

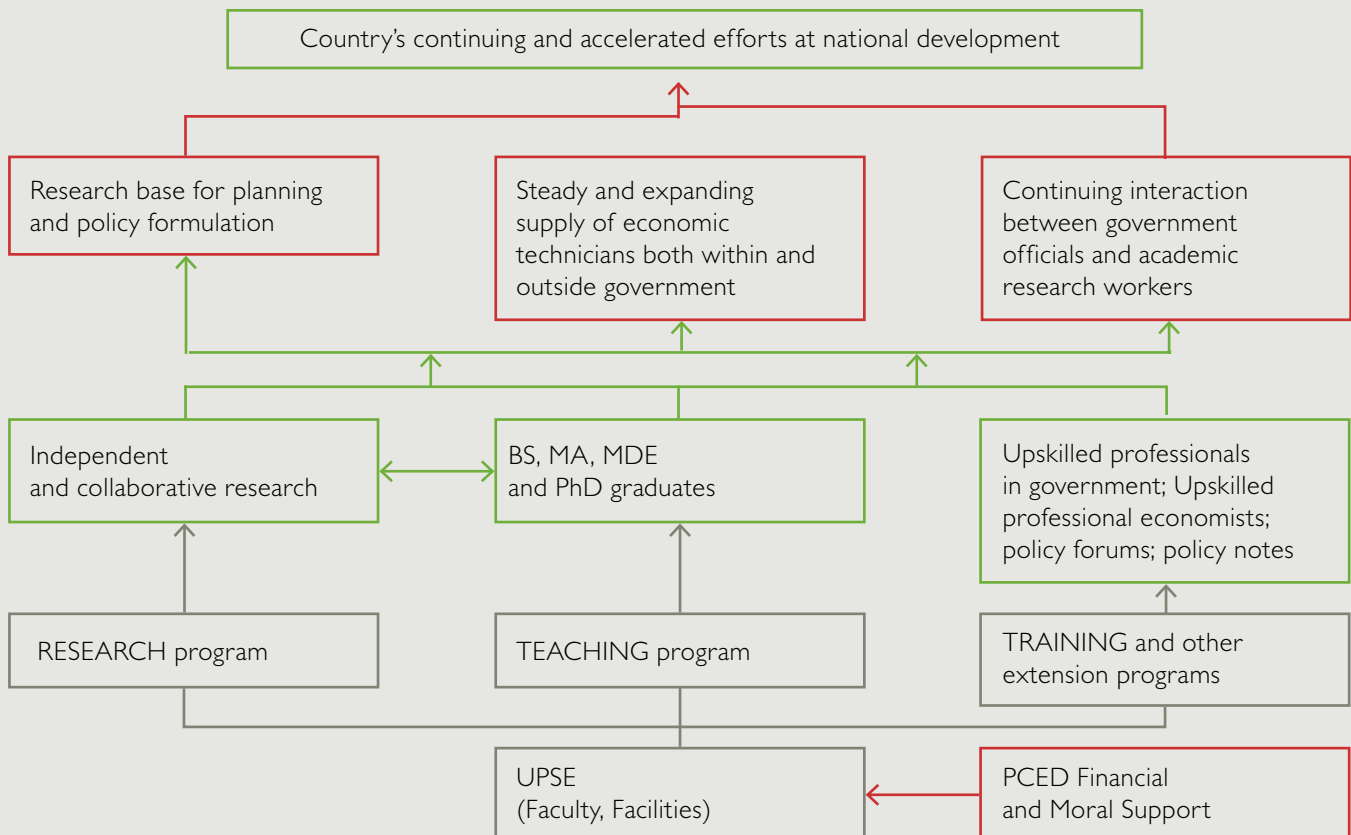


2013
ANNUAL REPORT

PCED Mission, Vision and Goals

The Philippine Center for Economic Development (PCED) was created on 13 May 1974 by Presidential Decree (PD) No. 453 with the sole function of giving "...financial and moral support to the research, teaching, training, and other programs of the School of Economics, University of the Philippines." It is envisioned that through the financial support of the Center, the School will be able to undertake its academic functions at a larger scale, ultimately contributing to "the country's continuing and accelerated efforts at national development" (Figure 1).

Figure 1. **PCED Mandate (PD 453)**



The Center is directed to finance the academic and other programs of the School, including the endowment of faculty chairs. Notwithstanding this assistance, the School remains under the academic and administrative supervision of the University of the Philippines System and maintains a high degree of independence, relying on faculty initiative as the prime means of developing competent training and research.

