Eastern/Central Visayas (Cebu City)
Region VII	Western Mindanao (Zamboanga City)
Region VIII	Southern Mindanao (Davao City)

While these regions were adopted by all departments and agencies for full implementation, the implementing guidelines, however, were found to be flexible that some agencies modified the boundaries of the regions on the basis of their respective operations. The flexibility has also been applied in terms of locating their regional offices

outside of the designated regional centers. Thus, the implementation of the regionalized field services areas have failed in terms of strengthening regional agency planning activities.

The years beginning in 1967 represented the period when the government has been more conscious and explicit about the spatial aspects of its development policies and programs. The following sections provide a brief sketch of regional development policy and practice according to plan period and coinciding with national government regimes. The discussion for each period will proceed, to the extent information are available, along the following sub-topics: 1) regional policies (inclusive of explicit regional development policies and major economic (macroeconomic and sectoral) policies and programs impinging on regional development); 2) regional development process (planning, programming and budgeting) and 3) regional institutions.

2.2 1967-1972: Rural Development and Regional Dispersal Thrust

Regional Policies and Programs. The Four-Year Economic Program for 1967-70 first recognized regional development as an important tool in national development. Regional development in these early years became more focused on rural development and the dispersal of economic activities away from the National Capital Region.

A fitting government move to promote rural development and disperse industries was the policy shift from import-substitution to export promotion that gave emphasis on invigorating the traditional exports. Incentives were given to industries that utilize indigenous raw materials and those involved in traditional export products. Among the major steps taken to further such direction include the passage of Republic Act No. 5186 (Investment Incentives Act) which also established the Board of Investments (BOI). The law granted broad incentives to industries that would qualify for registration with the BOI. The incentives, which were largely in the form of tax credits, were further extended through the enactment of RA 6135 or the Export Incentives Act.

The BOI also included in its guidelines for more favored industries and which will be given tax and financial incentives firms which would locate their plants or factories in the BOI-designated area. These guidelines were carried on even in the late 70s but did not help in weakening the pull of the NCR in attracting investments (Reyes and Paderanga, 1983)[75]. As earlier noted by Sicat (1970) these incentives were drowned by other factors important in choosing plant sites.

At the same time, rural development orientation finds translation in development programs and projects, especially of sectoral agencies involved in agriculture, public works and social development aimed to improve the condition of depressed rural areas. In addition, programs intended to promote the countryside were done through the Regional Development Authorities (RDAs) established in the various provinces. As will be discussed later, the performance of these institutions were not much favorable but the

[75] Reyes, Gilda B and Cayetano W. Paderanga, Jr (1983). Government Policies and Spatial Development, in pernai, et al. (1983).

more successful ones became the basis for the development of the Integrated Area Development (IAD) approach which became an important regional development strategy in later years.

Regional Development Process. Development planning was done through a top-to-bottom process. Public investments in the regions were all nationally conceived with the regional offices and local government units implementing them. Sectoral agencies' programs and projects as well as those of the development authorities created, however unrelated they may be, were simply combined to form the regions' development plan and investment program.

Attempts were made in 1970 to formulate a national physical framework plan whose basis was the "growth pole/center" concept very popular at that time among academicians and regional planners. This was jointly undertaken by the Presidential Advisory Council on Public Works and Community Development and by the University of the Philippines Institute of Planning. Drawing from the growth center approach, the physical framework plan features the identification of hierarchy of areas for development in consideration of the optimal utilization of resources such as land, labor and level of technology. The plan also identified the spatial and functional structures of urban-rural interactions at the subregional, regional and national levels. There were two likely reasons why this plan was not adopted. First was the deficiency in data base to formulate a comprehensive regional socio-economic development framework upon which the plan should be based. Second, was that since most national planners of the central planning agency were economists, there was a bias for a socio-economic development framework plan over a physical one. There is a more popular view that the former dictates the latter rather than the other way around. The aftermath of the physical plan undertaking was the formulation of two physical plans, this time with a much regional focus: 1) The Mindanao Regional Development Study aimed at providing for a regional development planning for the Mindanao regions; and 2) The Manila Bay Metropolitan Region Strategy Plan designed for the most urbanized region in the country.

Regional Institutions. The plan provided for the establishment of development bodies to generate and implement programs and projects for regional development. Upon the initiative of the then Philippine Congress, the government established regional/provincial development authorities (RDAs/PDAs) in the various parts of the country to improve the development of regions and/or provinces. These development authorities were tasked to formulate and implement area specific development plans and programs to address rural poverty in the regions/provinces. The RDAs/PDAs were clothed with the power to engage directly in development investments and projects in the regions. Among the RDAs that were established include the Mindanao Development Authority to cover the depressed areas of the Mindanao regions; Bicol Development Company and the Bicol Development Planning Board for the Bicol region; the Central Luzon-Cagayan Valley Development Authority to cover Central Luzon and Cagayan Valley regions; and Laguna Lake Development Authority for the Southern Tagalog region. At the same time, there were PDAs established in a host of provinces in the regions.

The RDAs being development bodies were created to increase agricultural productivity thereby raising farmer's employment and income. However, most of them did not perform as expected. Part of the problem was that their creation was not supported by in-depth preparation or feasibility studies. Their relevance soon diminished and because of lack of funding and the lack of qualified personnel some were forced to fold up their operations. Others were eventually abolished through law (Executive Order No. 817, 8 July 1982) including the following: Bicol Development Company, Catanduanes Development Authority, Ilocos Sur Development Authority, Mindoro Development Board, Northern Samar Development Authority, Panay Development Authority, Southeastern Samar Development Authority and Sulu Development Company.

A serious review of the government structures and organizations was undertaken prompted by the proliferation of development planning bodies and decreasing efficiency in development administration. The focus of the review was on the regionalization and decentralization of national administration and development planning. As early as 1968, a redefinition was made of the field services areas of ministries and agencies which led to the redefinition of regions using more criteria than the ones applied in 1954: 1) contiguity and geographical features; 2) transportation and communication facilities; 3) cultural and language groupings; 4) land area and population; 5) existing regional centers commonly adopted by several agencies; 6) socio-economic development programs in the regions; and 7) number of provinces and cities. Using these criteria, the country was divided into ten (10) regions. However, this was further reviewed and finally the number of regions was increased to eleven (11) but the criteria used were again modified as follows:

- Physical characteristics or geographic features (terrain, climate, soil, fertility, topography, land area and population)
- Homogeneity and functionality of administrative and plan implementation factors (number of provinces and cities, administrative factors coinciding with planning regions, regional boundaries coinciding with political boundaries, optimal distribution of public services and availability of financial resources)
- Functionality of economic development factors (existence of transportation and communication facilities, proposed and on-going development programs and projects in the areas)
- Commonality of ethnic and socio-cultural features (culture, religion, literacy and existing number of schools)

The regional center was selected on the basis of the following:

- Accessibility or centrality from all points within the region
- Existence of developed facilities for effective and efficient administration
- Existing regional office of national government agencies
- Growth potential in terms of administrative and social aspects

The in-depth review also looked into the entire development planning system and made the following assessment: 1) planning functions were dispersed among the National Economic Council (the central planning agency), the Presidential Economic Staff, the

Congressional Economic Planning Office, Department of Public Works and Communications and other ad-hoc planning bodies; 2) lack of effective coordination among economic planning bodies; 3) weak link between development planning and budgeting; 4) weak link between development planning formulation and programming; and 5) lack of capacity for sectoral and regional planning. The report of the "Reorganization Panel" also recommended to institutionalize regional planning to provide impetus in balancing progress among regions.

The regional delineation that resulted from the above cited evaluation was formally adopted in accordance with Presidential Decree No. 1 entitled the Integrated Reorganization Plan (IRP) of 1972 issued three days after the declaration of Martial Law. The IRP contained elements that institutionalized regional policy and planning in the country which include: 1) the creation of the National Economic and Development Authroity (NEDA); 2) the division of the country into eleven regions; 3) the creation of the Regional Development Council (RDC) for each administrative region; and 4) the regionalization and decentralization of key ministries and other government agencies.

From eleven, the number of regions had been eventually raised to twelve and then thirteen, with the addition of Central Mindanao (carved out from Southern Mindanao) and the National Capital Region (carved out from Southern Tagalog). The thirteen regions then and their respective regional centers were as follows[76]:

National Capital Region	
Region I	Ilocos (San Fernando, La Union)
Region II	Cagayan Valley (Tuguegarao, Cagayan)
Region III	Central Luzon (San Fernando, Pampanga)
Region IV	Southern Tagalog (Manila)
Region V	Bicol (Legaspi City)
Region VI	Western Visayas (Iloilo City)
Region VII	Central Visayas (Cebu City)
Region VIII	Eastern Visayas (Tacloban City)
Region IX	Western Mindanao (Zamboanga City)
Region X	Northern Mindanao (Cagayan de Oro)
Region XI	Southern Mindanao (Davao City)
Region XII	Central Mindanao (Cotabato City)

2.3 1972-1976 : Regional Policy Strengthening and Organizational and Support Facilities Development

Regional Policies and Programs. While overall GNP growth was at six percent during the period 1967-72, this was not being felt in many areas of the country. There were clear pictures of income inequalities, unemployment, poverty and markedly inadequate availability of goods to meet human basic needs in spite of overall economic growth. The hardships being felt in the rural regions were largely as a result of devastation of

[76] Region XI was originally called Eastern Mindanao and Region XII Southern Mindanao.

agricultural crops due to typhoons and floods as well as problems in peace and order situation. In addition, there was a widening gap in the access to basic social services and facilities.

In support of the IRP, the existing Four-Year Development Plan, 1972-1975 was immediately revised which resulted in the formulation of the Four-Year Development Plan, 1974-1977. The revised plan carried on the goals of achievement of maximum economic growth feasible and the improvement in the distribution of income and wealth as well as social facilities and services. It further highlighted regional development and industrialization as the major measures to attain these objectives. Among the reforms related to regional development contained in the plan include the following: 1) acceleration of the agrarian reform program; 2) full implementation of the government reorganization and improvement of development administration; 3) education reforms; 4) orientation of industrial policy towards export promotion and industrial dispersal to the various regions; 5) intensification of the family planning program; and 6) employment promotion.

As in the previous period 1967-72, efforts to improve regional development were focused on the development of depressed areas. Aside from the programs and projects of the various sectoral agencies such as in food production, land reform, infrastructure support particularly irrigation and feeder roads, small scale and medium scale industries promotion, regional development activities took the form of an integrated public investment program within the context of the IAD scheme. It should be emphasized that during this time, the development planning was still a top-down process. Most of the RDAs which plan and implement programs for this purpose were no longer operational. Thus, all projects including IAD projects were all nationally conceived. The regional offices and the local government units were providing support services in implementing these programs. Among the IAD projects launched include the following: 1) Bicol River Basin Development Program in Region V; 2) Mindoro Integrated Rural Development in Region IV; 3) Cagayan Valley Integrated Development in Region II; and 4) Samar Integrated Development in Region VIII. In some way, the IAD exemplifies the regional public investment program during this time. Such regional program were derived either from the combined programs and projects of various line agencies in a particular IAD area or a line agency combines other sectoral programs to make a public investment program for the IAD area. The Four-Year plan recognized that through the IAD approach "many development problems at the regional level can be effectively attacked".

Although the projects within IAD were found to be mutually reinforcing, in the absence of a comprehensive development strategy framework, it was not clear how to evaluate its usefulness as a tool in accelerating the over-all development of the region as the relationship between projects and the development of the regions was difficult to ascertain. Several other points were raised regarding the way IAD projects were implemented. Since most of the program and project activities were centrally developed, some were found to be not appropriate or relevant to the area or region. Also, the involvement of the local government and private sector was very little in both formulation and implementation. Through it all, the approach has been found to be

practical and easy to implement and potential improvements have been seen to make it more effective and achieve significant impact in the future.

Starting December 1973, there has been a ban on the location of new factories and plants within a 50-kilometer radius of Manila. This policy was a direct effort to decongest Metro Manila. Locational clearance was issued out by the Human Settlements Commission (HSC, later transformed to Ministry of Human Settlements (MHS)). The evaluation of this scheme has not been favorable with respect to dispersing industries away from NCR across all regions but only in dispersing industries in the periphery of the NCR.

During the years covered by the Four-Year Plan, the national economy did not perform well than expected mainly because of the sharp increase in oil price in 1973 coupled with the markedly low world market prices for Philippine exports as well as due to the after effects of the damage brought about by rains and floods in 1972 especially in the rice region of Central Luzon. Despite these problems, programs and projects were implemented in the regions especially in transport, power, irrigation, school buildings and hospitals.

Regional Development Process. Budgetary proposals for regional development were done by central agencies since regional offices serve merely as implementers of programs and projects in the regions. The investment programs submitted by the RDCs for national funding were practically all conceived by the central agencies of the regional offices representing the Council except for some projects that were developed by the NROs and the LGUs in the regions. The RDCs and LGUs have found the existing programming and budgeting process frustrating for two reasons. First, central agencies claim that most of the regional programs and projects proposed by the RDC cannot be included in the central agency proposal because these were not thoroughly studied. Second, programs and projects which found its way in the approved central agency budget proposal were not provided funding support by the Office of the Budget Minister (OBM).

A scheme was established to address the dissatisfaction in the programming and budgeting system through the establishment of the Regional Development Fund (RDF) which was supposed to provide for the active participation of the RDC members in regional development. The RDF serves as seed money for the region for project implementation. As a matter of design the RDF would require LGUs wanting to draw from the fund to provide counterpart funding. Initially the counterpart funding was two pesos per one peso of funding from the RDF, with total RDF contribution not to exceed P2 million per public investment-type project. Due to LGU budget constraints, there was a poor withdrawal in the first year of implementation and thus the counterpart fund was reduced to one peso making a 1:1 ratio with flexibility to use the money for project feasibility studies. However, still there was poor fund withdrawal since there were many LGUs especially those in low-income category which cannot raise the required counterpart funding. LGUs, which availed most of the RDF were of high-income and mostly located in the NCR. Because of the ineffectiveness of the scheme, the funds were used for national programs.

