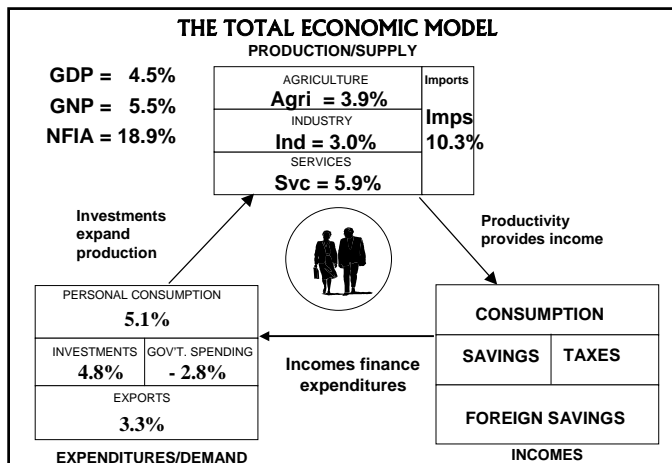
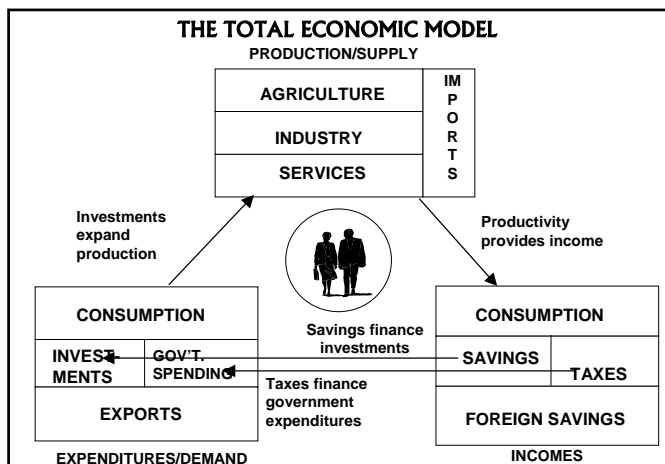
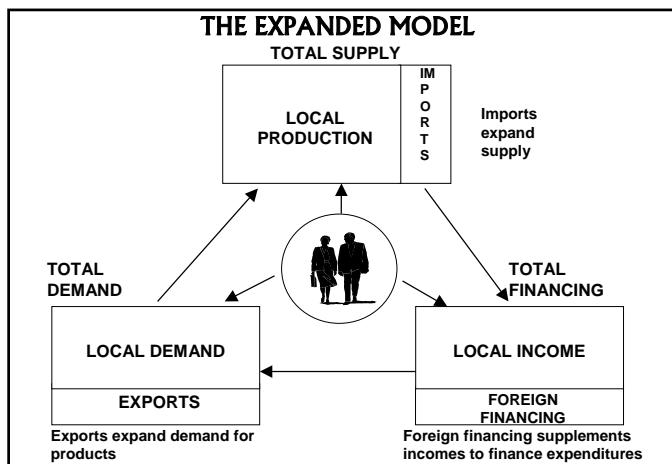
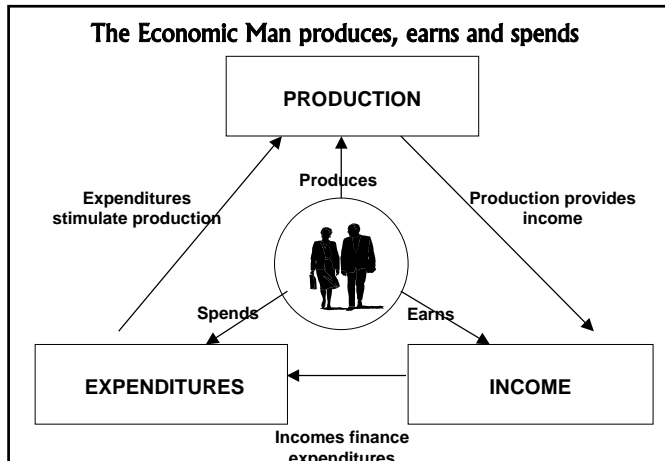