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Message from the Chair

Since 1974, the Philippine Center for Economic Development (PCED) has been supporting the UP School of Economics (UPSE) in conducting and publishing economic development research, and in training economic planners, analysts, statisticians and technicians. Through this support, the School's faculty was able to help raise the level of public debate on the country's development directions with incisive critiques and analyses of public policy.

In 2013, PCED continued to finance studies on a range of economic and social issues including government debt financing, short term capital inflows, trade-offs on the implementation of sin taxes, tax incentives, extent of PhilHealth protection, domestic violence, and rice sufficiency programs. PCED also supported seminars and forums in UPSE that served as venues for the discussion of a wide range of development issues among development stakeholders and local and international experts on public policy, political science, and economics.

Through endowment of faculty chairs, financial aid and scholarships to promising students, PCED has helped UPSE develop leaders in government, industry, civil society, and the academe. The Center has also been instrumental in delivering excellent economics education to students by supporting the UPSE in maintaining its physical facilities, particularly its library.

On behalf of PCED, I thank all those who have helped us accomplish its mandate of enhancing the quality of economics education in the country. The Center's work has been a valuable source of policy options to address national socioeconomic concerns. As the country forges ahead with its inclusive growth agenda, the role of PCED in helping generate evidence for decision making, in creating opportunities for meaningful public discussion, and in developing a pool of academic talents and thought leaders has become even more crucial. We look forward to maintaining this productive relationship of PCED and its partners, including UPSE, in generating relevant and timely knowledge in development economics.



A handwritten signature in black ink, appearing to read 'A. Balisacan'.

Arsenio M. Balisacan, Ph.D.

Chairman of the Board,
Philippine Center for Economic Development

Message from the Executive Director

I am pleased to report the accomplishments of the Philippine Center for Economic Development (PCED) in 2013. As this Annual Report would show, PCED has remained committed to its mandate of extending financial and moral support to the research, teaching, training, and other programs of the UP School of Economics (UPSE).

In 2013, PCED provided financial support to a total of 21 new research grants to the faculty and staff. These produced 12 discussion papers and four policy notes in various fields such as game theory, industrialization, coping mechanisms, growth, rice self-sufficiency, government debt financing, and financial sector development.

Further, 29 seminars were conducted under the UPSE-PCED Friday Seminar Series. The events disseminated to policy makers and the public the results of the studies done by the faculty members, students, and visiting professors and researchers from local or foreign universities and institutions.

It also organized special events in 2013 in collaboration with other institutions. With the Philippine Institute of Development Studies (PIDS) and UPecon-Health Equity and Financial Protection in Asia (HEFPA), PCED sponsored a special seminar attended by officials of the Department of Health and Philhealth on universal health coverage for the informal sector. With PIDS, it sponsored a month-long exhibit on public health policy at the UPSE library in celebration of the 11th Development Planning and Research Month in September 2013. Support was also given to the dissemination of research studies at the 51st annual meeting of the Philippine Economic Society (PES).

In 2013, PCED directed preparatory activities for undertaking regular surveys designed to collect data on social protection.

Public affairs and extension activities in 2013 included the all-day forum on "Shocks, Traps, and Nets: Pressing Needs and Present Seeds of Social Protection". The event discussed the policy agenda, plan of action, and research and capacity-building setting for social protection in the country. PCED also trained the National Economic and Development Authority (NEDA) Regional Directors, Assistant Directors and selected technical personnel on the foundations (theories and principles) of development economics and urban and regional economics. It organized several fora, consultations and roundtable discussions that encouraged rigorous discussions of public issues and policies to help raise the level of public debate on economic policies. Among these are the consultation meeting on the "Draft Manufacturing Industry Roadmap", roundtable discussion on "Philippine Development Economic Policies and Social Progress", and on the RH and Sin Tax Laws.

As we focus our activities in 2014 to address new development problems of the country, we will continue to shed light on policy issues, provide training to our partners in various sectors, build on the tradition of organizing fora on key economic and political issues, and support first-rate economics education of Filipinos.

PCED thrives from the support it has received from the national government and its other stakeholders, to whom we owe our debt of gratitude.



Ramon L. Clarete
Ramon L. Clarete, Ph.D.

Executive Director,
Philippine Center for Economic Development

PCED-supported activities and accomplishments in 2013

Support to UPSE Research

As part of its academic functions, the faculty of the UP School of Economics (UPSE) regularly produce discussion papers (DP) and working papers (WP), which are published online as part of an annual series. In 2013, a policy note (PN) series was initiated. PCED supports the production of new research through grants to faculty and to professional staff of the UPSE Library who produce bibliographic research.

