PUBLIC SECTOR-LED PLANNING
Context and Rationale

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Discussion Flow

- Government, governance, and the rise of the "Third Pillar"

- The three-folding image of society today

- The State as "first among equals"

- Planning as a primary function of the State

- Three-folding in the urban development process

- Spatial outcomes of six-folding in urban development

Government vs Non-Government

- Government refers to the system of control and regulation of social and economic activities by the state to protect the interests of individuals and society as a whole. It generally refers only to bodies and processes that are regarded as separate from citizens, thus, the government-nongovernment dichotomy.

- Current usage splits the non-government sector into two categories: private sector or business *for profit* and civil society which is largely *non-profit or voluntary.*

Governance defined

- Governance is a broader concept than government; it is about power, relationships, responsibility and accountability, i.e., about who has influence, who decides, and how decision makers are held responsible. An inclusive concept, governance embraces the state, and takes in the private sector and civil society as well. All three are critical agents for sustaining human development. The state creates a conducive political and legal environment. For its part the private sector generates jobs and income. And civil society facilitates political and social interaction – mobilizing groups to participate in economic, social and politicalactivities. (UNDP)

Governance is inclusive

- Governance includes the state, but transcends it by taking in the private sector and civil society. All three are critical for sustaining human development. The *state* creates a conducive political and legal environment. The *private sector* generates jobs and income. And *civil society* facilitates political and social interaction – mobilizing groups to participate in economic, social and political activities. (UNDP)

Throw back to pre-EDSA years

- During the period of authoritarian rule (martial law) the state was the sole power that determined the social, political and economic life of the nation and society.

- Before martial law private business led by a small but powerful mestizo elite known as the oligarchs, controlled much of the country's resources and the public and private bureaucracies. Martial law purportedly dismantled the oligarchy and replaced it with state corporatism, a politico-economic system run by technocrats and experienced bureaucrats.

- Barely 3 years into martial law, the oligarchs soon regained their privileged relations with government. Marcos himself wondered whether martial law may have liquidated an oligarchy only to set up a new oligarchy (composed of cronies) that exploited opportunities for graft and corruption and misuse of influence in government. State corporatism transformed into crony capitalism.

- Civil society groups had no place in public governance. Largely invisible, many went underground only to surface at Edsa-1.

The rise of the "third pillar"

- "In any society, there is the state (manifested by but not equivalent to, the government) and there is business (the private enterprise sector). Both wield tremendous power impacting directly the people's lives and their environments, shaping their futures with what they do and how they do it. Often both are accused of consolidating their power in an unholy alliance that corners society's benefits … at the expense of the general public. … In 1990 the term "civil society" came in vogue to represent what may be considered the third pillar in society. Known variously as NGOs, PVOs, POs, CBOs, etc., civil society is a collection of individuals and organizations which are independent of the government and who manifest the will and interests of citizens."

(Dr. Cielito F. Habito, former NEDA Director-General, quoted from his column "No Free Lunch", *Philippine Daily Inquirer*, 11/20/2012)

THE THREE-FOLDING IMAGE OF SOCIETY

Social & Spatial Equity
Participatory Governance
Filipino Culture Promotions & Enrichment

- Knowledge
- Clarity & Coherence of Values
- Public Interest Advocacy

CIVIL SOCIETY (Culture)

STATE (Polity)

PRIVATE SECTOR (Economy)
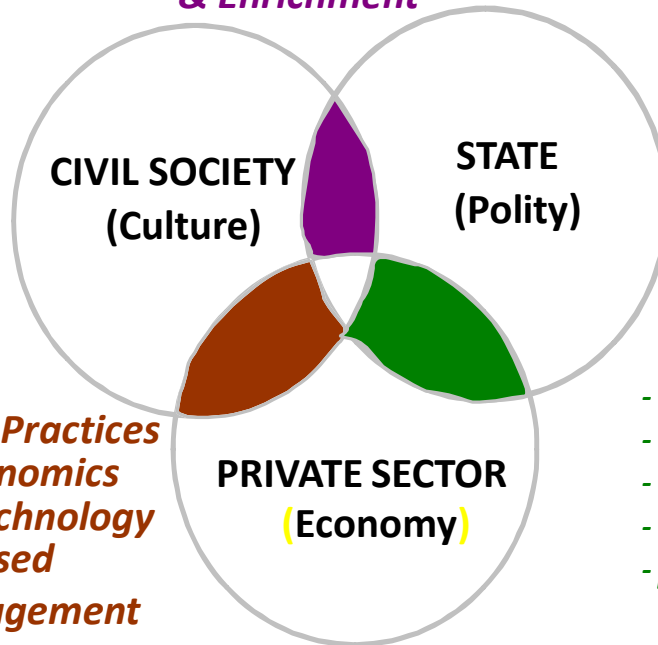
- **Democratic Governance**
- **Securing Justice & Equity**
- **Safeguarding Public Interest**