Regional Institutions. The period 1972-76 saw the full implementation of the IRP especially in terms of the physical decentralization of the administration and operations of most ministries and national government offices. Another important historical landmark was the establishment of an RDC in each region as an extension arm of the NEDA in the region through Letter of Implementation (LOI) No. 22. The RDCs were created to coordinate the development efforts of government agencies in the regions. The Council proper was then composed only of provincial governors, city mayors of chartered cities, regional directors of key line agencies and project managers of regional development bodies. Through their membership in the council, the relationship of the RDC with government agencies operating in the region and the local government units can be effected. The setting up of the RDCs did not happen simultaneously since their establishment was based on the readiness of the NEDA Regional Offices (NROs) in terms of administrative and personnel support since they primarily serve as the Secretariat of the RDCs. The NROs are tasked to provide technical assistance to the RDCs in the following activities: 1) preparing and updating long-range and annual plans of the regions; 2) coordinating the plan formulation and implementation activities of sectoral ministries in the regions; and 3) providing technical assistance on development planning and implementation to regional and local development bodies including the local government units (LGUs). The RDCs were initially organized in Regions VI and X in 1973 and the following year in Regions III, IV, V, VII, VIII, IX and XI. In 1975, RDCs were set up in Regions I, II and XII. With the bureaucratic framework for regional development in place, a major foreign-assisted project, the joint NEDA-UNDP/IBRD Assistance in Regional Planning Project, was implemented starting in 1975 to build up the capability of institutions and development planners in regional planning. Various legislations were also passed in support of regional development including PD 824 (November 1975) creating Metro Manila and the Metro Manila Commission (MMC) as its institutional structure.

2.4 1976-1982: Towards Greater National-Regional Planning Linkage

The period 1976-1982 was an important period for regional development policy and planning in the country because of four major milestones with respect to national planning, programming and budgeting. The first was the inclusion of a chapter on regional development framework in the Five-Year Development Plan, 1978-82. This is in conjunction with the eight development challenges the Plan sets to provide solutions to which include regional growth disparities along with the other major national concerns such as inadequacy of basic needs, income inequality, unemployment and underemployment, heavy pressure of a rapid population growth, balance of payments and price instability, energy constraint and environmental problems. The second milestone was the completion of the Five-Year Regional Development Plan (RDP), 1978-82 for each of the twelve regions as accompanying documents of the national plan. The Regional Development Investment Program (RDIP), which is the program translation of the regional plan, was also prepared for each region and legitimized as the implementing framework of the RDPs as well as the Ten-Year National Development Plan, 1978-

1987[77]. The third milestone was the more organized efforts in strengthening the linkage between regional investment programming and regional budgeting process. A number of presidential directives were issued to effect such linkage as well as to pave the way for the institutionalization of regional planning in the mainstream of national planning. The fourth major event was the convening and activation of the National Assembly and the lifting of Martial Law in 1981 which paved the way for the more meaningful and stronger influence of the RDCs in shaping development in their respective regions. The planning process has been characterized as top-down bottom up but the former more defined than the latter.

Regional Policies and Programs. The Five-Year Development Plan 1978-1982 recognized the growing regional growth disparities as one of the biggest challenges facing the nation, to wit:

> "A number of regions in the country lag behind the more developed ones in terms of growth, employment and provision of basic services to their growing population. These depressed regions especially the rural areas became the seat of discontent in many instances in the past. The rapid migration of population to a few urban areas of more developed regions resulted in serious employment, housing, health and other congestion problems. This premature migration made urbanization more an aspect of poverty than a symbol of growth".

In line with the balanced growth strategy, the Plan indicated that rural and regional development will be pursued not only through support to agricultural production but also tenurial improvement, institution building and industrial dispersal. It spelled out the IAD scheme or the comprehensive planning and development of complementary projects, as the approach to be taken to achieve a more balanced rural and regional growth. At the same time, following the growth center approach, the regional strategy contemplated the development of an urban hierarchy or system "that will hasten regional development". On top of the hierarchy are three metropolitan centers: Manila, Cebu and Davao and 10 regional centers below which are five sub-regional centers and 62 major urban centers serving each province and supplemented by 163 minor urban centers. In the lowest hierarchy are the 1,271 self-contained municipalities and barangays. A major integral part of the thrust in urban development is the dispersal of industries in identified urban areas.

The Plan also contains estimates of how much growth will occur in each region or island groups on varying assumptions and how growth in per capita income will converge at the end of the Plan period. A new feature of the Plan was the specific regional development strategies for each of the thirteen regions (accorded about one and a half page each) which took up two-thirds of the whole chapter 3 (Regional Development Framework) of the Plan.

During the Plan period, 1978-1981, annual real growth of 5.5 percent was attained despite difficulties in the global environment especially in the minimal expansion in world trade and production and growing protectionist tendencies of advanced countries

[77] The Ten-Year Development Plan, 1978-87 was prepared together with the Five-Year Development Plan, 1978-1982.

with which the country relies much for export. The government followed a countercyclical fiscal policy through increased infrastructure expenditures. Efforts to address regional disparities were undertaken through the IAD activities as well as the launching of the livelihood program, Kilusang Kabuhayan and Kaunlaran (KKK).

Regional Development Process. The regional process reforms particularly the formulation of the RDPs and the RDIPs and efforts to ensure the link between these plans and the annual budget were the major accomplishments in regional planning during the period. The RDPs have served as basis for the development activities of both the government and private sectors in the regions, for businessmen's investment activities, for direct assistance and project designs of international agencies as well as a helpful document for school and university endeavors. The RDPs have also been used as basis for the RDIP formulation and had been instrumental, however limited, in influencing the annual budget for the regions.

Planning. The formulation of the RDPs did not take an easy route. In order to comply with the directive for the formulation of the national plan to prepare an integrated regional development strategies, a general framework was prepared that serves both as a guidelines for the formulation of the twelve regional plans and also the integrating mechanism for their consolidation. The task was doubly difficult because of the lack of well-trained and experienced regional planners in the NROs and by the unavailability of sufficient statistics for planning. The NEDA-UNDP/IBRD Project or the Regional Development Strategy Project (RDSP) was instrumental in staging the preparatory activities towards the completion of the RDPs.

Given the constraints in personnel and planning information, three action-planning workshops were held in strategic areas to cover all the regions separately for Luzon, Visayas and Mindanao. These happened after the pilot session was held in Region VIII (Tacloban City). The outputs of these workshops consisted of reports on regional problem profiles, resource profiles and development constraints in each sector including macro-regional economy, agriculture, industry, infrastructure and social development. A series of workshops were held with much more regional focus and these eventually led to the actual preparation of the RDPs.

The RDP, being an indicative plan, contains the integrated spatial development strategy framework and sectoral development strategy for the region derived from the strategic matching of its regional problems, growth potentials and development constraints. The programs and projects contained in the RDPs that were prepared which are supposed to be the translation of the RDP strategies were essentially a list of projects that the various line agencies and other national government agencies have identified and proposed for implementation. Also included are project ideas of the RDCs but just the same, these are based on nationally-conceived programs and projects in the regions. While the weakness of this project identification has been recognized, it was seen as a pragmatic approach to regional investment programming. There were three notable reasons for this. First, concerns the lack of influence of RDCs in project approval and funding. RDCs have neither the development funds nor the power to influence budget

authorities to finance programs and projects that they would propose to be included in the RDP. Second, relates to the increased credibility of the RDP. This is because there is a greater likelihood that central government-conceived programs and projects in the RDP will eventually get approval and be implemented. Third, still relates to the attractiveness and fundability of the projects proposed by line ministries. Since most of these projects have interregional linkages and national implication especially infrastructure and housing projects, they are more attractive and would have high possibility of funding support. The RDPs also contained both completed and proposed researches critical for the development of the region.

Programming. The RDIP is an investment program consisting of integrated reinforcing programs and projects designed to generate synergistic effects in the implementation of the RDPs. These programs and projects were packaged, time-bounded, costed and made location-specific.

The first draft of the Five-Year RDIP, 1981-1985 for each of the twelve regions was completed in 1980, two years after its initial exercise on the formulation of the RDIP for Central Visayas. The completion of the 12 RDIPs was momentous in institutionalizing regional development planning in the Philippines. Executive Order No. 589 was issued on 17 April 1980, adopting RDIP as the implementing framework of the Five-Year RDPs, 1978-1982 including the Ten-Year Development Plan, 1978-1987. EO 589 stipulated further that the RDIPs shall be the primary basis for public sector resource allocation in the regions and development activities pertaining to project development and implementation of all national government agencies, local government units as well as government-owned and controlled corporations.

In view of the strategy adopted for implementing the Five-Year Plan, 1978-1982, the preparation of the RDIP was principally oriented towards pursuing further programs and projects generated within the framework of the IAD approach. In other words, the IAD approach served as the integrating framework for the identification of complementary projects that would, as a package, be technically, financially, economically and operationally feasible to implement to develop a defined geographical area or unit. Following the agreement made by the Government and the World Bank late in 1977, the preparation of the RDIP for Central Visayas Region as a pilot work commenced in 1978. The entire years covering 1978 and 1979 were devoted to the formulation of the RDIPs after the issuance of the abovecited guidelines until their completion and adoption in 1980. The legitimization of the RDIPs through EO 589 led to refinement activities in order to identify the elements and activities in the formulation that should be strengthened. [78]

The new RDIP contains three program investment components classified according to project proponent and funding arrangements:

1. *Traditional*. These are programs and projects being implemented, about to be implemented or proposed to be implemented by the national or local governments

[78] See Lawas (1990), op.cit., for the documentation of the pilot work on RDP formulation and refinement activities and results

and including special development bodies in the region. Funding for these projects comes from the national government budget, national government corporation funds, money from the LGUs or combined financing from these mentioned sources.

2. *Regions's Own*. These are ongoing or proposed programs and projects by the RDC or its delegated regional development agencies. Funding comes from RDC resources other than the RDC regular funds coming from the national budget.
3. *Private Sector Interface*. These are actual programs and projects being implemented, pipelined and expected to be implemented by the private sector in the region. Funding comes entirely from the private sector.

The refined RDIP took the form of the RDIP for 1983-87 which has been the basis for the implementation of the next medium term national plan for the same period.[79] With respect to the IAD, there were seven on-going projects during the Plan period 1976-1982 as follows: 1) Mindoro Integrated Rural Development Project (Region IV); 2) Bicol River Basin Development (Region V); 3) Cagayan Integrated Agricultural Development Project (Region II); 4) Samar Integrated Rural Development Project (Region VIII); 5) Philippine Rural Infrastrucutre Project (provinces in Regions I, VI, VII including Abra, Aklan, Antique, Bohol, Capiz and Kalinga Apayao); 6) Agusan, Bukidnon, Capiz (ABC) Land Settlement Project (Region X); and 7) Zamboanga del Sur Development Project Phase II (Region IX).

Budgeting. An important milestone in regional budgeting occurred in 1976 with the implementation of a regional budgeting system through the issuance of LOI No. 447. The law explicitly required all government agencies to have their regional offices evolve their regional budgets in conformity with the priorities established by the RDCs "in order to increase the effectiveness of national government programs and the national budget as instruments of regional development". There were three basic reasons for the establishment of such system. First is to support the RDPs that were expected to be formulated and approved for implementation. Second, is related to the first, which is a basic management concept that planning without budgeting is operationally worthless and budgeting without planning is impertinent. Lastly, there is a desire that national budget allocation enhance regional development. To operationalize the regional budgeting system, the Office of the Budget Commission (OBM) implemented a sub-project under the NEDA-UNDP/IBRD Assistance in Regional Planning Project that would basically tie up regional planning policies and objectives into investment programs and projects that would be the basis for regional budgetary estimates. A full regionalization of the national budget was done through the analysis and consolidation of submission of regional budget estimates from the central agency offices (handled by the OBM) and those from the regional level (handled by the RDCs). This way the separate

[79] It was presented into two volumes: Volume 1 included regional development challenges, regional development framework, investment patterns and priorities, analysis of project packages, and implementation mechanisms (organization, budget requirements, monitoring and evaluation); Volume 2 included listing of program and project packages classified by IAD and by sector. The information on programs and projects include implementation schedule, sources of funding, implementing agency/ies and detailed costing by agency.

formulation of budget estimates allowed the OBM to analyze budgetary proposals as viewed from the center and from the regions.

The regional budgeting system developed through the activities of the Regional Budgeting Project which was basically the conduct of regional budget hearings piloted in selected sectors such as agriculture, health and highways for all regions and a region involving all development sectors. The initial set of guidelines that was prepared through a series of workshops and consultation meetings among the staff of OBM, NEDA, UNDP and central agencies was a general one: "*Regional allocation of expenditures should be determined, taking into account the peculiar needs of the various regions, population factors and extant natural resources. The recommendations of the NEDA and of the Task Force on Human Settlement should be taken into account in the determination of the regional aspect of agency programs and expenditures*". It should be noted that the preparation of the RDIP was still in progress during this period. In 1978, regional budget hearings were held in all the regions and included all sectors. For each region, fifteen major government agencies and all state colleges and universities were heard during the hearings.

In 1980, the RDIPs were inputted in the regional budget hearings but mostly they were still in the form of project ideas. As have been mentioned earlier, one of the problems identified in the formulated RDIP at this time was its inability to be used for budgeting activities as an annual investment program has yet to be prepared for this purpose.

2.5 1983-1987: Agro-Industrial Development and Regional Process Refinement and Institutionalization

Regional Policies and Programs. The Five-Year Philippine Development Plan, 1983-1987 had for its fundamental goals the attainment of sustainable economic growth, more equitable distribution of the fruits of development and total human development. By design, the plan aimed for accelerated development of the rural area with focus on agriculture with the KKK as the centerpiece program. The KKK program was envisioned to play a critical role in generating employment and income and to reduce regional development disparities. The disparity in rural and regional growth was among the challenges identified for the five-year plan along with the need to address unemployment and underemployment, low agricultural and industrial productivity, higher dependence on imported oil, inadequate infrastructure, inadequate domestic resource mobilization, growing needs of the population and institutional bottlenecks that includes the need to strengthen the involvement of the private sector in development pursuits.

The Plan continued to view disparities among and within regions as one of the biggest challenges for development in the medium-term and recognized the need for additional efforts to redress this situation. Particular attention was also given to special groups such as landless workers and *kaingineros*, the protection of critical watersheds to ensure ecological balance and need for special programs to address areas affected by peace and order problems.