POLITICAL ECONOMY & THE CONVERGENCE OF ADVOCACIES FOR REFORMS

Presented by:
Hon. ROMULO L. NERI
Socioeconomic Planning Secretary and Director-General
National Economic and Development Authority



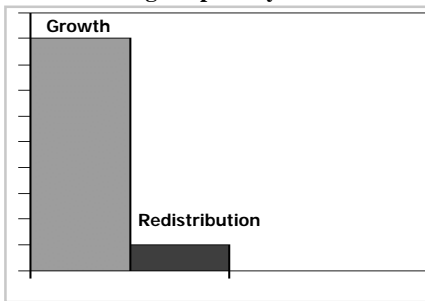
$$AS = AD = AF$$

$$AS = Y + M$$

$$AD = C + I + G + X$$

$$AF = Y + X + S_f$$

Accounting for poverty reduction...



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

I. STRATEGIC FOCUS FOR THE PHILIPPINES

FROM	TO
1. External Sources of Growth	■ Internal Sources of Growth
2. Demand Side Stimulus	■ Supply-Side Productivity and Efficiency
3. Macro-Economic Reforms	■ Micro-Economic Reforms

II. INTERNAL, SUPPLY-SIDE, MICROECONOMIC MEASURES TO STRENGTHEN PHILIPPINE ECONOMY

A. Agriculture

1. Remove QRs for Tariffs (Rice, Sugar and Corn)
2. Efficiencies in the food supply chain
3. Agro – Processing
4. Strengthen Property Rights to Stimulate Investments

II. INTERNAL, SUPPLY-SIDE, MICROECONOMIC MEASURES TO STRENGTHEN PHILIPPINE ECONOMY

B. Industry

1. Support for SMEs
2. Housing Construction
3. Revive Mining Industry

II. INTERNAL, SUPPLY-SIDE, MICROECONOMIC MEASURES TO STRENGTHEN PHILIPPINE ECONOMY

C. Services

1. Railway Development
2. Airline Liberalization for Tourism, and OFW's
3. Demonopolize Ports and Modernize Shipping

III. FUNDS MOBILIZATION

1. Government
 - BIR as center of excellence
 - Jailing Tax Evaders
2. Private Sector:
 - Resolve Bank NPL thru SPAVs
 - Securitization Law

IV. STRENGTHEN STATE INSTITUTIONS

Justice System

- Discourage TROs and Judicial intervention in business decisions
- Incentives for the judiciary

Political Party System

- State, taxpayers financing for political parties

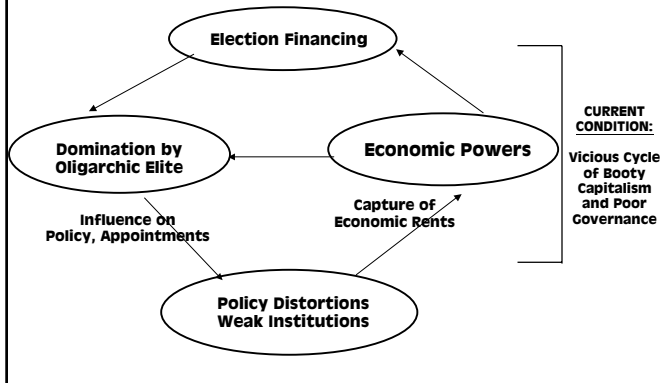
Bureaucracy

- Limit political appointments
- Credible merit system for appointments and promotions

