



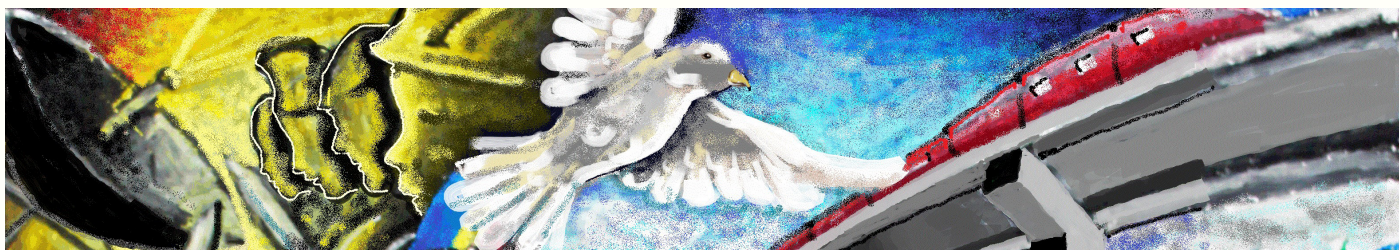
# DEVPULSE

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# The Long View



This issue is an abridged version of the first chapter of the Philippine Development Plan 2017-2022.



This artwork by Jhoecas A. C. Inocillas from Nueva Ecija University of Science and Technology (NEUST) won first prize during the Ambisyon Natin 2040 School Campaign held on November 24, 2016



# The Long View

*The Philippines by 2040: a prosperous middle-class society where no one is poor, where people live long and healthy lives and are smart and innovative; a high-trust society where families thrive in vibrant, culturally diverse, and resilient communities.*

- AmBisyon Natin 2040

Since embarking on a program of inclusive growth and poverty reduction, the Philippines has gradually become one of the best-performing economies in Asia.

Keeping the 6.3 percent gross domestic product (GDP) growth rate has put us on the higher growth trajectory. The country's focus on responsible public spending; and maintaining a low and stable inflation<sup>1</sup>, protected our economy against disruptions caused by natural calamities and the global business cycle. This contributed to

the significant increase in the average annual family income<sup>2</sup> by 2015.

Moreover, the emphasis on good governance and respect for the rule of law has paid off with the unprecedented level of confidence in the country as an investment and travel destination. The generally stable political environment has been conducive to sustained economic growth and peaceful political transitions.

To continue our progress toward inclusive growth, it is important to draw lessons from the experience during the previous plan period. Recent experience underscores the significant role of macroeconomic and political stability in creating the conditions for sustained growth. Yet, it takes more than growth to be able to lift the poor out of poverty.

Government development strategies need to consider the differences arising from geographical and sector-specific factors that create the conditions for poverty. For example, natural disasters can reverse gains in development work, and so development plans must provide for investments in disaster risk management, especially because of the country's vulnerability to various risks associated with natural hazards.

Finally, government institutions need to be more effective and credible especially in enforcing the rule of law. This will guarantee stability and predictability in the investment climate, ensure transparency and accountability in government transactions, and strengthen the public's trust in government. These are critical to sustaining our country's progress towards the envisioned future.



<sup>1</sup> Macroeconomic fundamentals include topics that affect an economy at large. This can include statistics regarding unemployment, supply and demand, growth, and inflation, as well as considerations for monetary or fiscal policy and international trade. (<http://www.investopedia.com/terms/f/fundamentals.asp>)

<sup>2</sup> Results of the 2015 Family Income and Expenditure Survey conducted by the Philippine Statistics Authority. (<https://psa.gov.ph/content/average-family-income-2015-estimated-22-thousand-pesos-monthly-results-2015-family-income>)

# Towards A National Long-Term Vision

It is important to have a long-term perspective because securing the means for improving people's lives requires hard work over a long period of time. Many of the problems requiring government action involve a combination of social, economic, and institutional processes that takes years to produce the desired results.

While forward-looking questions concerning our preparedness for a constantly-changing world are important, these have not been at the center of national conversation. These may be due to the preoccupation of the government in the past with economic stabilization and political instability. Another reason is the electoral cycle which shortens the time horizon for

development planning to coincide with the term of office of the elected official.

But if the Philippine government were to articulate a future direction for the nation, how should this be done? Would such a vision for the future be accepted by the people as their own? How will this vision translate to specific policies, strategies, plans, and programs for implementation on the ground?