Wage Levels
Humane Labor Practices
Nationalist Economics
Appropriate Technology
Community-Based Resource Management
Gender-Sensitive Workplace

Fiscal Policies
Infrastructure Support
Labor Policies
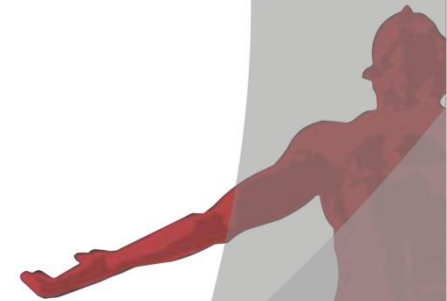**Business Climate**
Environment-Friendly Production

- Production & Distribution of Goods and Services for Profit
- Provision of Employment
- Capital build up

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Government – CSO Interface

- Concern for social and spatial equity – rationale for social services provision and regional development planning

- Promotion and enrichment of Filipino culture – top General Welfare goal (Sec. 16, RA 7160)

- Participation and empowerment especially of the marginalized

  - Indigenous people – RA 8371

  - Artisanal fisher folk – RA 8550

  - Urban poor – RA 7279

  - Upland dwellers – RA 7586

Government – Business Interface

- Conducive business climate – granted by government, e.g. one-stop shops

- Job security – denied by business, e.g. labor-only contracting prevalent

- Fiscal incentives to private investments – granted by government, e.g. tax exemptions, credits and rebates

- Environment-friendly production – business complies but mostly grudgingly.

Business – CSO Interface

- Humane labor practices – granted by business only after long hard bargaining

- Gender-sensitive work place – possible under more enlightened business sector

- Acceptable labor-capital substitution

  (appropriate technology) – necessary under conditions of massive unemployment

- Nationalist economics – an imperative in a regime of globalization and regional economic blocs

State as "first among equals"

- Although the three are seen as co-equal, the State enjoys certain powers that are unique to it which are derived from its most important attribute - sovereignty - and which it cannot share with other sectors, such as:
  - ❖ Police power
  - ❖ Eminent domain
  - ❖ Taxation
  - ❖ National defense
  - ❖ Administration of justice
  - ❖ Foreign affairs

Reserve powers of the State essential to public-sector planning

- *Eminent domain* – planning invariably involves the use of land for public purpose. But most lands are now privately owned. So transfer of ownership to the government is inevitable.

- *Police power* – planning often requires regulation of the actions and behaviors of individuals and groups in accordance with socially acceptable norms conducive to attaining peace and prosperity in the community.

- *Taxation* – as a means to raise funds to finance essential public services and facilities, to equalize/redistribute social opportunities, and as a regulatory measure to ensure the proper use of land for the general welfare.

Being the "first among equals" the State is principally responsible for planning

- ✓ As provider of social goods and services
- ✓ As facilitator of the market
- ✓ As arbitrator between contending social groups
- ✓ As social engineer

The State as Provider of Public (Social) Goods and Services

- What is the nature of public good or social good?

- When is the government justified in providing goods and services?

- (Or, when is the private sector reluctant to provide?)

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The Nature of Public Good

1. Collective consumption - can be consumed by many individuals simultaneously and in equal measure. Example: a Public Park

2. Indivisibility – cannot be subdivided; the same level of service is available to everyone irrespective of any individual's needs or preferences. Example: Police and Fire Protection

3. No market price – it is not possible to charge a price for its use. Example: City Hall Complex

4. Spill-over effects – cannot be confined to a specific area but affects neighboring areas. Example: Street lighting

Note: The above characteristics pertain to "pure" public goods. Nowadays most public facilities are increasingly becoming "impure" due to the growing role of the private sector in their provision.