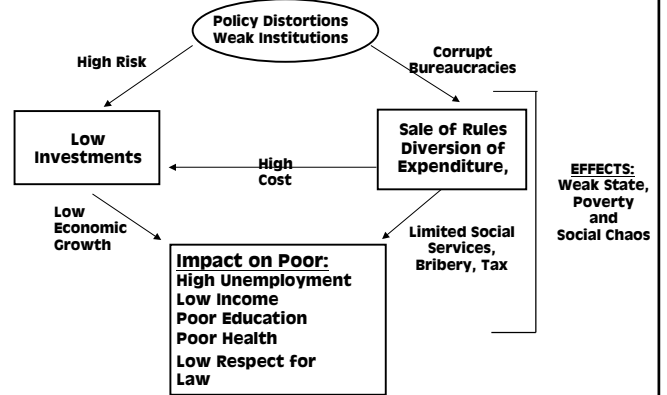
V. REFORM POLITICAL ECONOMY

- Control Vested Groups
- Mechanisms to Assure Integrity of Policies
- Constitutional Reforms

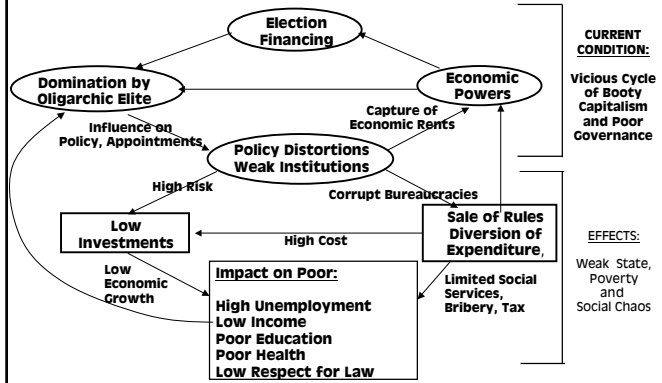
Vicious Cycles of Booty Capitalism, Poor Governance, Poverty and Social Chaos