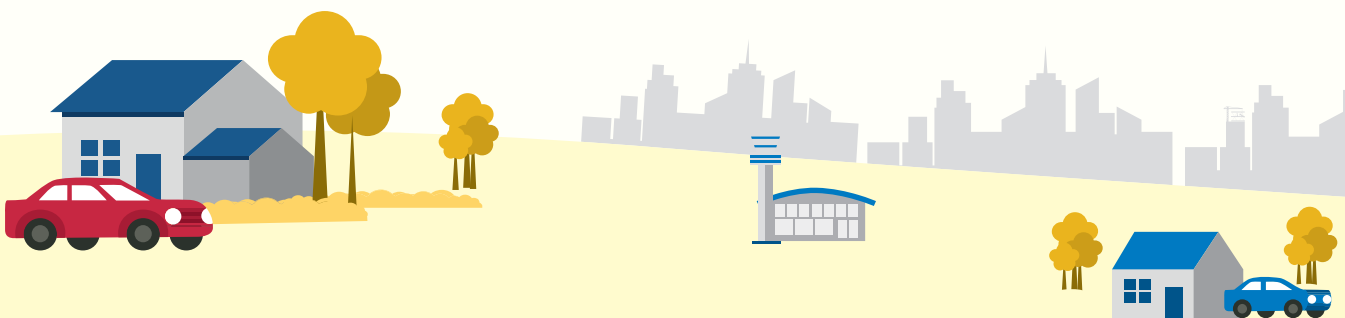
Therefore, it makes sense to begin defining the national vision for development based on people's aspirations. Consequently, government policies, strategies, plans, and programs should be directed toward attaining the collective vision of Filipinos.

## AmBisyon Natin 2040: The Vision, Our Ambition

A vision presents a picture of the future, a set of personal life goals as well as ideals for the country. A plan, on the other hand, consists of a set of strategies to achieve the goals. *AmBisyon Natin 2040*<sup>3</sup> represents the collective long-term vision and aspirations of the Filipino people for themselves and for the country in the next 25 years.

AmBisyon Natin 2040 is a vision, not a plan. Plans are contingent on various factors and circumstances, just as routes to a given destination can vary depending on weather or road conditions. A vision, like a goal or a destination, remains fixed, at least for the given time horizon.

Ambisyon Natin 2040 shall provide the direction for our development plans until 2040 because the country needs to take a "forward-looking approach that goes beyond a single administration". On October 11, 2016, President Rodrigo R. Duterte signed Executive Order (EO) No. 5, series 2016 formally approving and adopting AmBisyon Natin 2040 as a guide for development planning in the next 25 years. This starts with the Philippine Development Plan 2017-2022. The signed EO also emphasizes the centrality of people and their aspirations in development planning as requisite for the design of government interventions to achieve development outcomes.



<sup>3</sup> Ambisyon Natin 2040 is the result of a longterm visioning process that began under the previous administration in 2015. More than 300 citizens participated in focus group discussions (FGDs) and close to 10,000 responded to the national survey designed to gather information about the kind of life Filipinos want for themselves and their children and what they hope the country would be like in 2040. Technical studies were commissioned to identify strategic options for realizing the vision articulated by citizens. The exercise benefitted from the guidance of an advisory committee composed of select representatives from government, academe, civil society, and the private sector.

## Middle-class Aspirations

*The Filipinos' vision for the country in 2040 is a prosperous, predominantly middle-class society where there is equality of opportunities and poverty has been eradicated.*

It will be a society where people live long and healthy lives with a higher life expectancy at birth of 80 years. Longevity will be enhanced by the ability of individuals and communities to withstand natural as well as humanly induced shocks or disasters.

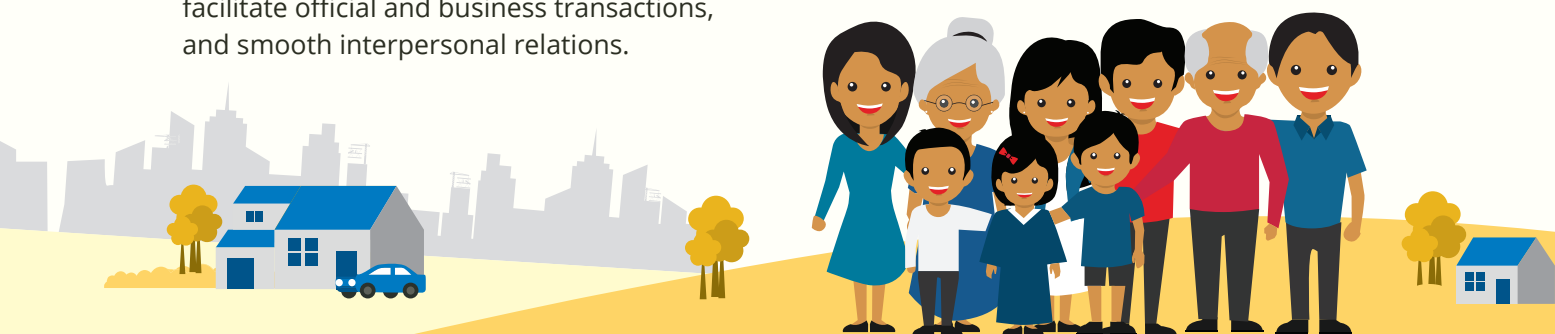
With smarter and more innovative people, the country in 2040 is also envisioned to be a major player in the global knowledge economy, producing innovative products and processes that are used to make high-quality goods and services that are globally competitive.