Social vs Private Goods

| Manner Consumed	Excludability	
	Easy	**Difficult**
Individually	Private Good (1)	Common-pool Good (2)
Collectively	Toll Good (3)	Collective Good (4)

After Jan-Erik Lane, 2000

1. <u>Private good</u> – individually consumed and easy to exclude other consumers from using it (by raising prices, e.g. fancy rice varieties)

2. <u>Common-pool good</u> – individually consumed but impossible to exclude others (e.g. sunlight, ambient air)

3. <u>Toll good</u> – collectively consumed but it is possible to exclude others by raising charges and fees (e.g. toll road)

4. <u>Collective good</u> – jointly consumed and it is impossible to exclude others from its use (e.g. public park, police and fire protection)

# When is the State a more reliable provider of goods and services?

- Natural monopolies involving huge capital investments (airports, seaports)

- Non-rival goods which are unique to the State (national defense, foreign affairs, justice administration)

- Presence of externalities

    - Positive, e.g. public health spillover (healthy community) perceived as unprofitable for private providers

    - Negative, e.g. environmental pollution, its prevention requires large additional capital investments

- Merit goods, e.g. clean safe water – every individual's entitlement

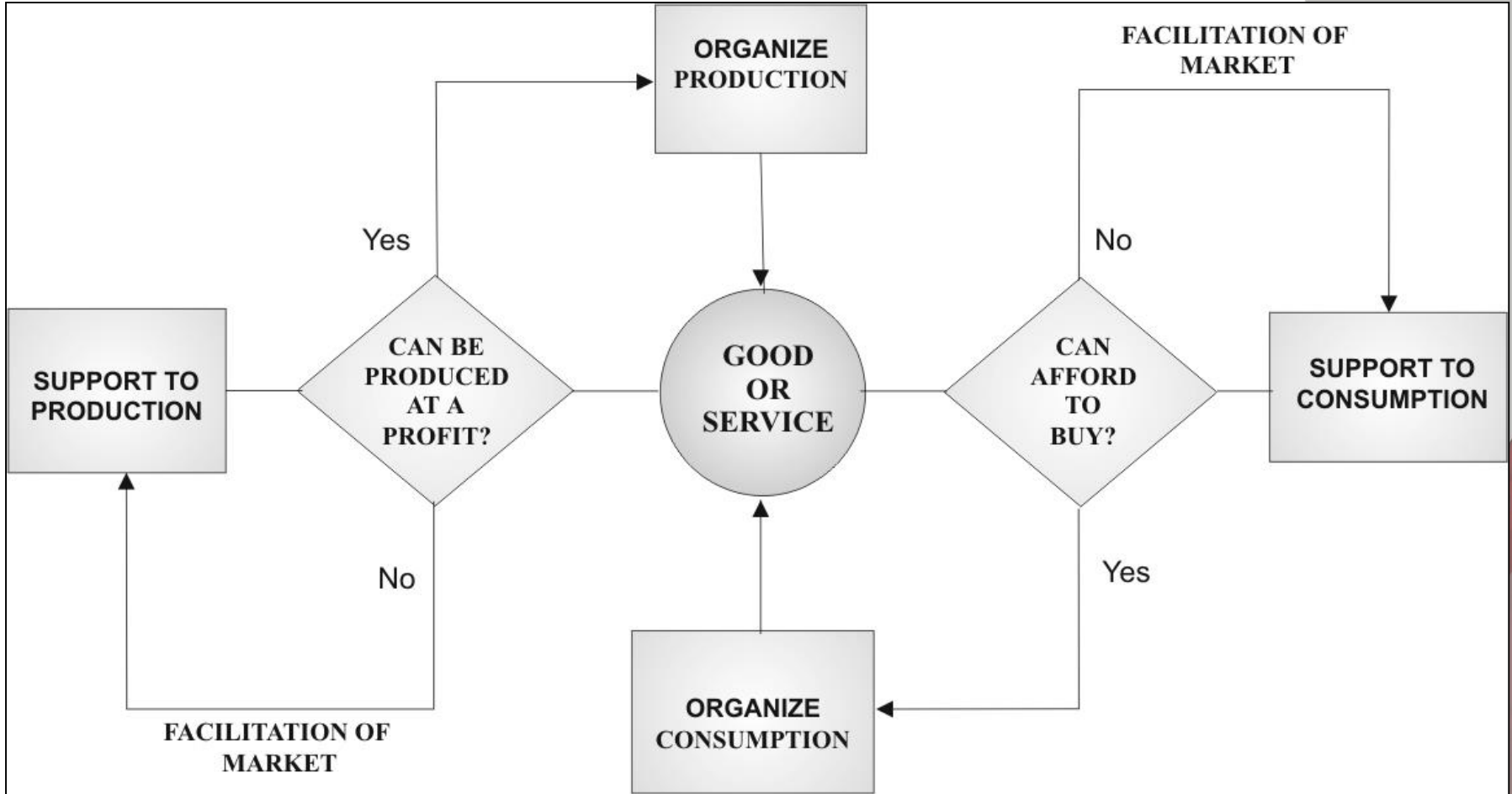- The "free rider" problem: when non-paying consumers cannot be excluded
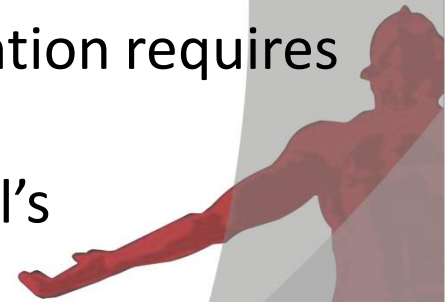
✓ FACILITATION OF PRODUCTION