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

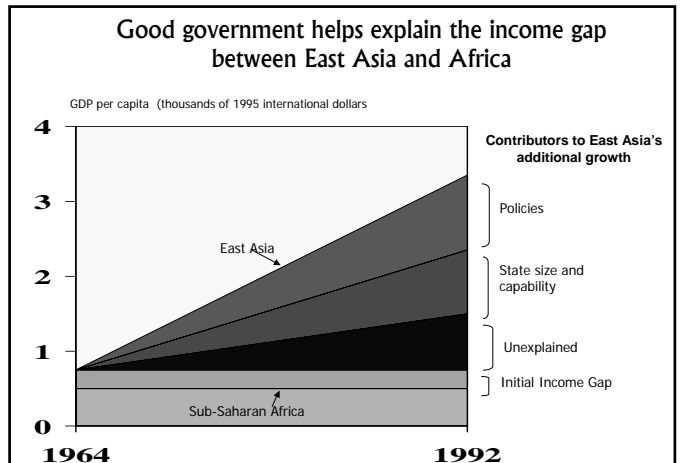
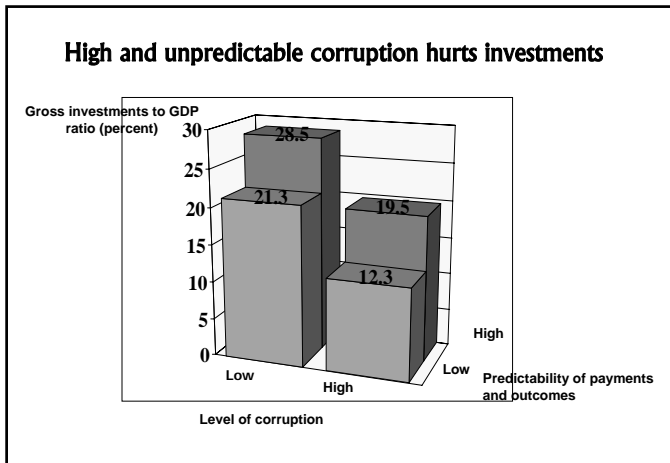
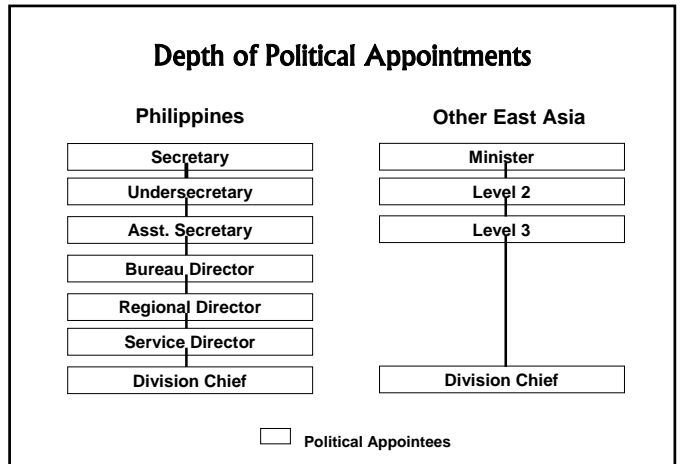
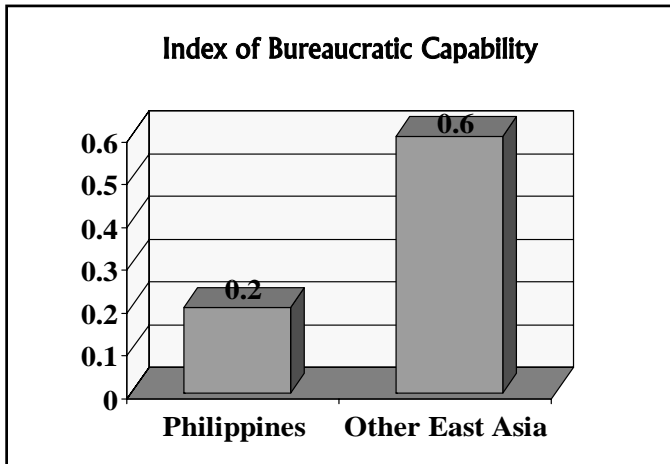
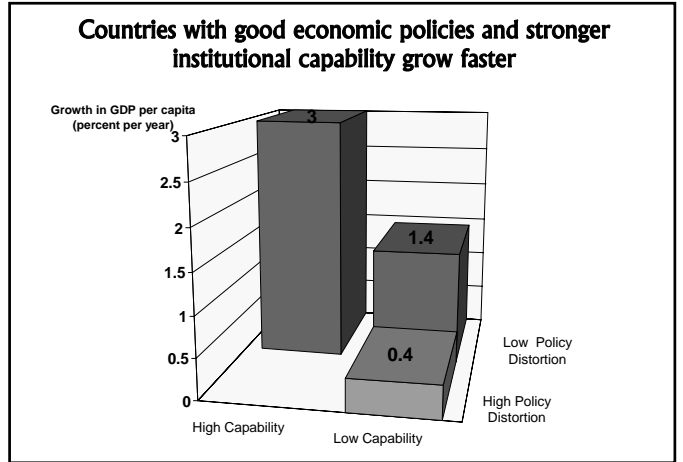
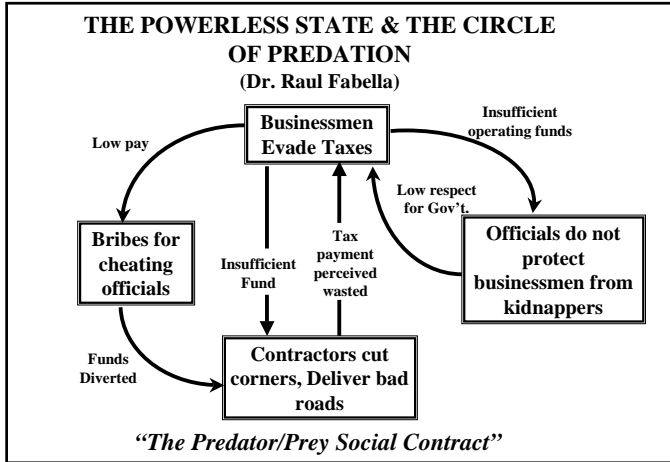