The Philippines will be a high-trust, more caring, and peaceful society where human security is assured and government enjoys the people's trust because it is clean, efficient, and service-oriented. High trust will also prevail between the private sector and the government, as well as between and among peoples. Overall, a high-trust society will facilitate official and business transactions, and smooth interpersonal relations.

*For themselves, Filipinos want a life that is strongly-rooted, comfortable, and secure: matatag, maginhawa, at panatag.*

The terms “strongly-rooted, comfortable, and secure” used to describe the life envisioned by Filipinos by 2040 reveal middle-class aspirations. They include home ownership, a steady source of income to support family and self, college education for the children, a motor vehicle, stable finances to cover daily needs and contingencies, savings for retirement, and time for vacation and travel. There is also a strong family orientation that underlies the preferences and the same value is reflected in the importance attached to education. Nearly every Filipino family considers college education a requisite to a decent job and so aspires to have the children complete a college degree.

The desired lifestyle requires a monthly family income of at least ₱120,000<sup>4</sup> for a family of four valued in 2015 prices in the National Capital Region. Can the vision be realized? What will it take?



<sup>4</sup> Other assumptions include ₱5,000 for monthly maintenance and other operating expenses (MOOE) per vehicle; ₱40,000 for food, utilities and other expenses (₱10,000 per capita monthly food, utilities other expenses x 4 family members); ₱30,000 for monthly housing amortization (₱25,000 monthly amortization for a ₱4 million housing load for 25 years + ₱5,000 MOOE); ₱10,000 for education expenses of ₱60,000 per annum x 2 kids / 12 months; ₱25,000 based on 21 percent effective income tax rate; ₱4,000 for entertainment expenses (₱1,000 per capita monthly entertainment expenses x 4); and ₱6,000 for vacation budget (annual vacation budget of ₱18,000 per capita x 4)

# Realizing the Vision

With the right policies, improvements in productivity and efficiency can more than triple the average income of Filipinos in 25 years. This will allow the majority of Filipinos to enjoy a middle-class standard of living. Poverty can also be eradicated by 2040, or sooner. Without reforms, however, the average income of Filipinos can only double over a period of 25 years and poverty reduction will take longer.

To make the people's aspirations a reality, government must do the following: (a) invest in human capital so that Filipinos can learn and adapt to new technology and the changing profile of society; (b) invest in high-quality infrastructure to make the cost of moving people, goods, and services competitive; (c) promote sound urban development that takes advantage of scale and agglomeration economies to make the cities more competitive and livable; and (d) establish an environment for inclusive finance to enable households to build up savings or capital for enterprises.

In particular, fiscal policy should support a strategic spending program aimed at addressing capacity constraints by investing in infrastructure and encouraging innovation. Monetary and financial policy should continue to support growth through the maintenance of low and stable inflation and financial inclusion. Regulatory policy should promote competition, reduce the set-up costs for new entrants, especially small players, and ensure consumer protection. Meanwhile, social policy needs to expand beyond

the current range of services to include social protection for uncovered sectors and disaster risk mitigation, and access to quality healthcare.

To sustain the Vision over the next 25 years, it is necessary to build a broad constituency behind the reforms needed to attain it. An effective communications strategy is critical to disseminate the Vision to all stakeholders. The Vision also needs to be translated into specific goals, measurable targets, and intermediate milestones while allowing for flexibility in strategies. Preferences and needs may change over time so the Vision will need revisiting and review. The strategies needed to achieve the targets will then be the subject of four PDPs until 2040.





# The Philippine Development Plan 2017-2022

The PDP 2017-2022 that takes off from the Administration's 0-10 Point Socioeconomic Agenda is the first medium-term plan based on Ambisyon Natin 2040 following EO 5, s. 2016. The current Plan aims to lay a stronger foundation for inclusive growth, a high-trust society, and a globally-competitive economy toward realizing the vision by 2040. Broadly, the Plan target is to lift about 6 million people out of poverty by 2022.

The strategies to achieve the targets are grouped under three pillars: *Malasakit* or enhancing the social fabric, *Pagbabago* or reducing inequality, and *Patuloy na Pag-unlad* or increasing growth potential.

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