The chapter in the Plan focusing on regional development (Chapter 2 entitled Regional Development and Human Settlements Framework) identified four concerns for the development of the regions: a) the need for livelihood, b) rapid population growth and unbalanced urbanization, c) poverty and regional income inequality and d) the need for food and basic amenities. To address these, four major strategies and programs were implemented. First was the KKK adopted through EO 715 which aims to spur economic and social development by "transforming towns and cities into self-reliant productive units through the establishment of livelihood projects to be owned and managed by the community residents themselves" Priority areas of the KKK program were the least developed regions or provinces. Second was the continued implementation of the IAD strategy. Aside from the seven IAD projects being implemented, seven other were pipelined as follows: 1) Palawan IAD (Region IV); 2) Pangasinan IAD (Region I); 3) Bohol IAD (Region VII); 4) Marinduque IAD (Region IV); 5) Cavite IAD (Region IV); 6) Auroral IAD (Region IV); 7) Mountain Province IAD (Region I). The third strategy was the development of a national hierarchy of human settlements with particular emphasis on small and medium sized cities. Through this strategy, it is expected that population pressure will be relieved on the MMA and other congested areas and thereby promote a more rational geographic distribution of population and economic activities among regions. Regional dispersal of industries has been identified as a key program in this regard. Sizeable investments were planned to be allocated to the cities of Cebu, Iloilo, Bacolod, Davao and Cagayan de Oro through infrastructure development and other urban services improvement so that industries as well as population will be attracted to move in these areas. The fourth strategy was the implementation of the RDIPs and the KKK which have been expected to be complementary operational instruments for regional development. To implement these strategies, the BAIDS was adopted as the overall framework of these thrusts.

Regional Process.

RDP Reformulation. The process of RDP formulation was refined consistent with a top-down bottom up approach in national development planning. The idea was to effect consistency between regional sector plans with national sector plan at the initial stages of the formulation of the regional plans. This was considered a significant improvement in the RDP formulation process and to some extent addressed the observation made in the previous planning that national sector plans prepared by central agency offices do not correspond to the summation of the regional sector plans prepared by the RDCs. The implication to the planning process is that the regional framework of each of the twelve regions had to be considered in the preparation of the national sector plans. On the other hand, to have a sound and realistic regional sector plan, the central agency offices should provide the regions with more realistic sectoral development guidelines. The process of RDP formulation, thus, took on the following activities:

1. NEDA issued the planning guidelines to the regions indicating the development thrusts and planning parameters for the national economic recovery program which will be the basis for the formulation of the regional development framework by each region.

2. RDCs formulated their respective regional development frameworks and these were subjected to consultation among its members, as well as with the private sector, LGUs and various civic organizations prior to submission to NEDA for review on consistency with the planning guidelines.

3. The twelve regional frameworks were then inputted to the national development sector development framework being prepared by the central sectoral agencies. This required an analysis of the twelve regional development frameworks and coming up with an interregional perspective on setting sectoral and regional targets. By way of illustration, in setting sectoral and regional labor productivity under a balanced agro-industry development approach, the following were considered on the basis of the analysis of the twelve regional frameworks:

- Agriculture will have the lowest and industry will have the highest labor productivity at the aggregated level;
- In agriculture, regions that have a major strategy of farmland expansion will have a lower output-labor ratios vis-à-vis regions that have a major strategy of production intensification (e.g. increasing yield per hectare);
- The primary growth poles (Metro Manila, Cebu, Davao) will follow a relatively capital-intensive path of industrialization and consequently have relatively higher output-labor ratios;
- Regional variations in the industrial labor productivity will generally be the same as regional variations in service labor productivity except in the case of regions that are priority tourist areas and not priority industrial areas whose labor productivity will be higher than those of other regions.

In the case of determining sectoral employment in the regions, on the basis of the regional frameworks, the following were used as assumptions:

- Agricultural employment will be higher in regions that have high potentials for agricultural development;
- Industrial employment will be high in the primary growth poles like Cebu and Davao;
- Growth of service employment will, to a major extent, follow the growth of industrial employment;
- Priority tourist areas will have a considerable share of service sector employment.

4. The national development framework which embodies a set of sectoral planning guidelines then served as the overall framework for sectoral interregional priorities and for the formulation of the RDPs by the RDCs.

It is important to highlight the fact that the formulation of both the national framework and the regional frameworks benefited much from the planning support activities during the period. The first was in terms of manpower development training of personnel who were sent to various training and seminars on regional planning in the

country and abroad, particularly at the United Nations Centre for Regional Development (UNCRD). The training component of the RDSP also provided regional staff with an enhanced technical capability for regional planning, investment programming and project development. The second planning support was the provision of small area statistics that were helpful in planning and quantitative analysis. The third, and which had a profound influence in the strengthening the technical basis for the frameworks prepared, were the research studies done on regional development notably the Regional Development Paper Series which examined the various development sectors as they relate to regional development.

RDIP Strategic Refinement. There were two ways the RDIP was strategically refined. First was through a more meaningful linkage with the regional plan. Second was through efforts to make it a useful regional budgeting instrument.

With respect to regional plan linkage, the sectoral objectives of the plan were translated into sectoral targets at the most specific level possible. The specific objectives and targets of the RDIP projects were then matched with these plan sectoral targets. The matching process provided the basis for which projects were deemed relevant or otherwise in achieving the plan's operational targets.

The RDIPs were also reviewed and reprogrammed every year to come up with programs and projects that should be given priority for funding for the particular budget year. In preparing the annual RDIP or the Annual Investment Plan (AIP) programs and projects proposed for funding but were not funded in the previous year were also included.

Regional Budgeting. The conduct of regional budget hearings became the major responsibility of the RDCs. These hearings take place right after the regional budget call has been issued by the OBM to the RDCs and agency central offices, outlining the budget priorities, tentative fiscal program of the government, procedures and forms for the preparation of the central agency and its regional offices budget proposals. Prior to the hearings, the agency regional offices prepare their proposed budget based on the region's AIP and upon consultation with their respective agency central offices. The agency budget is then prepared with regional breakdown which is the one presented in the regions in the budget hearings conducted by the RDCs. These hearings allow the agency regional offices to explain and justify their budget proposals for the region. After the hearings the RDCs furnish the OBM their respective agency regional office budget proposals with their recommendations. The agency central offices also reviewed the same and submitted to the OBM an integrated budget proposal. The extent of influence of the RDC recommendation on budget allocation to the regions has improved greatly judging from the a comparison of the ratio of RDC recommended budget over appropriation figures which increased from 37% in 1978 to 87% in 1986.

Research Studies on Regional Development. As mentioned, the NEDA through the RDSP, embarked on the formulation of input studies for the formulation of the RDPs and also to serve as resource on regional development in the Philippines. As a result, the

Regional Development Paper Series was produced which exhaustively reviewed development sectors critical to regional development. Each sectoral study comprises one volume which include Industry, Agriculture, Urbanization, Infrastructure, Social Development as well as a separate volume on National Development and Regional Planning.

The Regional Programming and Budgeting Improvement Project (RPBIBP), was a research project which looked into the following concerns: the review and assessment of the existing government budgeting and programming processes and the existing institutional arrangements to determine weak points in the planning, programming and budgeting linkage from the regional to the central level; the development and design of administrative mechanisms for the effective integration of budgeting and programming processes; and determination of criteria and methodology for regional budget allocation, among others.

Special Projects: A number of projects were started as spin off of the institutionalization of regional planning during the period 1983-1987, many of which have been helpful in bridging the transition of national planning to a more regional orientation.. Among these include the following:

- Training Projects which include the UNDP /IBRD Regional Planning Project which focused on developing capabilities on investment programming and project development as well as the NEDA-UNICEF Regional Social Project Development Training Program which focused on increasing the capacity of regional planners in project development specifically in the social sector.
- Regional Project Monitoring System (RPMS) Project, which aims to strengthen the linkage between planning and program implementation through provision of an organized, effective and efficient information system on the status of implementation of projects implemented by agencies and LGUs in the regions. The system was institutionalized with the RDCs regularly submitting the report to NEDA which in turn submits the report to the concerned ministries at the national level for appropriate action. On a semestral basis the report is submitted to the President. The RPMS has helped established the linkage not only of planning and implementation but also in terms of investment programming and budgeting processes.
- Integrated Regional Information System (IRIS) Project, a project to generate small area statistics and to systematize the practices and methodologies of regional and sub-regional data generation and collection. There were five activities of the project: 1) inventory of small area statistics; 2) computerization development for the regions; 3) database build-up including the accumulation and allocation of ten-year series of data disaggregated at the provincial data; 4) development of the IRIS/DBM System, a database management system capable of generating statistical tools for data compilation and analysis; 5) integration of the RPMS and the IRIS called the Interactive Regional Project Monitoring System that will effect a continuous flow of information between NEDA and NROs.

- Local Resource Management (LRM) Project addresses the centralized and often complicated system of funds flow from the agency central offices to the local government units for project implementation. The project is basically a decentralized approach to project financing and management. The LRM Project is a ten-year multi-phased, long-term institutional development program designed to help LGUs, particularly provinces especially low-income ones become more responsive to the needs of their more disadvantaged constituents. A unique feature of the project is an innovative fund release mechanism where the national government releases funds directly to the LGUs rather than through the agency regional offices which was the usual process. A management system for financial control and monitoring, however, was installed at the regional level through the RDC.The institutionalization of such financing scheme to the other LGUs was hoped to improve the planning, programming, budgeting and implementation of the RDIPs.
- Central Visayas Regional Project (CVRP). This project like the LRM Project aims to strengthen project financing and management at the subnational level, this time at the regional level. This World Bank assisted project was the first major project to support the regionalization efforts of the government. The project aimed to facilitate the implementation of the rural component of the RDIP of the Central Visayas Region (Region VII). The success of the project has led to the implementation of a similar regional project in Region X (Northern Mindanao Integrated Agricultural and Industrial Development), Region II (Cagayan Valley Integrated Agricultural and Industrial Development) and Region VI (Western Visayas Regional Development Project). The implementation of these projects signaled the complete transition of regional planning to plan implementation and monitoring and evaluation and paved the way for greater local resource management capabilities including strengthening the LGUs' capacity in handling greater development responsibilities.

2.6 1987-1992: Agro-Industrial Development, Reconstruction and Decentralization

Regional Policies. The development policies covering this period were crafted within the context of a new political regime and a new Philippine Constitution. These policies were pursued along the following national goals including 1) poverty alleviation; 2) productive employment generation; 3) equity and social justice promotion; and 4) sustainable economic growth attainment. In the advent of shocks experienced by the country in 1989-1990 including the failed coup attempt, typhoons, drought, earthquake, Middle East crisis, and in 1991, the eruption of Mt. Pinatubo, the goals have been redefined in the context of these developments. The main strategies pursued include countryside agro-industrialization, decentralization and structural reforms towards economic deregulation or market liberalization.

The Countryside Agro-Industrial Development Strategy (CAIDS) was adopted as the centerpiece strategy whose main features include the modernization and increase in productivity of agriculture, industrial competitiveness, growth and dispersal through

agro-based industrialization and the integration of economic activities in the country. Several activities were implemented to operationalize CAIDS. The more important ones were the establishment of the Regional Industrial Center (RIC) in each region and the People's Industrial Enterprises (PIEs) in the various provinces, cities and municipalities. The RICs are geographical locations in the regions which have strong industrial potential and have fairly developed and adequate infrastructure and utilities. The PIEs are clusters of small enterprises engaged in domestic resource-based manufacturing activities at the village or district-level that link agricultural activities to processing areas and market centers. Out of the 175 identified PIEs, only 50 have been reported operating.

The RICs were envisioned to serve as the convergence point for public and private investments and to disperse industries outside of Metro Manila. During the period, there were 18 RICs identified in the country's 14 regions. Five were already existing and operational as these were mainly export processing zones (EPZs): Baguio EPZ, Bataan EPZ, Cavite EPZ, Mactan EPZ and the PHIVIDEC Industrial Estate. Except for the completion of feasibility studies, for the other identified RICs, there were relatively limited efforts undertaken by the government in developing the off-site infrastructure and by the private sector which was expected to participate in the development of facilities within the proposed zones. Among the bottlenecks identified include problems in land conversion, relocation of affected or displaced people and the power supply crisis that hit the country. Thus, a stronger bid to develop the RICs as a priority activity for agri-industrial development has been acknowledged in the succeeding medium term plan. Improvements were also seen in the light of the weak linkage between agriculture and industry sectors as the agriculture sector was focused on the production of primary products while the industrial sector was heavily import-dependent.

Part of the reason for the slow infrastructure development in the regions was the concentration of available government resources for the rehabilitation efforts undertaken in the aftermath of the 1990 earthquake which hit areas in CAR, Region I, II and III and the Mt. Pinatubo eruption that devastated many areas in Region III. Other major disasters including the strong typhoons and drought that hit Visayas and Mindanao contributed to the slowdown in the economic growth of the regions and also took a toll on the limited financial resources of the government.

The government, through the BOI, continued to adopt the policy of dispersing industries to the regions using fiscal incentives to influence industrial location. Starting in 1988, the grant of fiscal incentives such as income tax holiday and tax and duty-free importation of capital equipment, were no longer given to projects locating in Metro Manila. At the same time, incentives through provision of necessary and major infrastructure and public utilities to firms locating in less developed areas in the country. Also BOI decentralized its functions and opened regional offices in the cities of Legazpi, Iloilo, Cebu, Cagayan de Oro and Davao. It is interesting to note that the use of fiscal incentives had continuously been used despite studies pointing to the more important incentives for industrial location such as agglomeration economies (Louis Berger

International, 1986[80]), location (access, transport, power etc.), information and communication and physical plant requirements (Herrin and Pernia, 1986[81]).

Rural development has been a major policy thrust and strategy to narrow income gaps between urban and rural areas and to harness its potential in achieving regional development goals. Among the major programs in support of rural development include the implementation of the Comprehensive Agrarian Reform Program (CARP) and of the various IAD programs. During this period, Region III and Region IX were the regions, which had the largest area of agricultural land distributed. On the other hand, the IAD strategy continued to be adopted to stimulate growth in depressed areas. The period saw the completion of IAD projects that were implemented during the past Plan periods including those in Samar, Mindoro, Bicol River Basin, Cagayan, Zamboanga, Palawan, Agusan del Sur, Bukidnon, Capiz, Bohol. A number of projects have been lined up for implementation in the various provinces that include Pangasinan, Nueva Vizcaya, West Central Luzon, Romblon, Sipocot-del Gallego, Catanduanes, Masbate, Aklan, Antique, Capiz, Western Samar, Zambonaga del Norte, Bukidnon, Lake Mainit and Lanao.