✓ FACILITATION OF CONSUMPTION
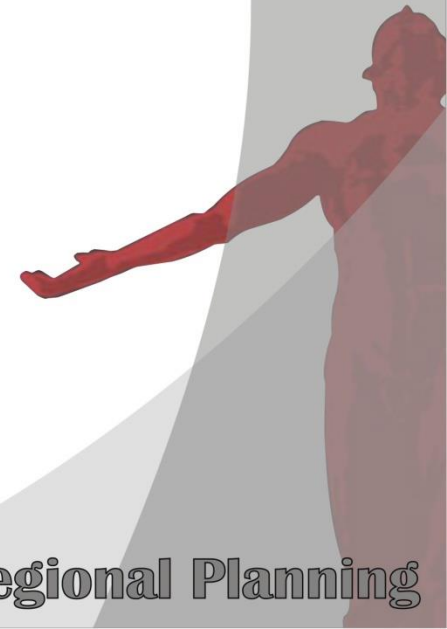
Examples of facilitation of the production function

❖ Production support infrastructure (efficient transport & communications, post-harvest facilities to minimize losses)

❖ Reduction of tariffs on import and export of materials & finished products

❖ Reduced transaction costs through one-stop shops, programmatic ECC, no graft and corruption

❖ Absorbing part of the risk of new investors, e.g. guaranteed profit levels, assurance of peace and order, stable foreign exchange rate

❖ Maintaining livability and attractiveness of the locality for both living and making a living.

Examples of facilitation of consumption

- Direct transfers to the poorest of the poor to meet basic needs (CCT)

- Unemployment insurance

- Promotion of full employment and job security in the private sector

- Raise in salaries and wages

- Grant of non-wage benefits

- Price control or stabilization of basic commodities

- Public sector-created jobs

# As Arbitrator Between Contending Social Groups

- ✓ Extensive infrastructure for justice administration
- ✓ Special courts
- ✓ Peace and Order Councils
- ✓ Lupong Tagapamayapa
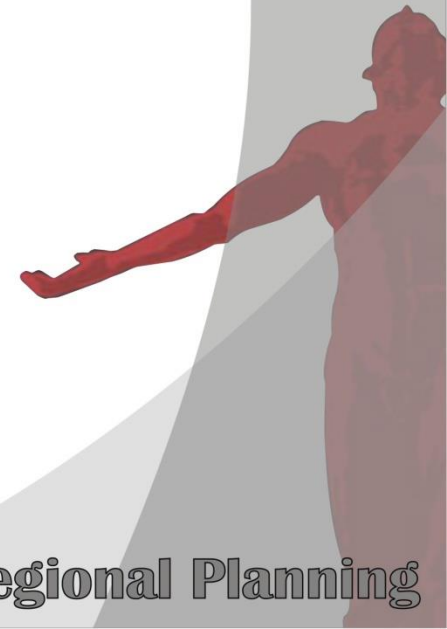
The State as Social Engineer

- ✓ Capacity to produce comprehensive rational solutions to social problems
- ✓ Maintaining social order, harmony and peace
- ✓ Restructuring social relations through distribution of the locus of power

  -Soft approach – values formation

  (families, schools, churches, etc.)