New research grants

In 2013, PCED provided grants for 21 new research studies by faculty and professional staff. These include 13 grants for independent research, five for collaborative research, and three for bibliographic research. The grantees are given one year to complete their studies (Table 1).

Table 1. **PCED Ongoing Research Contracts for UPSE Faculty and Staff in 2013**

Name	Title	Contract Duration	Total Contract Price (Php)
Independent Research			
R.L. Clarete	AEC Tariff Reforms: Will the Philippines Gain or Lose Jobs?	30-Apr-13—30-April-14	757,593.60
R.V. Fabella	Development Progeria: What it is and How it came About"	20-June-13—20-June-14	757,593.60
C.Y. Horioka	Household Saving and Bequest in Asia	20-June-13—20-June-14	757,593.60
F.N. Carlos	Towards An Interest Rate Corridor	20-June-13—20-June-14	601,401.60
S.A. Quimbo	A Politico Economic Analysis of Fertility Preferences in the Philippines	1-Jul-13—1-Jul-14	575,654.40
R.M.T. Balanquit	Threshold Bank-run Equilibrium in Dynamic Games	5-Aug-13—5-Aug-14	332,236.80
M.D. Gonzales	Interest Rate Repression? The Nature and Causes of (Short-Term) Rate Decoupling in the Philippines	29-Oct-13—31-Oct-14	332,236.80
J.A.Lim	The Philippine Experience in Capital Flow Management After the Global Financial Crisis and Quantitative Easing of Developed Economies	31-Oct-13—31-Oct-14	757,593.60
M.C. Pajaron	Remittances, Informal Loans, and Assets as Risk-Coping Mechanisms: Evidence from Agricultural Households in Rural Philippines	08-Nov-13—31-Dec-14	332,236.80
R.M. Alonso I Terme	Why has Latin America Sped UP Ahead of the Philippines in Economic and Political Reform?	18-Nov-13—18-Nov-14	332,236.80
R.A. Danao	Mathematica as a Teaching and Research Tool in Economics	10-Dec-13—10-Dec-14	200,000.00
R.P. Lotilla	Competition in the Electricity Sector	22-Apr-13—22-Apr-14	750,000.00
M.B. Teves	Alternative Strategies in Mobilizing and Accessing Credit for the Food and Agricultural Sector	20-Sept-13—20-Sep-14	750,000.00
Bibliographic research			
F. dela Rosa	A Bibliography of Theses and Dissertations 2012-2013	3-Jun-13—3-Jun-14	75,242.40
Ma. R. Luz	Philippine Economic Bibliography 2011-2013	3-Jun-13—3-Jun-14	64,483.20
A.C. Tingson	A Subject Guide to Economic Data Sources Available at the UP School of Economics Library	3-Jun-13—3-Jun-14	55,156.80
Collaborative research			
R.P. Alonzo R.M.T. Balanquit, R.E. Reside Jr.	Principal Agent Issue in PPP in Search of Improved Infrastructure Procurement Mechanisms in the Philippines	15-Jul-13—15-Jul-14	510,000.00

Table 1 continued on page 4

Table 1 (continued). **PCED Ongoing Research Contracts for UPSE Faculty and Staff in 2013**

Name	Title	Contract Duration	Total Contract Price (Php)
R.P. Alonzo, E.S. de Dios, R.V. Fabella	Intergenerational Fairness and Updating of Schedule of Penalties and Damage Under the Revised Penal Code	15-Jul-13—15-Jul-14	510,000.00
G.M. Ducanes, E.E. Tan	The Education Divide Among Women: The Philippine Case	11-Apr-13—30-May-14	340,062.00
ED.V. Mapa, M.L.V. Ravago	Coping Strategies to Extreme Weather Disturbances: Interaction and Welfare of Private and Public	11-Apr-13—31-Dec-14	340,062.00
J.J. Capuno, A.D. Kraft, S.L.A. Quimbo	Conditional Cash Transfers and Household Consumption Expenditure	11-Apr-13—31-Dec-14	510,093.00

Completed Independent Research

A total of 13 PCED-funded research studies were completed in 2013 and released as **UPSE Discussion Paper (DP)**, **UPSE Working Paper (WP)**, and **PCED Policy Note (PN)**. These were among the 12 **UPSE Discussion Papers (Table 2)**, six **UPSE Working Papers (Table 3)**, and seven **Policy Notes (Table 4)** web-published by UPSE.

Abstracts of the completed research studies funded by PCED are presented below.