Regional Process. A unique feature of this period in terms of the regional planning process was the adoption of the Synchronized Planning and Programming and Budgeting System (SPPBS). The SPPBS is an integrated and coordinated approach in preparing the content, form and manner of preparation of plans, investment programs and budgets at the national and subnational levels. The reform in the whole process came about as it has been observed that preparation of plans, investment programs and the annual budget were undertaken separately, resulting in investment programs not being fully consistent with the plan and annual budgets not being fully supportive of investment programs. As a result, investment programs tended to be biased for NCR despite the regional development and dispersal thrust and that there was lack of local counterpart funds for some priority projects under the Medium-Term Public Investment Program (MTPIP). Under the SPPBS, the calendar or timetable of government agencies involved were integrated and reconciled. Moreover, in the light of the avowed policy of decentralization, the participation of regional and local government officials in planning and decision-making have been improved.

Part of the SPPBS process was the holding of budget consultations between the agency central office and the RDCs held in Malacanang and in the regions. Each agency was required to present its budget allocation for the regions and the methodology used for such allocation. A recent study showed that this system has displayed its effectiveness in influencing the shape of the final regional budget making it more sensitive to the regions' development conditions (Mercado, 1999)[82]. Despite the observed weaknesses, the application of the allocation criteria proved to be more responsive compared with its non-

[80] Louis Berger International, Inc. (1986), Industrial Dispersal in the Philippines. Asian Development Bank TA No. 527. New Jersey.
[81] Herrin, Alejandro N. and Ernesto M. Pernia (1986). Factors Affecting the Choice of Location in the Philippines: A Survey of Foreign and Local Firms in the Philippines. PIDS Working Paper Series No. 86-03. Makati.
[82] Mercado, Ruben G. (1999), *Regional Budget Determination and Allocation: A Policy Revisit*. PIDS Discussion Paper No. 99-29

use. Among the many problems identified in the study why the continued adoption of the methodology has not become sustainable include the unavailability of updated statistical data needed for the use of the allocation formula as well as the absence of models that takes into account qualitative criteria such as for instance the relative comparative advantage or relative competitiveness in a particular development sector. The study, therefore, recommended the development of models to rationalize the allocation methodology as an area for further research inquiry. Previously, Miranda (1989)[83] has initially explored a similar research question and came up with some general considerations in defining regional allocation criteria. He proposed three major criteria: "1) The allocation augments the regions resources to enable them to achieve their respective target growth rates either in terms of their total output or their output per capita, given their respective capital-output ratios and population growth rates; 2) The allocation is proportional to the resource needs of the regions and conforms with their capacities to efficiently absorb resources indicated by their capital-output ratios, population growth and extent of unemployment; 3) The actual amount of resources that the *i*th region gets is proportional to the actual total public resources for regional development". Unfortunately, because of the theoretical nature of the study, the criteria proposed as well as the attendant methodology to apply the same utilizing actual data have never been tested for their robustness as a policy tool.

In the area of physical planning, efforts were made to formulate long-term physical framework plans to aid in rationalizing the utilization of land and other physical resources as well as serve as an integrated framework for local plans. The period was considered a milestone in the area of physical planning in the country as the Regional Physical Framework Plans (RPFPs) 1990-2020 for all the regions were completed and based on these plans the National Physical Framework Plan (NPFP) 1990-2020 was also formulated. The NPFP aside from integrating all the RPFPs married the sectoral thrusts contained in the Forestry Master Plan, Tourism Master Plan, DA Charter on Agricultural Land, among others.

Regional Institutions. The government's resolve to decentralize powers and authorities to regional or local bodies were displayed through a number of major institutional reforms. The first concerns the reorganization and strengthening of the RDCs. The inclusion of the private sector in the RDC membership was a significant move to involve citizens, business groups and NGOs in regional development efforts. Moreover, the NACIAD, which used to take the overall direction, coordination and supervision of the IAD projects was abolished and such function was transferred to the RDC for multi-province projects and to the concerned Office of the Provincial Governor for single-province projects.

The second major reform was the passage of the Organic Acts for Muslim Mindanao and the Cordilleras based on the provision of the new Constitution for the creation of autonomous regions. The Autonomous Region for Muslim Mindanao (ARMM) is composed of the provinces of Tawi-Tawi, Sulu, Lanao del Sur and Maguindanao. On the other hand, the Cordillera Administrative Region (CAR) is

[83] Miranda,Casimiro (1989*). Criteria for the Regional Allocation of Public Resources.* UPSE Discussion Paper 89-01, February.

composed of the provinces of Kalinga Apayao, Benguet, Ifugao and Mountain Province. These Autonomous Regional Governments (ARGs) would now have primary responsibility for functions used to be with the national government. Initially these functions include those dealing with local government, social services, science and technology, labor, natural resources, tourism, and in the case of ARMM, the control of barter trade. Eventually other agency functions were transferred to the ARGs including those of BOI, DECS, DA, HLURB and NHA, DTI, DAR and Office of Southern Cultural Communities.

The third and considered the major milestone in the pursuit of local autonomy in the country is the passage of the 1991 Local Government Code (LGC). The new LGC allowed the sharing of the broad powers of the national government to the LGUs falling under the development activities such as public works including school buildings and facilities construction, health, agriculture, environment and natural resources management, tourism and social welfare. While the delineation of functions across levels of governments is explicit and clear under the Code (except in environment and natural resources management and public works activities), central government agencies continue to exercise undue influence on LGUs with respect to their developmental spending responsibilities (Manasan and Chatterjee, 2001[84]). Moreover, under the new LGC, the share of LGUs in national taxes or the Internal Revenue Allotment (IRA) has been increased from 11 percent to 40 percent. Nevertheless, studies pointed out that there is a need to explore local revenue sources (Manasan 1992[85]) and to improve the IRA distribution formula taking into account the expenditure needs of the various levels of local government and of the various LGUs within each level (Manasan and Chatterjee, 2001), so that the LGUs can sufficiently finance the functions devolved to them under the new LGC.

The passage of the new LGC has also triggered the debate on the relevance of the RDC and the NROs in planning and policymaking. One major study (ARD/LDAP, 1992)[86] reviewed the processes, inputs, outputs and roles of institutions and agencies related to the formulation and evaluation of local and regional plans, related documents and decisions in the light of the 1991 LGC. The study concluded that the NEDA/RDC planning system has to be maintained in so far as the provision of economic, physical and land use frameworks for local plans are concerned which should be more operational in nature and programs/projects oriented. Relatedly, and to address the primary weakness of the regional planning process, is the need to link these plans to the bodies that decide on major resource allocation such as the DBM, Congress, BOI and public and financial institutions as well as ODA funding sources.

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[84] Manasan, Rosario G. and Shiladitya Chatterjee (2001). *Regional Development and Centre-Regional Relations in the Pilippines: 1975-1999*. Unpublished Paper

[85] Manasan, Rosario G. (1992). Fiscal Decentralization and the Local Government Code of 1991. *Journal of Philippine Development*, Vol. XIX, No.1-a.

[86] Associates in Rural Development, Inc. (ARD)/Local Development Assistance Program (ARD/LDAP) (1992). *A Study on Regional and Local Planning Systems*. LDAP Project No. 492-0436. United States Agency for International Development (USAID).

The downfall of the Marcos regime and the adoption of a new Constitution have placed the management of Metro Manila in an institutional limbo. The MMC was abolished and replaced by the Metropolitan Management Authority (MMA) through an Executive Order which many recognized as the weaker version of the MMC. Prior to the issuance of this E.O., House Bill No. 40 has been under deliberation. The bill seeks for the abolition of the MMC and providing for a plebiscite to restore the former status of the four cities and thirteen municipalities of Metro Manila. The discussion on the bill took a long time and only reached an amendment of the same for the bill to focus instead on the creation of the MMA to replace the MMC. The bill further took much deliberation. At the NEDA, the establishment of an RDC for the NCR has been contemplated and several alternatives have been put forward with respect to its creation (Go-Soco and Ano, 1988)[87]. Meanwhile, the level of the garbage problem has reached its peak forced the issuance of the EO creating the MMA to address the institutional ambiguity that was the root of the garbage problem. The limited executive and revenue powers as a result of the passage of the LGC further debilitated the already weak organization thus constricting and hampering its provision of public services in the metropolis (Manasan and Mercado, 1999)[88]. Mounting metropolitan problems thus triggered the call for the creation of a better and stronger metropolitan body, which the next leadership dealt with more seriously.

2.7 1993-1998: NIChood and Strengthening Decentralization Thrusts

Regional Policies. The development plan during the period was anchored on the vision of achieving a "newly industrializing country" (NIC) status or NIChood by the turn of the century. Foremost of the policies enunciated in the medium-term plan, which was anchored on the twin goals of international competitiveness and people empowerment, were geared towards generating investments in capital, technology and people to sustain economic growth. The challenge was to attract private sector investments while at the same time public investments support the achievement of the said twin goals. Macroeconomic policies adopted to support regional development were pursued such as the adoption of a competitive exchange rate policy, continuation of tariff reforms to eliminate bias against agriculture and labor-intensive industries, and financial/monetary policies that encourage the flow of credit and investment to the countryside. Land reform through the CARP was also vigorously pursued. To promote industrial dispersal, the CAIDS was continued as an anchor strategy. For this purpose, key government strategies during the period were focused on improving infrastructure in areas especially designated Regional Agri-Industrial Centers (RAICs), liberalizing the market, implementing the Build-Operate-Transfer (BOT) scheme and its variants to enhance absorptive capacity for both domestic and foreign funds and hasten infrastructure development in the country as well as encouraging the transfer of technology to improve product development that meet international standards.

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[87] Go-Soco, Buenaventura and Daisy Ano (1988), *A Study on the Possibility of Establishing a Regional Development Council (RDC) and Promoting Coordinated Development in the National Capital Region (NCR).* Unpublished Document.

[88] Manasan, Rosario G. and Ruben G. Mercado (1999). Governance and Urban Development: Case Study of Metro Manila, PIDS Discussion Paper No. 99-13. Makati City.

In view of the limited efforts undertaken on RICs during the past administration, a stronger bid for their development was aimed at during this period. The RICs have been renamed RAICs[89] to emphasize the linkage between industrial and agricultural activities in the regions. Investment prioritization was done in the identified RAICs in so far as public investments are concerned in view of the recognized limited government resources to provide for the required infrastructure investments. Assessment of the implementation of the RAICs strategy revealed that it had continued to be slow. Twenty one (21) RAICs were identified since the start of the program but only eight (8) are operational. Thus, there were only three that were added in the span of ten years of implementation of the RAICs program, since as had been mentioned in the previous section, five of the RAICs already existed during the Marcos regime. The medium-term plan assessment for the slowness in the implementation of the program has always pointed to insufficient funds, problems in ownership of claim of land tenants and delays in the processing of applications for conversion (NEDA, 1993; NEDA,1998)[90]. Carino and Jose (1998)[91] in their analysis of three regional growth centers (PHIVIDEC, Laguna Technopark and Batangas Bay) observed a weak backward and forward linkages of these growth centers with the rural economy as most of the industries rely on imported raw materials and that the finished products are marketed internationally. They stressed that "this import-export orientation confines growth within the industrial estate, and has little impact on the growth of the local economy". Many locator firms in the industrial sites are also non-agri-based and no evidence has been found on the existence of any production-related subcontracting arrangements (e.g. raw materials processing, development of component parts,etc.). Thus, aside from the absence of linkage with agriculture, there is a weak multiplier effect in terms of generating small-scale businesses and growth of the informal sector.

Concrete efforts to push for the development of growth networks and area development activities were the remarkable achievements during this period. Three major models of area development or interregional planning include those in Mindanao, Cagayan de Oro-Iligan Corridor (CIC) and the Northwestern Luzon Growth Quadrangle (NWLGQ). The formulation of the Mindanao Development Framework Plan for 1994-1998 was a significant accomplishment as it brought various institutions and sectoral players in the region to plan the development of Mindanao in an integrated fashion. The plan also contains the planning and positioning of Mindanao not only with Luzon and Visayas but also with other countries especially with the establishment of the Brunei Darussalam-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA). The BIMP-EAGA has noteworthy accomplishments in forging economic relations in the area of trade, investments, labor mobility, tourism, science and technology and official development assistance. Not much in-depth studies have been done to assess this growth area or transborder region. Broad assessments however have shown the need for more

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[89] The RAICs were also interchangeably referred to as regional growth centers (RGCs).

[90] NEDA (1993), *Philippine Development Report, 1987-1992.*Republic of the Philippines
NEDA (1998), *Medium Term Philippine Development Plan, 1999-2004*. Republic of the Philippines.

[91] Carino, Benjamin V. and Ma. Corazon P. Jose, "*Demographic and Socio-economic Impact of Regional Growth Centers*" Paper presented at the Comprehensive Research Programme on Population and Development Regional Dissemination Seminar, 15 March 1999, Hotel Supreme, Baguio City.

work to be done in building up the growth area. An in-depth study but looking only at relations of Philippines and another BIMP-EAGA member-country, Brunei Darussalam (Mendoza, 1999)[92] revealed areas of improvement most especially in addressing the trade imbalance which has been "lopsidedly in favor of Brunei Darussalam". Further research has been proposed to address the broad areas for improvement in the country's economic relations under the BIMP-EAGA arrangement. Perhaps, a similar undertaking must be done in relation to other member countries and with respect to the whole development issues confronting the whole transborder region. Meantime, the CIC development showcases the areas covered as an industrial, agricultural and tourist destination. The CIC covers the cities of Cagayan de Oro and Iligan and 19 municipalities from Misamis Oriental and Lanao del Norte and whose impact areas include the rest of Misamis Oriental, Lanao del Norte, Bukidnon, Camiguin, Misamis Occidental and Lanao del Sur. The NWLGC, on the other hand, covers the development of areas in North Luzon including CAR, Region II, Region III and Ilocos-Pangasinan. The biggest challenge of the area is the development of infrastructure especially in enhancing access with the different regions including road, port and airport improvement.

The challenges and potentials of urbanization were recognized as important policy concerns during the Ramos administration. For this purpose, the national urban policy framework called the National Urban Policy Agenda (NUPA) was formulated which sets the policy agenda for urban development. At the same time, a proposed National Land Use Act has been submitted to Congress to set the framework for the allocation, utilization, management and development of the country's land resources. The Code specifically seeks to properly allocate land in relation to competing uses as well as preserve prime farm lands set within the framework of national food security. The proposed Code still remains pending in Congress and new bills or versions of the Code have been submitted of late.