  -Hard approach – restructuring society

  (land reform, land use planning and zoning, etc.)
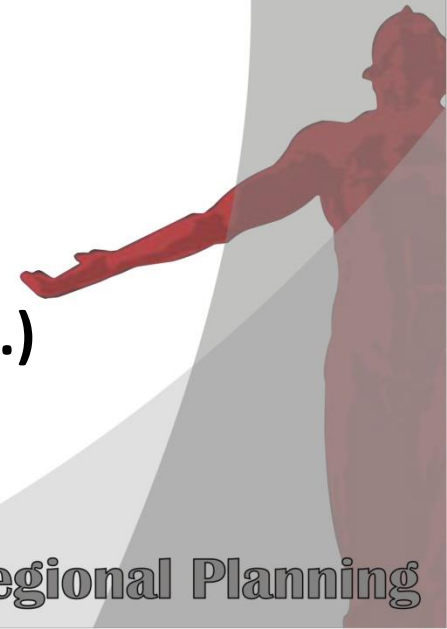
THREE-FOLDING IN URBAN DEVELOPMENT

Urban Development

- **What is urban development?**

  Urban development pertains to the process of occupation and use of land or space for such activities as are necessary to carry out the functions of city life. Urban development entails building or rebuilding of more or less permanent structures over land that is often withdrawn or converted from its original use, resulting in the production of the *built environment*.

Actors in Urban Development

❑ Households – produce the space for living
- ❖ formal subdivisions
- ❖ informal settlements

❑ Firms – produce the space for making a living
- ❖ formal industrial estates, commercial establishments and office development
- ❖ informal sector businesses

❑ Government – produces the infrastructure support and preserve the life support system
- ❖ national
- ❖ local

Three-folding in Urban Development

❑ Basically the same actors are involved with some changes

- Private sector split into formal and informal. Formal business is also formal housebuilder. Informal business sustains informal housebuilders

- State split into national and local

- Civil society limited to minor roles: assist informal house builders and advocate environmental protection

- Formal business increasingly a strong partner of the state in infrastructure development

❑ Thus, urban development is transformed from a three-fold to a six-fold enterprise

The actors and their roles

Spatial outcome

INTERNAL MIGRATION (CAPITAL AND LABOR)

IMPLICIT POLICIES

EXPLICIT POLICIES

NAT'L. GOV'T.

LOCAL GOVT

TOWN PLANNING & URBAN MGT

Formal Firms

Formal House holds

BUILT ENVIRONMENT

Informal Firms

Informal Households

DEVOLVED POWERS & RESOURCES

OPERATIONAL ISSUES

STRATEGIC ISSUES

GENERAL LAND USE CATEGORIES

GENERAL LAND USE POLICY AREAS

LIFE SUPPORT SYSTEM

SPACE FOR LIVING

SPACE FOR MAKING A LIVING

ANY TERRITORIAL UNIT

PROTECTED AREAS
- NIPAS
- Non-NIPAS
- Protected agricultural
- Environmentally constrained

SETTLEMENT AREAS
- Urban (town center/s)
- Rural (upland, coastal, lowland)
- Indigenous people's settlements

INFRASTRUCTURE AREAS
- Transport network
- Social infrastructure
- Economic infrastructure
- Administrative support

PRODUCTION AREAS
- Agricultural
  - Croplands
  - Fishery
  - Livestock
  - Forestry
- Industrial
- Commercial
- Tourism

Formal Housebuilders

- Urban land developers who fully comply with requirements of existing laws.

- Process generally follows the ff. sequence:
  1. Planning
  2. Infrastructure development
  3. Shelter construction
  4. Occupation

Informal Housebuilders

- Urban land developers who operate outside the government's regulatory frameworks

- Process follows the general sequence:
  1. Occupation
  2. Shelter construction
  3. Provision of rudimentary infrastructure
  4. Planning to upgrade structures
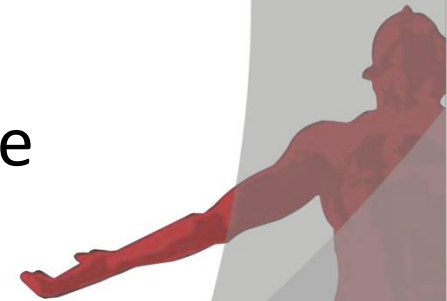
Formal and Informal Firms Contrasted
In terms of characteristics of firms

Parameters	Formal	Informal
Technology	capital-intensive	labor-intensive
Organization	bureaucratic	primitive
Capital	abundant	limited
Labor	limited	abundant
Regular wages	prevalent	exceptional
Inventories	Large quantities and/or high quality	small quantities, poor quality
Prices	generally fixed	negotiable between buyer and seller (haggling)
Credit	from banks, institutional	personal, non-institutional
Profit Margin	small per unit; but with large turnover, considerable in aggregate (exception = luxuries)	large per unit; but small turnover
Relations	impersonal and/or on paper	direct, personalized with customers
Fixed costs	substantial	negligible
Advertisement	necessary	none
Re-use of goods	none (waste)	frequent
Overhead capital	essential	not essential
Government aid	extensive	none or almost none
Direct dependence on foreign countries	great; externally oriented	small or none