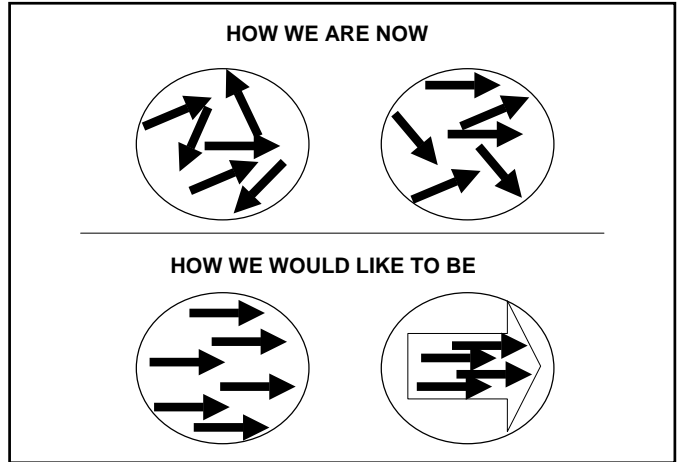
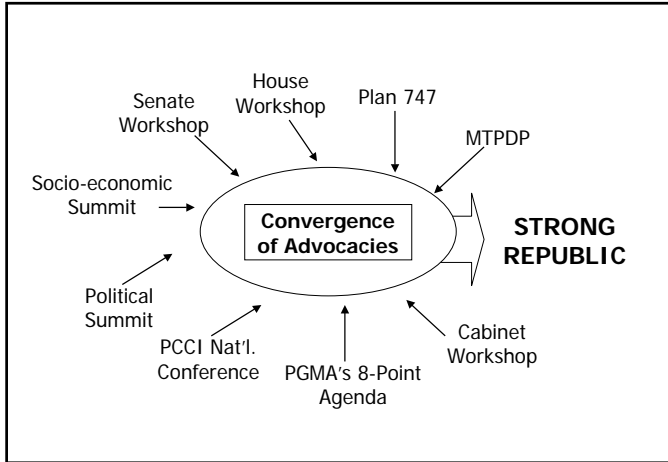
Vicious Cycles of Booty Capitalism, Poor Governance, Poverty and Social Chaos



DR. PAUL HUTCHCROFT'S MATRIX

	STATE > BUSINESS	BUSINESS > STATE
RATIONAL/ LEGAL STATES	II DEVELOPMENTAL STATE	I LAISSEZ-FAIRE REGULATORY STATE
PREDATORY STATES	III BUREAUCRATIC CAPITALISM	IV OLIGARCHIC STATE (BOOTY CAPITALISM)





1. Stock Valuation Formula

$$P_0 = \frac{D_1}{k_e - g}$$

2. Firm Valuation Formula

$$V_A = \frac{EBITDA}{K_A - g}$$

FRAMEWORK FOR NATIONAL WEALTH CREATION

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

APPLIES TO:

- Total Economy
- Industry
- Firms
- Households

P = Productivity
C = Cost of Production
R = Risk Factor
G = Growth Potential/Expectations

WHY ARE WE POOR?

P : Low Productivity

C : High Cost of Doing Business

R : High Risk, Multiple Risks

G : Low Growth Potential/Expectations

(P↑ - C↓)

HOW DO WE INCREASE PRODUCTIVITY AND REDUCE COSTS?

- Microeconomic Reforms
- Support to SMEs, Mining, Tourism, IT
- Improve Supply Chain Management
- Stimulate Competition
- Knowledge Diffusion thru ICT

(R↓)

HOW DO WE MINIMIZE RISKS?