Overall, the NIChood path, which the government treaded during this period, helped the national and regional economy recover from the previous period's stagnation and propeled their growth. On the other hand, the NIChood path has carried with it tensions with respect to regional convergence (or the minimization of socio-economic disparities between regions). In other words, high levels of economic growth that occurred during this period (which was mainly led by the rapid expansion of the industry sector) have brought with it risks of regional stagnation, slow regional convergence or even divergence (Mercado and Manasan, 1999)[93]. Thus further efforts are needed for the development of agriculture, greater linkage of agriculture and industry, development of

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[92] Mendoza, Juliet T. (1999). *An Assessment of Philippine-Brunei Darussalam Economic Relations from 1984-1994 Trade, Investments, Labor (OCWs), Tourism, Science and Technology (S & T), Official Development Assistance (ODA).* Unpublished Masteral Thesis. Asian Center, University of the Philippines, Diliman.

[93] Manasan, Rosario G. and Ruben G. Mercado (1999). Regional Economic Growth and Convergence in the Philippines: 1975-1997. in *Reconsidering the East Asian Economic Model: What's Ahead for the Philippines*, Eduardo T. Gonzales, ed. Friedrich Ebert Stiftung/Development Academy of the Philippines, Pasig City. The same convergence analysis to extend the coverage of analysis to 1999 is found in Manasan and Chatterje (2001), *op. cit*.

infrastructure and introduction of an equalization system in intergovernmental transfers if economic convergence of the regions is to be achieved.

Regional Process: Regional planning process has not been much different during the past administration except for the introduction of some distinctive innovations. In terms of planning, there was an attempt to link regional plans to an area wide or island-wide planning (Luzon, Visayas and Mindanao) through the formulation of Area Development Plans. Of these, as have been discussed previously, the Mindanao plan has reached an advanced stage and has been instrumental in the full operationalization of the Mindanao Economic Development Council (MEDCo). Moreover, a long-term plan was formulated "The Philipine National Development Plan: Directions for the 21st Century" along with regional long-term plans for each region.

With respect to regional budgeting, the SPPBS was strengthened through the establishment of the regional block fund through the Regional Budget Allocation Scheme (RBAS). The scheme allows the RDCs greater role in budget preparation and review process. Under the RBAS, the Development Budget Coordination Committee (DBCC) of the NEDA shall set aside a Regional Allocable Fund (RAF) from the proposed budget ceiling for each year. This amount shall be allocated to the fifteen regions to fund programs and projects deemed by the RDCs as priority in their respective regions. These programs cover priority inter-provincial and inter-regional projects which are not usually picked up for funding by the local government and/or national line departments. The scheme allows the RDCs to have more control of resources to address the region's most immediate concern or where they think investments can bring the greatest return or benefit. The RAF, however, did not meet a favorable reception from the legislative as it was perceived to be a form of election fund for the 1995 local poll despite efforts to explain the development objectives of the proposed fund (Mercado, 1999).

Regional Institutions. A number of new regional institutions were established during this period. The first is the Metropolitan Manila Development Authority (MMDA) (created through the passage of Republic Act 7924) to replace the already weakened MMA. The law reaffirmed the compositional definition of Metro Manila, constituting it as a "special development and administrative region". It also defined the scope of services to be performed by the MMDA to include those "which have metro-wide impact and transcend local political boundaries or entail huge expenditures such that it would not be viable for said services to be provided by the individual local government units comprising Metro Manila". While the law enhanced the institutional focus and sharpened the vision of the metropolitan leadership through a stable term of office of the Chairman (compared before when the chairmanship is elected among Metro Manila mayors every six months) and expanded the scope of services to be performed by the new metropolitan organization, the MMDA continues to perform a largely coordinative role because its revenue raising powers are still limited. The majority of total government expenditures in Metro Manila still come from central government agencies. Meanwhile the expansion of MMDA's scope of services has led it to spend sizable amount not only for solid waste management but also for traffic and infrastructure development, among others (Manasan and Mercado, 1999).

There were moves during the period to alter the existing regional delineation. The creation of CARAGA or Region XIII was a legislative initiative and did not pass through executive review. RA 7901 (25 February 1995) created CARAGA carved out from Region X and XI, consisting of Agusan del Norte, Agusan del Sur, Surigao del Norte and Surigao del Sur, and the two cities of Surigao and Butuan City. In view of the various legislative bills filed in Congress for the creation of new regions or the alteration of existing ones, an exploratory study was commissioned by NEDA to review and propose recommendations for the redelineation of regions. The study (Fabella,1997)[94], while providing a comprehensive review of the underlying principles of regionalization and laws, took a short-term political approach (i.e.within the perspective of May 1998 elections) in its recommendations rather than propose an economic approach to redelineation. The study recommended almost a status quo with a reduction of the number of regions from sixteen to fifteen and slight modification of the provincial composition of these regions (addition from or transfer to other regions).

As previously mentioned, the MEDCo was formed to put together in a more integrated and complementary fashion the development efforts among regions of Mindanao. Previous to this, there had been a proposal to create a Mindanao Development Authority (MDA), a body similar to NEDA, but was vetoed during the Aquino administration. In its stead, the MEDCo was formed in 1992 through an executive order (No. 512) and was operationalized in 1993. Operationally, the MEDCo was tasked to be the principal institution to oversee the preparation, approval and implementation of the Mindanao-wide plan and the coordinating council that serves also as the umbrella organization of all RDCs in Mindanao.[95] There had been proposals to further strengthen the MEDCo or to create a new body that will overcome its existing weaknesses especially its lack of resources and authority to pursue strategic development projects and coordinate local initiatives and programs. For instance, the creation of the MDA with sufficient financial resources under its control that it can strategically deploy along with the strengthening of the Mindanao Business Council (MBC), among others, has been strongly recommended as the first best approach for the Mindanao 2000 Plan (Adriano and Kintanar, 1995)[96].

The period saw the full implementation of the new LGC and while it has enhanced LGUs' powers and functions (Valdellon, 1999)[97] and shown efficiency gains

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[94] Fabella, Arman V. (1997). *Regional Delineation Study*. Final Report prepared for C. Virata and Associates for NEDA/TRP Project No. 97-00117-230. December 1997

[95] The MEDCo is composed of the RDC Chairpersons and Co-chairpersons, the ARMM Regional Planning and Development Board (RPDB), two private sector representatives from each region, two members of Congress from each region, the President of the Mindanao Confederation of Governors and Mayors and the Administrator of the Southern Philippines Development Authority (SPDA). The local NRO provides the secretarial backstopping to the council.

[96] Adriano, Fermin D and Noel Eli B. Kintanar (1995*). Mindanao 2000 Development Framework Plan: Better Governance*, Input paper prepared for the Agricultural Policy Research and Advocacy Assistance Program (APRAAP), Office of the President for Mindanao (OPMIN) and DMJM International, Inc. for USAID.

[97] Valdellon, Isagani B. (1999). Decentralization of Planning and Financing for Local Development: The Case of the Philippines. *Regional Development Dialogue*, Vol. 20, No. 2, Autumn 1999, UNCRD, Nagoya.

(Loehr and Manasan, 1999)[98], the decentralized arrangement has not been able to generate the momentum of development expected of it or to contribute to a more balanced regional development (Manasan and Chatterje, 2001). This has been attributed to the fact that there are standing issues that remain to be addressed including the existing vertical/horizontal imbalance[99], disparities in revenue capacities, fiscal inefficiencies and regional disparities in access to commercial sources of finance among the LGUs. Meanwhile, some LGUs have overcome their financial constraints by adopting a more efficient and innovative program implementation. In recent years, documentation of these so-called "LGU best practices" had been quite significant especially as a result of the Galing Pook Program launched and consistently implemented that recognize local governance or best practices in the following areas: health services, environmental management, public finance, peace initiatives, integrated approach to development, socio-cultural development, employment generation/livelihood and productivity improvement.[100] Other similar national programs that recognize best practices include the Clean and Green Program for cleanliness and environmental programs and the Health and Management Information System (HAMIS) for exemplary health care and management activities.

2.8 1999 - present: Poverty Alleviation Focus

Regional Policies and Programs. The short-lived Estrada administration did not have a very explicit regional development policy. While not much can be said about the national policy for regional development as elaborate as in previous periods, there seems to have been efforts to continue some of the activities that the previous administration was not able to complete. For instance in the MTPDP 1999-2004, mention has been made with respect to the implementation of the RAICs/RGCs which in the administration's plan now fall under the priority sub-sector activities of the Department of Trade and Industry. The passage of the National Land Use Act has been vigorously pursued springing from the efforts made in the formulation of the National Physical Framework Plan.

The Macapagal-Arroyo administration had given greater recognition to regional development issues impinging on national development challenges. Among those it identified include the following concerns: disparity reduction, importance of cities and urban areas, peace and development in Mindanao and tourism development. With respect to disparity reduction in per capita incomes among regions, the Plan envisions to

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[98] Loehr, William and Rosario G. Manasan (1999). *Fiscal Decentralization and Economic Efficiency: Measurement and Evaluation,* Draft (January)

[99] Vertical imbalance refers to the discrepancy in the share of LGUs in the national taxes or the IRA relative to the cost of devolved functions and unfounded mandates. Horizontal imbalance refers to the discrepancy across LGUs ith respect to IRA shares and cost of devolved functions.

[100] The more significant of these documentation include the Local Government Academy-Asian Institute of Management (LGA-AIM), *Innovations* (1995, 1996, 1997, 1998) showcasing LGU programs which received the Galing Pook Award. Also a compilation of papers from a UNFPA-assisted PIDS project containing a more in-depth study of city program innovations in the delivery of urban services in the field of health, environment management and housing as well as on metro-wide service delivery will be forthcoming in a PIDS book entitled "*Managing Urbanization Under a Decentralized Governance Framework*".

generally address this "by increasing the mobility of factors of production through a more spatially integrated markets, technology transfer and labor and capital flows from developed to lagging regions". Infrastructure development especially in areas outside the NCR will be key towards this effort. Forging peace and undertaking relief and rehabilitation in the conflict-affected areas especially in Mindanao has been recognized as crucial as infrastructure investments and thus need to be zealously realized. One of the concrete economic programs being pursued is the revival of the BIMP-EAGA (MEDCo, 2001)[101] whose activities took a slowdown during the Estrada administration largely because of the onslaught of the regional financial crisis in 1997.

The new Plan has dropped the RAICs program as a major regional development strategy. In place, nine regional groupings had been envisioned to be developed cutting across and overlapping with the existing administrative regional delineations. The basis for this new regional grouping include: 1) extent of existing and potential economic interaction; 2) level of development; 3) cultural and ethnic factors; and 4) natural resources features like watersheds and river basins. These groupings are:

- North Luzon (Regions II, III, CAR and Ilocos-Pangasinan area)
- Metropolitan Manila Growth Network (NCR, Cavite-laguna-Batangas-Rizal-Quezon (CALABARZON), industrial areas of Region III)
- Southwestern Luzon Islands (Mindoro, Marinduque, Romblon, Palawan (MIMIROPA))
- Bicol Peninsula-Samar-Leyte Islands-Surigao Cluster (parts of Regions V, VIII, CARAGA including also small islands of Masbate and Biliran)
- Central Visayas Islands (Region VII including Metro Cebu)
- West Visayas Island Group (Region VI- Panay, Negros and Guimaras Islands)
- North Mindanao (Region X and parts of Region XII and CARAGA)
- West Mindanao (Region IX and ARMM)
- South Mindanao (Region XI, XII and mainland provinces of ARMM)

Regional Process. The regional process in the past regime has remained in place. This means the RDCs go through the established planning-programming-budgeting process, which involves the preparation of the RDPs, RDIPs and the AIPs as well as the review and endorsement of the proposed budget of the AROs to the ACOs for consideration in the final agency budget proposed to Congress. However, during this period there has been a stronger clamor to review the entire national and regional development planning process to take into account a number of factors or developments (NEDA, 2000)[102]. Among the major challenges identified that would change the development planning process include the decentralization policy, the persistence of socio-economic imbalances across the regions, the need to address sustainable development due to rapid urbanization and market-driven production decisions, persistence of structural problems such as low productivity of agriculture and industry and the weak science and technology base and

[101] MEDCo (2001) *Recent Updates in the BIMP-EAGA (September 2001)*. In her first State of the Nation Address (July 2001), Pres. Arroyo stated that "Mindanao will be the country's gateway to the ASEAN by putting back on track the BIMP-EAGA."
[102] NEDA (2000). op. cit..

the thrust towards participatory planning in relation to synthesizing the variety of views from the various stakeholders. Moreover, there is a stronger plea for a stronger research base to track emerging challenges of the new century that will be helpful in crafting more relevant and globally competitive policies and programs.

Some innovations have been evident in recent years in the regional process as a result of the conscious shift in regional planning from being comprehensive to being more strategic though still in a limited scale. For instance, the RDIP has been redesigned to contain high-impact and more focused programs and projects consistent with key development strategies or interventions of the region as in the case of the Regional Development Agenda (NRO VIII) and the Regional Strategic Investment Program (NRO I). In the area of regional budgeting, much is still desired to improve regional budget allocation through the application of a more sound methodology and criteria (NEDA, 2001)[103].

Regional Institutions

As in previous regime, the existing regional institutions remain in place but a few modifications have been made. For one, Executive Order No. 7 provided for the creation of seven (7) Presidential Assistants for Regional Concerns (PARECO): Northern Luzon, Bicol Region, Eastern Visayas, Central Visayas, Western Visayas, North and South Eastern Mindanao and Western and Central Mindanao. The EO specified the function of the PARECO as "liaison officers" of the Office of the President. This new system replaced the OP extension offices and the Cabinet Officer for Regional Development (CORD) System established during the Aquino administration. But unlike the CORD system, where the CORD is Cabinet member, the PARECO is a presidential appointee under the administrative control and supervision of the Executive Secretary and holds office at the NRO. The PARECO system has been carried on by the Macapacal administration. Its effectiveness and implications to the pursuit of decentralization policy have yet to be evaluated.

[103] NEDA (2001). Regional Inputs to the MTPIP: RDO Perspective, Unpublished Document.

Part 3
RESEARCH ISSUES IN REGIONAL DEVELOPMENT IN THE PHILIPPINES

The preceding parts highlighted in both theoretical and practical perspectives the major issues in regional development that would require further examination. This section briefly sketches a broad range of critical researches that can strengthen efforts in the country's regional development efforts in the medium and long-term. The identified research areas include those that emanate from the gaps identified in the previous parts as well as suggestions for research that directly or indirectly affect regional development. In this vein, these research interests may focus on just one major sector or area but may overlap with the rest of the others. There is an attempt here to be comprehensive or exhaustive but this should be considered a tentative list of priority researches.