Formal and Informal Firms Contrasted

- In terms of locational preferences

Formal	Informal
• Oriented to major transport facilities (manufacturing) • Commercial and office dominate central locations • Shopping malls usually prefer suburban sites	• Indeterminate locational patterns • Mainly sharing residential areas • Pedestrian service oriented

- Influences labor and capital migration through implicit policies
    e.g. industrial location policies

- Directly shapes urban development through explicit policies
    e.g. major infrastructure projects, housing finance

Local Government Role in Urban Development

- Regulates land use through inherent and devolved powers *e.g.* zoning, subdivision and building regulations

- Enforcement of environmental laws like "Clean Air Act," "Clean Water Act," "Ecological Solid Waste Management Act"

- Influences the direction, shape, intensity and over-all pattern of physical development through urban planning, public investment in infrastructure development, taxation, special levies, and the like

# SPATIAL OUTCOME OF THE SIX-FOLD URBAN DEVELOPMENT PROCESS

The "Dualistic City"

The Space for Living

❏ *Formal housing well-planned and adequately serviced but very unaffordable to ordinary urban dwellers*

- Gated high-end residential developments encouraged through exclusionary zoning

- High rise enclaves proliferate creating a glut in urban floor space amid continuing mass homelessness

- High rent in gentrified inner city areas beyond reach of the poor

❏ *Informal housing hardly habitable in terms of substandard construction and hazardous location*

- Large squatter colonies as enclaves of the poor (ghettoes)
- Informal settlements in hazard zones because the safer areas are no longer accessible to the poor
- Regularized informal settlements in far-away resettlement sites where jobs are absent
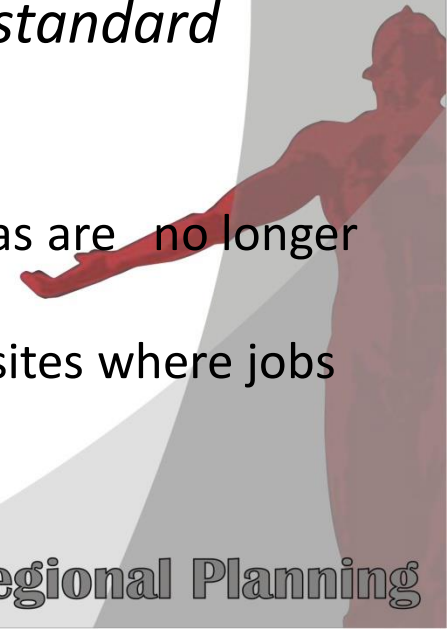
The Space for Making a Living

o Formal firms in planned industrial estates, in central business districts, and suburban shopping malls and office tower blocks
o Conversion of residential areas to commercial use in original housing projects
o Proliferation of shopping malls threatens MSMEs
o Tertiarization of the local economy and the loss of industrial jobs
o Informal businesses intersperse with the formal, shares space with residential areas
o Proliferation of informal markets and livelihoods leading to unplanned mixed-use developments, traffic obstructions, and environmental degradation

The Exchange Space

➤ Public services and facilities still suffer serious backlogs and substandard quality

➤ Local governments largely dependent on the national government for major infrastructure projects, especially transport networks

➤ National government increasingly dependent on private investments in big-ticket public works projects.

➤ Road building policies and projects of the national government have strong impact on urban development.

➤ Many local governments are relocating and rebuilding their town halls with little regard for its effect on urban form.

➤ Need for audit of public infrastructures for DRR resiliency and CCAM compliance

The Life Support System

- ❖ Progressive loss of open space (farmlands and forests) due to reclassification and conversion to urban use
- ❖ Rapid expansion of paved surfaces hampers aquifer recharge and aggravates the "heat island effect"
- ❖ Slow adoption of green building technologies and practices
- ❖ Inadequate policies and/or ineffective implementation of protected area policies
- ❖ Hazardous areas continue to harbor human settlements
- ❖ Many heritage sites remain unlisted and unprotected

Planning is supposed to address these issues. For planning to succeed, the State must exert its reserve powers as the "first among equals"

But how is the State doing so far?

Thank you for your attention!