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

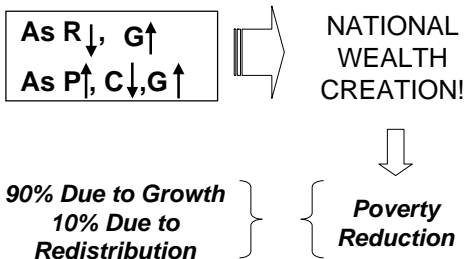
(G↑)

HOW DO WE INCREASE GROWTH POTENTIAL?

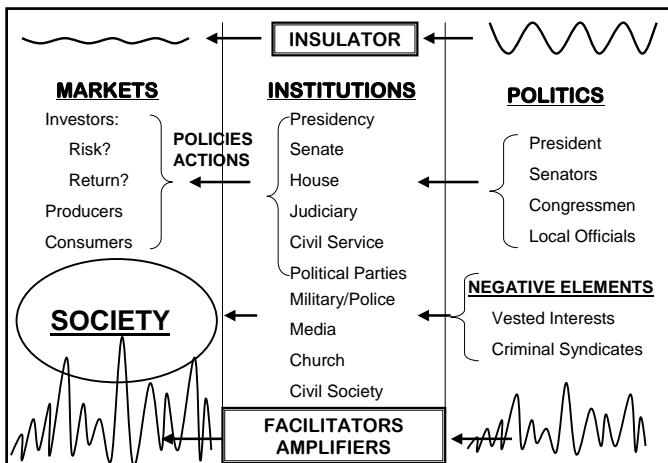
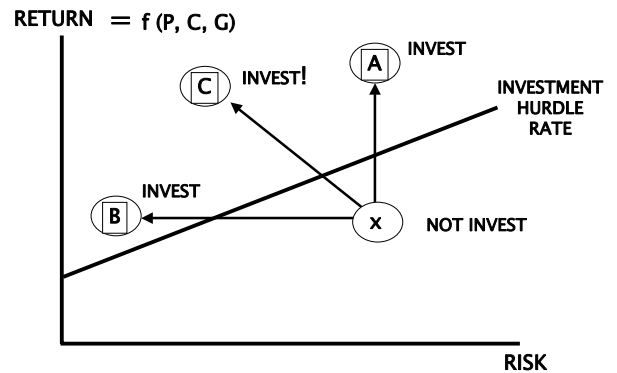
- Right Public and Private Investment Choices
- Human Resource Development
- Improved Knowledge Diffusion

(G↑)

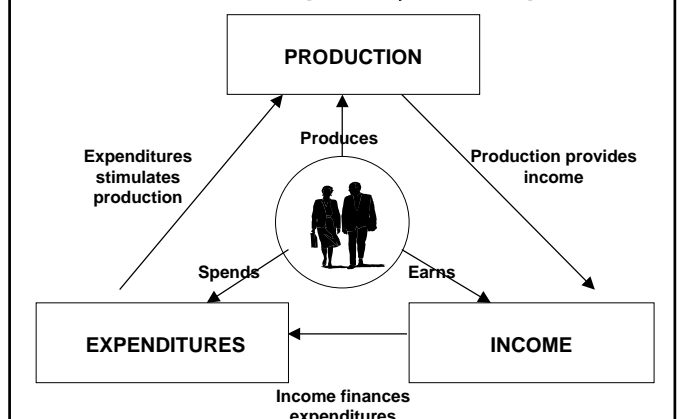
HOW DO WE INCREASE GROWTH POTENTIAL?



INVESTMENT HURDLE RATE



The Economic Man produces, earns and spends



Profiting From the Poor

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

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

Profiting From the Poor

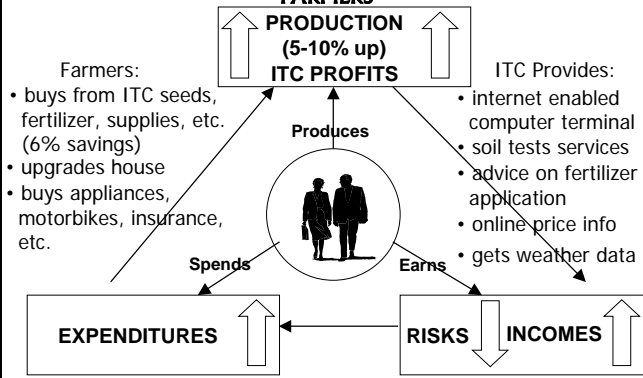
ITC first aims to help improve farmers' incomes by:

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

Next, it aims to help its own business by:

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

ITC: USING TECHNOLOGY TO DELIVER MORE PROFITS TO FARMERS



FRAMEWORK FOR NATIONAL WEALTH CREATION

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

- APPLIES TO:
- Total Economy
 - Industry
 - Firms
 - Households

P = Productivity
 C = Cost of Production
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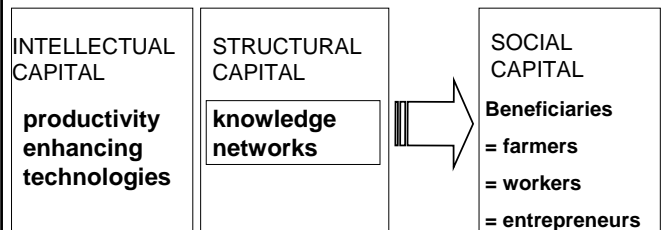
The PhilRice IPM Experience Onion Pest Sex Pheromone Trap

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

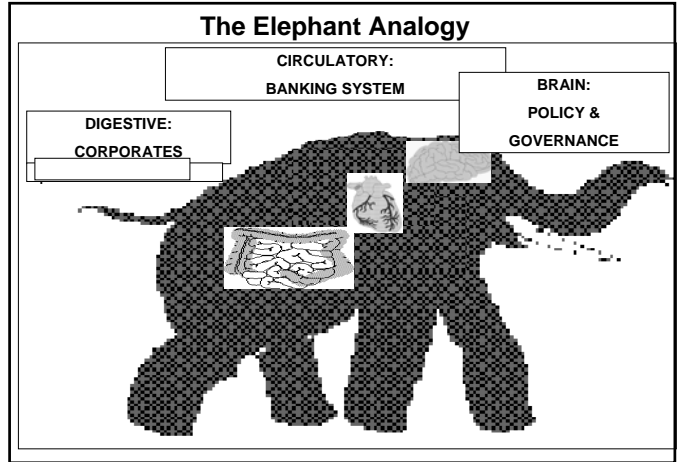
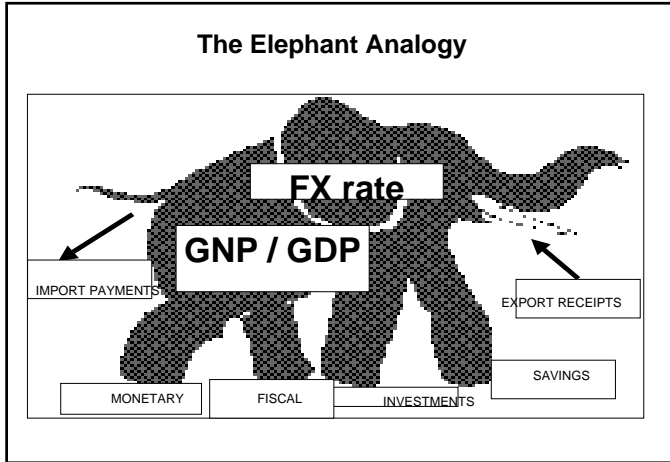
Wealth creation formula applied in the farm

- P** = Productivity increased (>100%)
- C** = Cost of Production reduced with 50% less pesticides required
- R** = Risk Factor reduced with lesser use of pesticides & fewer pest population
- G** = Growth Potential/Expectations rises with higher incomes (P30K to 80K/ha.)

KNOWLEDGE NETWORKING FOR PRODUCTIVITY



Goal: Higher Incomes Through Value Creation and Higher Productivity



**END OF PRESENTATION
THANK YOU!**