3.1 Macroeconomic View of Regional Development

Regional Development and Globalization. It would be valuable to reflect on globalization both in terms of its effect on regional growth as well as its impact on spatial disparity reduction. It has been theoretically posited that the effects of globalization on regional development may be conducive to regional growth but may not help in reducing spatial disparities and can even further accentuate the same. For instance, Hill (2001)[104] argues that rapid economic growth will inevitably be uneven in its sub-national impacts as regions, which have better connections to the international economy would grow faster than others. His arguments were based on the experience of regions in Malaysia, China, Indonesia and Thailand which showed that, except in periods of global recession, the regions connected more to the global economy generally grew more quickly. A perspective paper may be written that will reflect on the Philippine case grappling the traditional issues of growth and disparity reduction among regions but in the context of a globalized economy.

Regional Development Impacts of Macroeconomic Policies. While it has been acknowledged that macroeconomic policies (i.e. monetary and financial policies, exchange rate, industrial development, tariffs and trade, taxation, labor and wage, technology, etc.) have direct and indirect effects on regional development, there is an absence of a systematic and updated framework that can aid policymakers in formulating macroeconomic policies that are more sensitive to regional development goal attainment and from which planning tools can be based from. Similar studies such as those done by Sicat (1968/1970) and Lamberte et. al (1993) can provide the springboard for future undertakings and exploration. The attempt of the latter study to look at various factors such as financial policies, structural changes, geographical constraints, regional institutions, etc., was a step in the right direction but made insufficient by the lack of an integrative analysis of how these factors impacted on regional development. In the immediate term, a framework paper may have to be prepared that could lay the groundwork for more vigorous studies on the impact of macroeconomic policies on

[104] Hill, Hal (2001). Spatial Disparities in Developing East Asia: A Survey. *Asian –Pacific Economic Literature*.(forthcoming)

regional development. Such studies will help foster a synchrony of macroeconomic policies with regional development goals and strategies.

Regional Convergence Analysis. There is a growing literature on the subject of economic convergence among nation-states that can be used to analyze the state and causes of convergence or divergence among regions within a country. Many of the models being introduced in convergence analysis have been greatly applied in the case of cross-country comparisons but not so much in terms of regions within a national territory. Lately, the classical approach to convergence analysis has been applied to understand intra-country regions' convergence in per capita income in developed countries like Canada, US, Australia, Sweden, Austria, Sweden and Germany and similarly in developing countries such as China, Colombia, India, Thailand, Malaysia, and Philippines, among others, with useful results for regional policy. Other models or approaches have introduced other variables that can be considered in the analysis. For instance, the endogenous growth theory or the new growth theory (NGT) provides another perspective on variations in growth across countries. Following Romer (1986)[105], the NGT believes that new ideas and new products are the engines of long-term growth as opposed to neo-classical theory's capital accumulation. While it does not believe in absolute convergence (because of its assumption of differences in levels of technological innovation and knowledge), it would be interesting to look into the variables the theory considers important in explaining growth (i.e those that contribute to raising technological innovations and thus, living standards) such as the quality of institutions (laws) and human capital (especially the supply of scientists and engineers). The theory also believes that investments in knowledge would have constant or rising rate of return rather than diminishing as assumed by the neo-classical theory. The ADB model as applied to cross-country comparisons in Asia provided a synthesis of the major variables considered by the classical, neo-classical, endogenous/ NGT by constructing and empirically testing a model that includes geography, savings, and technology as well as added demography into the equation (ADB, 1997)[106]. There is a great potential of this eclectic cross-country economic growth model for application in cross-regional comparison within a country using the relevant variables to understand variations in sources of growth among regions that can yield macroeconomic or sectoral policy recommendations for regional disparity reduction. Other variables can be included such as for instance, leadership as an endogenous factor in regional economic development (Stough, et al, 1998)[107]. The study described a leadership model of development and tested the same from a sample of US metropolitan regions.

[105] Romer, Paul M. (1986). Increasing Returns and Long-Run Growth. *Journal of Political Economy* 99(3): 500-521.
[106] Asian Development Bank (1997). Emerging Asia: Changes and Challenges. ADB Publication, Manila.
[107] Stough, Roger R., Mark DeSantis, Robert Stimson and Brian Roberts (1998) Leadership in Regional Economic Development Strategic Planning. Paper presented at the Global Forum on Regional Development Policy, 1-4 December 1998, UNCRD, Nagoya, Japan.

3.2 Agriculture and Regional Development

As had been pointed in the preceding part of this paper, the importance of agriculture in achieving regional growth and convergence has been emphasized time and again in the country's history of development. While there is an extensive breadth of agricultural studies that are important for regional development, there are a number of research priorities that will have direct spatial implications. There is a need to highlight some of these that need a second or third look:

Improving Agricultural Productivity and Competitiveness. Recent analysis of the sources and causes of low agricultural productivity in the country have pointed to the government's failure with respect to price and market policy interventions, policies on property rights, inefficiencies in expenditure allocation (programmatic and spatial) (Inocencio and David, 2001;[108] David and Roumasset, 2000;[109] Mercado, 1999) as well as the current fragmented agricultural distribution system that has negative welfare effects on the country (Intal and Ranit, 2001)[110]. There is a need to draw up a more coherent map for agricultural productivity growth with much clearer steps and actions to address these problems if agricultural growth and competitiveness are to be attained. Moreover, among the aforementioned areas of concern that would have a direct spatial bearing is the need to look more in-depth at the expenditure allocation in terms of type of spending, i.e. rural infrastructure (farm-to-market roads, irrigation and post-harvest facilities), agricultural research and extension and access to agricultural credit, as well as the location of these spending. For instance, a recent evaluation pointed to a relative neglect in Mindanao of public expenditures for agriculture (David and Roumasset, 2000). Further analyses have to be made along this line of query.

Enhancing Agriculture-Industry Linkage. The concept of agro-industrial development is a theoretically sound and laudable strategy for development but seemed to be a failure in practice as shown in the case of the Philippines. Where did the various strategies and programs to push for agro-industrial development go wrong? Is it justifiable to completely shun away from the strategy or does it deserve a second look too? If the strategy still has merits for national and regional development, what innovations can be forwarded in the light of past experiences and international models? One promising international model is the industrial cluster strategy (ICS), which attempts to link various economic activities between agricultural and industrial or business organizations or enterprises.[111] A well-known example is the California Wine Industry as discussed in

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[108] Inocencio, Arlene B. and Cristina C. David (2001). Assessment of Medium-Term National Action Agenda for Productivity (MNAAP) for the Agriculture Sector. PIDS Discussion Paper No. 2001-13. Makati City.

[109] David, Cristina C. and James Roumasset (2001). The Philippine Economy: On the Way to Sustained Growth:? Agricultural Sector, Unpublished Paper.

[110] Intal, Ponciano S., Jr. and Luis Osman Ranit (2001). *Literature Review of the Agricultural Distribution Services Sector: Performance, Efficiency and Research Issues.* PIDS Discussion Paper No. 2001-14. Makati City.

[111] A related concern pertains to SMEs which will be discussed under the heading on regional industrial development

Porter (2000). [112] The ICS as applied to the wine industry demonstrated the agglomeration of not only the wine growers and processing facilities (barrels, bottles, caps and corks, labels, publications, etc.) but also support activities and institutions including educational, research and trade organizations (e.g. Wine Institute, UC Davis, culinary institutes) as well as tourism and food organizations.

3.3 Infrastructure Development

The role of infrastructure in regional development cannot be overemphasized. It is the development sector that largely dictates and influence the development (or the lack of it, the underdevelopment) of the regions. More than ever, infrastructure now plays a more strategic role in enhancing the competitiveness of a nation's economy. Thus, the direction should not only be towards addressing the infrastructure lack but also anchored within the framework of the country's competition policy framework.

In the Philippines, in-depth studies on infrastructure planning and investments have not been that many and the few studies that have been done have barely touched on the regional dimension of the subject. This may be attributed to the nature of these studies (e.g. sector review as input to a country strategy paper) and or because relevant data for such kind of policy analysis are not readily available and a countrywide sector study would be most convenient. There are a number of key research issues in infrastructure that will benefit regional development in terms of transportation infrastructure in land, air and water and, relatedly, tourism development. To aid in priority infrastructure planning, a study on interregional flow of goods is also suggested.

State of Regional Infrastructure Development. A general assessment of regional infrastructure status can be made that builds upon some indicators of regional infrastructure endowment. The endowment indicators can provide the starting-point for evaluating regional disparities in provision and for identifying major needs for investment in relation to economic development. These endowment indicators may be classified in terms of scale of provision and if possible, access and quality. The analysis can look at to what extent this has been reflective of the historical experience in public and private infrastructure investments and determine the nature of such linkage. The study can also extend the analysis by assessing regional absorptive capacity. Is the allegation valid that the rich regions get more and poor regions get less because of the region's absorptive capacity? If this is so, what are the major sources of the weak absorptive capacity to use funds? To what extent can the weakness be traced to lapses in the institutional capacity and vis-à-vis failures in budgeting authorities and system? Lastly, the assessment can review or reformulate infrastructure investment criteria and recommend how the approach can be improved to meet the demand for infrastructure in relation to need, attainment of growth potentials and competitiveness of the regions.

LGU Involvement in Infrastructure Development. There is a growing concern about the role of the LGUs in infrastructure development particularly concerning road construction

[112] Porter, Michael (2000). Location, Competition and Economic Development: Local Clusters in a Global Economy. *Economic Development Quarterly* 14 (1): 15-34.

and maintenance. The matter has become more urgent as the national government, given the limited resources, has been shifting its policy to undertake road projects only on select group of strategic national roads to upgrade it to international standards and offloaded the construction of all the rest of the roads to the LGUs. A recent study (Manasan and Mercado, 2001)[113] pointed out that in spite of the strong and numerous provisions under the existing LGC for LGUs to take a prominent role, they have not been significantly involved in infrastructure development and in public works in particular because of three related reasons: ambiguous assignments of roles/functions across levels of government, lack of funds and the lack of technical and administrative capability of the LGUs. In this vein, there might be a need to look more in-depth into the policy issues with respect to the involvement of the LGUs in undertaking road projects from the standpoint of shortfall of local financing and inadequate technical capability. Policy studies must be able to identify the specific policy changes and reforms so that the LGUs can undertake such devolved responsibility. What are the other financing options available for LGUs and how can their administrative and technical capability for infrastructure works be enhanced?

Water Transport Development. The country, having an archipelagic configuration and located in a very strategic position, sitting astride the vital sealanes of the region, has the potential of becoming a maritime power in East Asia. The need to provide a competitive passenger and cargo-handling services to regional and global clients through modern and efficient multi-modal infrastructures at par or supplanting those of its neighbors is imperative if such vision is to be pursued by the country. This will not only foster export growth but also the integration of the different islands. Research studies in this regard may dwell on two major streams or directions. One is a policy stream that looks at the state of competition, market structure and productivity of the Phil domestic and international shipping industry.[114] There are a number of areas for study in this regard. For instance a comprehensive assessment can be made on the current players in the industry and determine areas for policy changes with respect to route development and transport pricing. There are also institutional and financial issues with respect to the management and regulation of the port infrastructure and service industry in general which would need a separate assessment. A closer look at the management, operations and regulations of the Philippine Ports Authority (PPA), the regulator and principal operator of the port industry and the Maritime Industry Authority (MARINA) tasked with regulation of tariffs and route entry, would be necessary in this regard. Productivity issues concerns the various factors that impede efficient performance such as tariff regulation vis-à-vis contractor performance, insufficiency of facilities (e.g. quay aprons, storage areas, berth space) and sailing time coordination with port authorities. The other research stream is largely physical, i.e. looking at the formulation of a comprehensive program for the development of seaport infrastructures. Halcrow Fox (1998)[115] has

[113] Manasan, Rosario G. and Ruben G. Mercado (2001). *An Assessment of the Absorptive Capacity of Agencies Involved in the Public Works Sector*. PIDS Discussion Paper No. 2001-17. PIDS, Makati City.
[114] A forthcoming study by PIDS focuses on the domestic shipping industry: Austria, Myrna S. (2001) *The State of Competition and Market Structure of the Philippine Domestic Shipping Industry* (tentative title).
[115] Halcrow Fox (1997*). Philippine Transport Strategy Study.* Final Report. Prepared for the Government of the Philippines and the Asian Development Bank.

pointed out that there are many port projects that can be considered for future transport strategy but none has been evaluated. In its study it raised deep concern that port development should not be allowed to stagnate because the planning work has not been done and suggested that studies are imperative to move them forward. In-depth port development studies are few and dated. For instance, impact studies like that of Te (1983)[116] had been written almost twenty years back although such study can provide a model for more studies on existing and planned port development. The development of seaport infrastructures must also be undertaken that considers the integration of fishport development.[117] Such infrastructure linkage will help improve fish marketing and distribution and enhance the competitiveness of the country's fisheries products.

Issues in Air Transport. In the aspect of competition policy, while the air industry has been deregulated and liberalized there are still areas where reforms are wanting. Austria (2000)[118] identified areas where the domestic air industry should focus on to improve its competitiveness. Competition policies have to be formulated with respect to rules on mergers and acquisition, essential air services to remote areas, inter-modal competition especially with water transport as well as regulated airfares on routes serviced by only one airline. In terms of international air industry, the identified areas for competition policy are those that relate to market access, access to inputs for the provision of air services, formation of alliances as well as rules on mergers and acquisition. More in-depth studies on these policy areas may be needed to arrive at a more efficient and sound air transport policy framework. In addition to competition policy for the air industry, the development of airport infrastructure may have to be studied in terms of investments and financing schemes that involve both government (national and local) and the private sector.

Infrastructure Development and Tourism. Globalization has brought greater dynamism to tourism in many countries. It has increased its potential as a significant source of foreign exchange and in boosting domestic economic activities. Tourism development is largely correlated with the development of the country's infrastructure along side security situation. How can tourism assert its role in redefining the framework for regional development policy and planning especially as it relates to infrastructure development in general? What are the changes necessary in promoting tourism in terms of institutional reforms and enhancing competitiveness? How can DOT link its programs with DPWH or DOTC and other departments more effectively and efficiently? In other countries like in Japan, tourism is lodged under the Ministry of Transportation showing how tourism is largely dependent on infrastructure investments and planning. What is the role of the LGUs in undertaking and complementing efforts to develop tourism-related infrastructures? How can this be nurtured and enhanced?

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[116] Te, Amanda N. (1983). Measuring the Impact of Cagayan de Oro Port Development. ESIA/WID Project Working Paper 83-03. Philippine Institute for Development Studies.

[117] There are currently 179 fishing ports managed by the Philippine Fisheries Development Authority.

[118] Austria, Myrna S. (2000) *The State of Competition and Market Strucutre of the Philippine Air Transport Industry.* PIDS Discussion paper No. 2000-12

Interregional/Inter-areal Flow of Goods and Services. A basic barrier to efficient flow of goods and services between and among regions or islands is the inadequacy of infrastructure particularly transportation and communication. Thus, an important criterion in identifying priority infrastructure investments should be in terms of how these investments can help promote the efficiency and productivity of flow of goods and services between and among regions. This will entail an assessment of the existing flow of goods in terms of their magnitude, composition, impact on regional incomes and productivity and factors causing variations in the development impact of these flows.

3.4 A Critical Assessment of Land Development and Management Policy

A national land policy should generally seek to adopt and improve existing mechanisms or instruments governing the use of land and land resources, including the regulation of conversion of agriculture lands for other uses, and their proper management and administration. The current inefficiencies in rural and urban land markets can be traced to the absence of such comprehensive policy and in place, a set of uncoordinated laws that guide the development of specific land types and a web of fragmented institutions that manage them. For instance, a recent study on urban land markets taking the case of Metro Manila (Ballesteros, 2000) emphasized the urgency of correcting contradicting policies on land use planning and management as they lead to land misuse, land speculation and high transaction costs.[119] Starting 1995 there were several congressional bills filed proposing for a law that will comprehensively address gaps and inconsistencies over land use, management and administration. There is a need to look into the various contentious policy issues that have contributed to the current non-resolution or non-compromise. The following lists these policy gaps along two major concerns, which could also be the delineation of areas for more policy research: 1) land use classification and conversion; and 2) land management and administration.

Land Use Classification and Conversion.

- In the absence of a comprehensive law concerning land use classification and conversion, there are standing laws that cover specific land types. These include those pertaining to protected areas (RA 7586 or the National Integrated Protected Areas System (NIPAS) Act), lands under the agrarian reform program (RA 6657 or the Comprehensive Agrarian Reform Law), protected agricultural lands (RA 8435 or the Agriculture and Fisheries Modernization Act (AFMA)) and public lands for fishery development (RA 8850 or the Philippine Fisheries Code). However, aside from some unclear provisions in each of these laws, there are provisions in these laws that overlap or conflict with each other. For instance, it is unclear whether the NIPAS classification covers also national parks, which under the Constitution is one type of legal classification of lands of the public domain. Another pertains to provisions concerning mangroves and their management implications. In the Philippine Fisheries Code, two sections in the Code

[119] Ballesteros, Marife M. (2000). *Land Use Planning in Metro Manila and the Urban Fringe: Implications on the Land and Real Estate Market*, PIDS Discussion Paper 2000-20, Makati City

contradict with each other concerning the disposition of public lands for fishery purposes. Section 45 provides that mangrove areas may be converted for fishpond purposes. But Section 94 declares that conversion of mangroves into fishponds or for any other purposes is unlawful. Another standing law (RA 6171) prohibits the utilization of mangroves.

- The conflict between existing land use and land reclassification or conversion has always dominated policy discussions on land development and management. To illustrate, a good example would be the two prime tourism development areas: Panglao and Boracay. The former was declared as mangrove swamp forest under reserve by virtue of Presidential Proclamation (PP) 2152 in 1981. Current DOT's investment promotion efforts including the construction of resort hotels, residential villas and other facilities such as golf courses, banks, restaurants and an international standard airport stand being hampered since the 2,000 hectare tourism site cannot be titled and consolidated in view of the PP 2152. In the case of the Boracay, the island was proclaimed as tourist zone and marine reserve through PP 1081 in 1978. The ownership has always been by Torrens Title and tax declaration wherein about 90 percent of the developed areas are untitled. Meanwhile, the LGU (Provincial Assessor's Office) declared the land use classification of the island as agricultural and cocal, residential, commercial and tourism. The unclassified forestlands are not yet reclassified as alienable and disposable. Meanwhile, the existing land use of the island is tourism. Proper land use and zoning ordinance have to be in order if tourism activities and sustainable development of the whole island are to be ensured.

Land Management and Administration

- There is currently an absence of a national land management policy that will address the existing fragmentation of responsibilities for land management among a number of government agencies dealing on land. These agencies are specifically those involved in the following programs: agrarian reform, urban, community and infrastructure development and land protection. A mechanism for coordination is non-existent causing conflicts on land use and management as well as projects and activities that duplicate, conflict or do not complement.
- Major land administration laws are outdated and are not consistent with recent land use legislations.
- Land markets are not efficient characterized by speculation and limited supply due to informal occupation of urban lands and unclear ownership or right to own lands in the rural areas especially those lands under ancestral domain.
- A host of ancestral domain related issues have to be ironed out. Basically, the specific issues are tied to the interpretation of RA 8371 or the Indigenous Peoples' Rights Act (IPRA). There are two main contending arguments. The first concerns the definition and scope of lands covered under ancestral domain and the other relates to the exercise of indigenous peoples/indigenous cultural communities (IPs/ICCs) of their rights over these lands. To what extent can the State exercise its right as the owner of natural resources as

provided for in the Constitution without its instrumentalities unduly violating the rights of IPs/ICCs per RA 8371. Concerning the first issue, the definition of ancestral domain is perceived to be ambiguous and lend itself to arbitrariness and abuse due to the right of IPs/ICCs to self delineation in defining the extent of the area to be covered. So far, DENR has proclaimed 2.5 million hectares as ancestral domain lands but another 2.5 million hectares are still under evaluation. There is also a question of the ownership of minerals that affects the mining sector. The IPRA provides that minerals are covered in the ownership of ancestral lands by virtue of the concept of Native Titles or pre-conquest rights but the Constitution also under the principle of *Jula Regalia*, provides that the State owns all natural resources particularly minerals. Thus, the government can issue mining rights or application. This leads to the second issue regarding the exercise of property rights. The IPRA provides that the IPs/ICCs shall have the priority rights in the use of natural resources as well as the overall power to decide on the fate of any project including how it is going to be implemented. This has significant implication for the mining sector. The IPRA has also created the National Commission of Indigenous Peoples (NCIP) tasked with policy formulation and to decide on issues concerning ancestral domain. It is unclear whether the DENR-MGB is still the proper authority to grant and manage minerals and mining sites in ancestral domain given the existence of the NCIP.

- A national standard for land valuation does not exist. At present, there is a confusing land valuation system due to the existence of several systems and methodologies for valuation of real properties of different government agencies as well as of the private sector. Property valuation varies depending on the assessment objective or purpose: real property taxation, compensation for land acquired for public investment, CARP valuation, bank lending, insurance company valuation, investor purchase and sale of real property, etc. The lack of standard for land valuation has been causing delay in the implementation of infrastructure and development projects due mainly to unresolved court cases. It has also deprived the government of significant potential revenues from land development.

3.5 Assessment and Reformulation of the Regional Industrial Development Strategy

There are at least two important areas where regional development can benefit from the review of industrial development strategy for the country. The first relates to industrial dispersal particularly on the role of market-based instruments in encouraging industries to locate in areas outside Metro Manila. The second concerns the identification of policies, programs and mechanisms to step up the development of small and medium enterprises (SMEs) as vehicles for industrial development in the regions.

Assessment of Incentive Structure for Industrial Dispersal. The development experience of the country with respect to industrial dispersal as evidenced by the literature is that market-based instruments such as incentives (tax holidays, tariff exemptions, etc.) are not effective instruments apart from infrastructure development,

macroeconomic condition and peace and order situation. Hypothetically, infrastructure support coupled with incentives can attract location of investment in areas where these factors are present. This has been exemplified by the established industrial estates such as the government owned export processing zones (EPZs) and the privately owned special economic zones (SEZs) being administered by the PEZA. Enterprises inside these zones enjoy an integrated package of incentives plus infrastructure and facilities not available outside the zones. These zones have played an important role in promoting exports and investments in the Philippines in recent years as well as generated substantial number of jobs (Austria, 1998)[120] bringing a positive net economic impact in the country (World Bank, 1997)[121]. However, there is a concern over the need to review and rationalize the incentive programs as well as investment policies that are applied inside and outside the zones. The questions that need to be answered in reviewing the incentive and investment policies especially those contained under the present Omnibus Investment Code and of the PEZA are many but interrelated. There are however, two basic lines of inquiry. First, is whether there is a need to provide incentives given the significant foregone revenues from and failures in the past performance of industries or enterprises enjoying these incentives to bring about the desired goals of regional development dispersal. It should be pointed out that the concentration of investments in these zones has been in the electronics industry characterized by the simplest assembly and testing operations. Moreover, there has been a lack of forward and backward linkages with the economies in the area where the zone is located. Thus, the presence of these zones defeats the basic reason for their existence, as they do not really boost the regional economy and integrate the same with the global market.

The second line of inquiry is that if the provision of incentives is to be continued in the future, on what grounds should these incentives be given? Should they be based on special considerations such as externality grounds (i.e. a positive effect on the economy that the other companies cannot provide), technology-transfer (i.e. industries that encourage the development and diffusion of technology such as in industrial designs and product development, etc.), strong linkage with the major industrial potential of the region, adoption and installation of superior environmental management systems, and so on. The need to revisit the incentive structure for industrial dispersal and development considering its vital implications to regional development should be an imperative research undertaking in the medium-term.

Development of Small and Medium Enterprises (SMEs) [122]. A great body of literature had stressed the importance of supporting SMEs as a means for poverty alleviation, economic growth as well for improving income distribution and promoting rural and regional development. Taking the case of the Philippines, Pernia (1983) [123]

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[120] Austria, Myrna (1998). The Emerging Philippine Investment Environment. *Journal of Philippine Development*, Vol. XXV, No. 1.

[121] World Bank (1997). *Philippines: Managing Global Integration*, Background Papers, Volume 2, Wasington, D.C.

[122] SMEs in the Philippines are defined as those with an asset size of P60M or less and/or employment rate of less than 200 workers.

[123] Pernia, Ernesto (1983). *Small-Scale Industry Promotion: Economic and Social Impact Analysis*. ESIA-WID Working Paper 1983-102

showed that the development of SMEs has always been considered important in raising employment, production, energy efficiency and income. Medalla, Tecson, Bautista and others (1995)[124] showed that the country's trade liberalization program during the latter 1980s encouraged the growth of SMEs but the most important problem for their growth and sustainability is their lack of and access to financing (Lapar, 1991)[125]. Thus, most of the studies on SMEs have mainly focused on the financing aspect and have raised needed reforms with respect to the country's banking system (Lamberte, 1995)[126] as well as in innovations that can be adopted to address the significant financing gap (see for instance, Lagua (1997)[127] on venture capital approach for capital start-up for SMEs).

Intal (1997) [128] flagged that in recent years SMEs have attracted increasing attention among policymakers since they are not only seen as a crucial sector in the pursuit of an equity-led development strategy but also because they are able to deliver the product flexibility required for global competition. Drawing from the rich experience of Japan, Taiwan, Singapore and Malaysia, Intal suggested that apart from general policy reform measures, there are direct measures akin to an industrial extension system (in the same way as the existing extension system in agriculture) that will help develop or modernize the Philippine SMEs. He cited the experience of said countries in terms of innovations in financing that extends from just mere provision of capital but in offering funds or financing for specific SME-related activities (e.g. product development, fixed assets, external expertise, overseas marketing and technology tie-up, training and operation modernization, etc.) as well as other institutional support such as one-stop consultancy agency for SMEs, MNC or large enterprise-SME tie-up in terms of complementary enterprises (e.g. Singapore's Local Industries Upgrading Program, Taiwan's Center-Satellite Factory System), production and marketing as well as skills training (Malaysia's Umbrella strategy and Indonesia's Foster Father plan).

A more in-depth study can be made with respect to the feasibility of introducing some of these international models in the context of the country's socio-economic and political system and institutions. Moreover, there is a need for an incisive review of the overall government financing support to SMEs, which presently is mainly provided through DTI's Tulong sa Tao, the Industrial Loan Guarantee Fund and the Small Business Guarantee Fund. There are also other research questions that would yield policy implications. How can public-private partnership be strengthened for SME development? With the adoption of the industrial cluster strategy as discussed previously, what would

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[124] Medalla, E., G. Tecson, R. Bautista et al. (1996) *Philippine Trade and Industrial Policies: Catching Up With Asia's Tigers, Vol. II*., Philippine Institute for Development Studies, Makati.

[125] Lapar, Ma. Lucila A. (1991). *Growth and Dynamics of Small and Microenterprises: Does Finance Matter?*. PIDS Working Paper Series N. 91-12. Philippine Institute for Developmen

[126] Lamberte, Mario B. (1995). *Small Enterprises Access to Formal Financial Services: A Review and Assessment*. PIDS Discussion Paper 1995-23. Philippine Institute for Development Studies, Makati.

[127] Lagua, Benel P. (1997). *Capital Start-Up for Small Medium Enterprises: The Venture Capital Approach: Strategic Options in the Philippine Setting*, Foundation for Economic Freedom for TAPS PP 1999-17. Trade and Investment Policy Analysis and Advocacy Support Project. Philippine Exporters Confederation, Inc. (PHILEXPORT).

[128] Intal, Ponciano S. (1997). *Improving Institutional Support to Small and Medium Enterprises.* Policy Notes No. 97-06. Philippine Institute for Development Studies

be the important possible role of the LGUs in the organization of SME clusters? How can the SUCs/regional academic institutions be harnessed in providing assistance in the setting up of business laboratories and/or science parks for technology development? What are the requirements for installing an effective SME information system? In view of the government's fiscal position, what innovative financing options can be explored so that more funds can be channeled to SMEs (e.g. securitization of SME loans as collateralized/mortgaged obligations, as part of soft entry mechanism for debt financing). Perhaps a comprehensive framework study on SMEs may have to be undertaken taking all these factors into consideration, which can serve as basis for an SME development master plan for the Philippines.

3.6 Assessment of Urban Development, Competitiveness and Governance

Cognizant of the central role of urban areas in national development in the era of globalization, urban theorists and researchers have recently paid increasing attention to the efficiency and competitiveness of cities. While big and small cities have to face both challenges of improving the delivery of urban services for its livability and viability and their competitiveness as well, the former have to contend with strong forces to compete with other so-called mega-cities as they have never done before. Urban policy research in the future may, thus, draw the line between those that will be critical for big cities and those for small or medium-size cities given the level and nature of challenges they are confronted with or may have to eventually deal with.

City Competitiveness Assessment. Because large cities are far more integrated with the economic and technological progress of the world, their potential for global competitiveness is greater. Big cities are considered the core cities of a nation. Their ability to compete determines to a large extent the country's international competitiveness. Thus, it is no surprise that much of the projects undertaken by national governments worldwide now have focused on large cities to respond to global competition.

An assessment of the competitiveness of big cities in the Philippines could answer the need to provide a new perspective on their development and management and in the process identify policy reforms and development activities that are necessary and anticipatory. The need becomes more urgent since it is now more difficult to predict their future competitive advantage given the changes in their economic and employment structures. Just like other core cities in the developing world, de-industrialization has become evident and the economy is becoming more oriented to service activities (i.e. financial, business, tourism and personal services).

An assessment of city competitiveness has recently been attempted (Tecson, et al, 2000)[129] and at best the study has identified the key factors that will be useful in undertaking such an assessment. The study's attempt, however, to make comparisons

[129] Tecson, Karen G., Raymund Magdaluyo, Ma. Victoria Batac, Annabel Genzia, Mario Abasar, Jason Reyes, Francisco Largo, Rusela Yuson-pepito, Vel Suminggit (2000). An Inquiry Into the Competitiveness of Philippine Cities. PASCN Discussion Paper No. 2000-05. Makati City

among the ten selected cities in terms of the assessment factors bring forth the question of the appropriateness of a comparative versus an individual-city approach to competitiveness assessment. The latter approach may be argued against the former considering the unique features of the cities being compared in terms of geography and economic activities aside from their historico-political and social context making any measurement of relative competitiveness problematic. Perhaps a stronger theoretical and analytical basis may have to be made first if the comparative approach would be taken, though admittedly this may prove to be difficult unless the cities to be compared are relatively homogeneous (e.g. port cities, landlocked cities, agriculturally-based cities, etc.). But even recent attempts to develop measures of competitiveness that avoids the problem of non-homogeneity has found it difficult to develop a unified measure on the basis of underlying causes of competitiveness such as level of basic infrastructure, human resources, etc. and therefore end up in defining competitiveness in terms of outcomes (per capita GDP, labor productivity, etc) instead of causes.[130]

New approaches to undertaking an urban region assessment that is geography-specific or tailored fit for the city under study and enhances the traditional or conventional method of looking at the economic structure (i.e. economic composition, productivity, value added, investment, etc.) are underway. For instance, Webster and Muller (2000)[131] has suggested a methodology drawing from four assessment categories such as *economic structure*, *territorial endowment* (i.e. non-tradeables associated with a given place, e.g. location, infrastructure, natural resources, amenity, cost of living and doing business, image), *human resources* (i.e. quantity and quality), and *institutional/cultural milieu* (i.e. business culture, governance and policy frameworks, incentive structures, network behavior). The methodology provides a detailed workable strategy to go about the analysis of competitiveness according to these broad criteria in terms of approach and techniques and customized according to the characteristics of the city under study. The application of the methodology can contribute to the development of methodologies or insights for competitiveness assessment of other cities in the country, whether big or small. These will prove useful in crafting sound city development strategies in the country.

Study on Improving Urban Governance: A recent treatise placed the current challenges and experience in urban development to the dualistic conception of

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[130] This was the case in the recent attempt to measure competitiveness between regions in the European Union where per capita income was eventually adopted decomposed in terms of employment and labor force participation rates. See European Commission " Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union", http://europa.eu.int

[131] Webster, Douglas and Larissa Muller (2000). *Urban Competitiveness Assessment in Developing Country Urban Regions: The Road Forward*. Paper prepared for Urban Group, TWUD Department, The World Bank, Washington, D.C. The study defines urban competitiveness as the ability of an urban region to produce and market a set of products (goods and services) that represent good value (not necessarily lowest price) in relation to comparable products of other urban regions. An urban economy that produces goods and services for local people of high value relative to price, supports the export economy of the city, making it more competitive, as well as directly raising the quality of life and standard of living for people living in the urban region.

managerial and entrepreneurial forms of urban governance (Hall and Hubbard, 1998)[132]. Simply put, urban governments have always pursued both a socially progressive (managerial) and growth-centered (entrepreneurial) policies. The former finds expression in the provision of welfare, services and collective consumption while the latter are seen in terms of a more outward-oriented stance designed to foster and encourage local development and economic growth. Recently, with the advent of globalization the latter has found greater elucidation than the former in as much as the current urban politics has drawn a thin line between the role of the national government (largely entrepreneurial) and the local government (largely managerial) in providing social services and in raising economic growth. Hall and Hubbard (1998) emphasized that entrepreneurial forms of governance is not a recent phenomenon "but merely the latest in a long line of political strategies which have attempted to create conditions conducive to the economic success of the city...an important shift in the nature of urban governance". It is within this context that an assessment of urban governance in Philippine cities can be framed. More specifically, two relevant areas for inquiry can be suggested for each of these modes of urban governance.

With respect to managerial form of urban governance, it is important to assess how the cities have addressed, are addressing and should address the key issues that promote the livability and viability of cities. Koch-Weser (1996)[133] pointed out a triad of issues in this regard that can be used as broad areas for assessment: *urban poverty*, *urban environment* and *urban finance*. Addressing urban poverty necessitates an analysis of issues with respect to improving the living conditions in slum and squatter settlements. Urban environment covers issues that concern sanitation and solid waste management, the provision of clean water and air pollution. Lastly, but very important, urban finance involves an assessment of how cities expand their revenue base as well as how they promote greater efficiency and cost-effectiveness in their service delivery. In broadly assessing the managerial form of urban governance, it may seem critical to look into issues of disentanglements or the unraveling of responsibilities now shared by different levels of governments to achieve more accountable, efficient and effective delivery of services than at present. A model of the same can be found in the analysis of the various countries and cities of the developed world (Gilbert and Stevenson, 1992)[134].

An inventory and analysis of successful (and unsuccessful) forms of entrepreneurial governance in the country may well provide a plethora of lessons on adopting entrepreneurial policies considering their impacts (positive and negative) as well as in terms of fostering this mode of governance in other cities. Entrepreneurial governance is usually associated with public-private (i.e. business, civil society, community groups or clubs) partnership. There had been a number of experiences of cities in public-private partnerships in a number of development activities in

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[132] Hall, Tim and Phil Hubbard (1998). *The Entrepreneurial City: Geographies of Politics, Regime and Representation.* New York: John Wiley and Sons, 1998).

[133] Koch-Weser, Caio (1996). *The Urban Development Challenge: Putting People First*, Plenary Address, Habitat II , 3 June 1996. http://wwww.worldbank.org/html/extdr/twurd/challeng.html

[134] Gilbert, Richard and Don Stevenson (1992). *Disentanglement in Several Jurisdictions-Comparisons with Ontario*. Report prepared for the Ministry of Municipal Affairs, Government of Ontario. Canadian Urban Institute, Toronto, Ontario.

infrastructure, social services (health, education, and social welfare), business ventures, security services, that would be worth of documentation and analysis. Research questions may include those that seek to answer whether local variations exists in terms of organizations and policies and the factors that cause these differences and their results.

3.7 Analysis of Existing Regional Institutions and Future Prospects

The political science and public administration aspects of regional policy and national development have been somewhat neglected and should be part of serious examination.

Reassessment of the Role and Structure of the Regional Institutions. The huge role of the local government units (LGUs) with the enactment of the 1991 Local Government Code has already challenged the relevance of regional institutions that have played significant role before in subnational development planning and implementation. Policy questions on the relevance still of regional authorities like the RDCs as well as the regional offices of NEDA and of other executive agencies in view of the substantial functions already devolved to LGUs, surface frequently in agency budget hearings. This indicates that the issue has remained vague and unresolved and, thus, should be a subject of more serious policy examination. The study may also be viewed with respect to the proposals being filed in Congress concerning the redelineation of administrative regions in the country. As previously discussed, the NEDA has also recently took initiatives in redelineating the regions into smaller numbers crafted based on development constraints and opportunities. Considering all these, if the RDCs still find relevance, how should they be reorganized in accordance with the more streamlined economic regions under a decentralized regime?

The issue also takes on a new perspective as advocates for changes in politico-administrative system have been growing. For instance, there have been substantial attempts to push for the adoption of a federal system of government the most recent of which can be found in a draft constitution for this purpose (Abueva, 2001)[135]. The proposal divides the country into states (seven or nine) providing them jurisdiction over administrative and developmental matters. Previously legislative bills have been submitted to both houses of congress introducing changes in the 1987 Constitution creating a federal system simultaneous with the adoption of a parliamentary form of government.[136] Previous discourses on the federalism in the Philippines have been written

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[135] Abueva, Jose V. (2001). *Draft Constitution for a Federal Republic of the Philippines with a Parliamentary Government (2010).* Prepared under a research project of the Center for Social Policy and Governance, Kalayaan College. November. A related paper on the subject by the same author can be found in Abueva, J.V. (2000*). Transforming our Unitary System to a Federal System: A Pragmatic , Developmental Approach*. Unpublished Paper.

[136] House bills/resolutions include those of Rep. Henry Lanot (Concurrent Resolution No. 2) and Rep. Conrado Estrella III (House Resolution No. 72) introducing amendments to the Constitution, Rep. Soraya Jaafar (House Resolution No.4 for adoption of federal system), Sen Juan Flavier (Senate Bill No. 6 – introducing amendments in the Constitution), Sen. Aquilino Pimentel (Senate Bill No. 826, Senate

on the subject but they are mostly advocacy papers in favor of the same. Academic literature are few and are already dated (see Buendia, 1989)[137].

Given the above developments, a comprehensive paper may have to be written about regional development institutions and governance that touches on the wide array of national restructuring of the political system (i.e. shift to parliamentary system, adoption of federalism, etc.) in the midst of existing structures that will have significant impact on future regional development administration and systems.

Managing Mindanao. The previous discussion on the need to look into the strengthening of MEDCo or the creation of a new body to enhance the development coordination in Mindanao provides a springboard for a study towards a more integrated approach to improving governance in Mindanao. The study can also provide insight into managing religious and cultural conflicts and dynamics in the area that can be incorporated in recommended alternative policies and structures. Models can be provided through experiences of Muslim-dominated countries like Indonesia and Malaysia. The issue of federalism as form of political decentralization may surface in this discussion.

Transborder Regions. There has not been a comprehensive review of the country's experience so far in the BIMP-EAGA since its implementation in the early nineties. Lessons from the BIMP-EAGA experience can help in formulating strategies for the country's new or emerging transborder ventures such as for instance the Central East Asia Growth Circle (CEA-GC) involving the countries within and around the South China Sea including the Philippines (North Luzon), Japan (southern prefectures), South Korea, China (southern provinces), Hong Kong and Taiwan.

3.8 Development of Regional Development Planning Strategies and Tools

Assessment of Regional Development Strategies. A number of strategies and programs for regional development have been implemented but a systematic evaluation of these approaches has never been done to aid in crafting better strategies in the future. For instance, in-depth evaluation of IAD projects have been done[138] but no attempt has been made to evaluate the IAD per se as an approach in the light of the successes and failures of these projects with the end in mind of determining to what extent the approach can be sustained or altered. Various IAD approaches have been carried out in the past in the Philippines including the following: 1) Integrated Area Management System of the Ministry of Agriculture; 2) The Human Settlements approach (basic needs); 3) The Sub-

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Resoultion No 1250, Concurrent Resolution No. 26) proposing amendments to the LGC, adoption of federal system and changes in the Constitution adopting a parliamentary system.

[137] Buendia, Rizal G. (1989). The Prospects of Federalism in the Philippines: A Challenege to Political Decentralization of the Unitary State. In *Philippine Journal of Public Administration*. Vol. XXXIII, No. 2 April 1989.

[138] Some IAD specific evaluation can be found in the following reports/papers: Paderanga, Cayetano W. Jr. (1983). The Impact of the Cagayan Integrated Area Development Project. PIDS/ESIA/WID Working paper 83-10.February; European Commission (1997) Aurora Integrated Area Development Project:Phase II; Koppel, Bruce Z. Manalo, E. Navera, P. Sandoval, A. Santiago, and S. Talisayon (1985). An Evaluation of the Bicol River Basin Development Program. Manila: National Council on Integrated Area Development;.

provincial Area Integrated Rural and Agricultural Development (AIRAD); 4) Area Development Isolate approach (ecological zone/watershed); 5) NEDA IAD (adjoining cities and municipalities). Another regional development strategy that is worthy of systematic evaluation is the agro-industrial development strategy as also mentioned in section 3.2. Numerous programs based on the strategy have been implemented including the People's Industrial Estates/Enterprises (PIEs), Regional Agri-Industrial Centers (RAICs), Dutch Rural Development Assistance Program (DRDAP), Livelihood Enhancement for Agricultural Development (LEAD) program, Agro-Industrial Development Areas (AIDAs), among others. The evaluation of these strategies or approaches in the light of current developments can help in program redesign and innovations.

Regional Econometric Model. In-depth studies on macroeconomic impacts on regional development can provide the basis for the linking of macroeconomic models with regional development models. Moreover, it can also contribute to the review and respecification of existing regional econometric models such as those introduced by Danao and Paderanga (1988)[139]/Danao (1991)[140] as well as the development of new ones such as a hybrid model that combines the features of top-down and bottom-up models.

Integration of Planning Documents. The nagging issue faced by planners in integrating regional concerns in national development planning may have to be addressed by looking closely at how this can be operationally done in terms of integration of numerous planning documents. At present, there are two regional plans – the RDP, which is the socio-economic plan and the RPFP, which is the physical framework plan. The integration of these documents may have to be addressed along with the need to make these documents substantially integrated in the national plan (MTPDP). An integration framework may have to be designed so that this can be clarified. With respect to integration in the national plan a possible direction may be towards greater integration of in the sectors (or chapters) that regional concerns are critical such as macroeconomy, infrastructure, agriculture and industry.

[139] Danao, R.A. and Paderanga, C.W. (1988), "*Developing a Nationally-Linked Regional Model*", Regional Development Coordination Staff, National Economic and Development Authority, Manila.
[140] Danao, Rolando A. (1991). A Top-Down Econometric Model for a Philippine Region, in *Philippine Review of Economics and Business*, Volume XXVIII, No. 2. December 1991.