[DP 2013-01]

Stable Commitment in an Intertemporal Collusive Trade

Abstract: This study presents a more general collusive mechanism that is sustainable in an oligopolistic repeated game. In this setup, firms can obtain average payoffs beyond the cooperative profits while at the same time improve consumer welfare through a lower market price offer. In particular, we introduce here the notion of intertemporal collusive trade where each oligopolist, apart from regularly producing the normal cooperative output, is also allowed in a systematic way to earn higher than the rest at some stages of the game. This admits subgame-perfection and is shown under some conditions to be Pareto-superior to the typical cooperative outcome. | **R.M.T. Balanquit**

[DP 2013-05]

Does economic empowerment protect women against domestic violence? Evidence from the Philippines

Abstract: Using data from the 2008 National Demographic and Health Survey, we ask whether women's economic empowerment—defined alternatively as having the ability to decide on (i) daily needs, (ii) major purchases, and (iii) spending own income—protects women against domestic violence. Using a simple model of choice of conflict resolution technology among spouses, we find evidence that economic empowerment protects women in a non-

linear way. Low and high levels of empowerment reduce the likelihood of women experiencing domestic violence, possibly reflecting traditional gender roles in Philippine society. | **S.Quimbo, X. Javier**

[DP 2013-07]

Time Inconsistency: The Philips Curve Example (An Analysis for Intermediate Macroeconomics)

Abstract: The paper provides the algebra and a panel diagram to examine the so-called inflation-unemployment (or Philips curve, or aggregate supply) example, the most popular one in the literature when introducing the concept of “inconsistency” or “dynamic inconsistency”. The resulting panel diagram (along with the derivations presented in the appendices) is used to analyze the different possible outcomes, depending on the scenarios—rule or pre-commitment, cheating and equilibrium—and find out whether there is indeed “time inconsistency” or “dynamic inconsistency” in the said example. | **F.N. Carlos**

[WP 2013-01]

For-profit Firms and NGOs as Service Delivery Partners

Abstract: The recognition of the limitations of pure public or private provisions shifts the focus on alternative modes of service delivery mechanisms. This paper reviews the theory behind public-private partnerships. Selected existing case studies of partnerships between a state agency and non-

government organization or business firm are re-examined, in the light of the economic framework, to identify the critical design features and institutional factors that are critical to their successes. The broad policy implications include identifying the missions of the prospective private sector partners, matching them to the characteristics of the public service to be provided, and motivating those using monetary or nonmonetary incentives to promote public welfare. | **J.J. Capuno**

[WP 2013-02]

A New Database of Non-Profit Organizations (NPOs) in the Philippines

Abstract: This is a first attempt at a financial profiling of non-stock, non-profit corporations, or nonprofit organizations (NPOs) in the Philippines. This represents follow up work from Reside, et al (2011), who analyzes the potential costs and benefits of NPOs that benefit from tax incentives for undertaking activities not related to investment, such as socially desirable activities like charitable giving, work for or among the impoverished, etc. The paper introduces a cross-section database containing records of NPOs that can be used for empirical and other analytical purposes. The following recommendations may be made based on an examination of the database. First, the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR) should enhance the scope and frequency of audits of NPOs, improve NPO disclosure requirements and consider enforcing stricter rules against deviations from the US benchmark standard for NPO tax administration. Second, the SEC should consider enforcing laws against outright non-reporting of activities. This will reduce the incidence of non-compliance and abuses. The SEC and BIR should consider imposing stiff penalties on non-reporting NPOs. The database results suggest that politicians can freely avail of tax exemptions associated with NPO status. The effect this may have on electoral campaign financing, lobbying and other forms of political activities should be scrutinized further. The number of military and police related NPOs (and indeed, NPOs operated by members of other branches of government) should also be scrutinized further. It appears that the NPO sector is one of the least regulated in the economy. This is unfortunate, because the intent of the law is to make them produce socially-beneficial goods. But with little checks, balances and oversight, it is highly likely that the NPO sector is producing at much less than full capacity. | **R.E. Reside Jr.**

[WP 2013-03]

Linking Geography and Human Development in the Philippines

Abstract: The purpose of development is to create an enabling environment for people to enjoy long, healthy and creative lives. More precisely, human development is defined

as the process that widens the range of people's choices, the most critical of which are to lead a long and healthy life, to be educated and knowledgeable, and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect. | **T.C. Monsod**

[WP 2013-04]

Equilibrium Restoration in a Class of Tolerant Strategies

Abstract: This study shows that in a two-player infinitely repeated game where one is impatient, Pareto-superior subgame perfect equilibria can still be achieved. An impatient player in this paper is depicted as someone who can truly destroy the possibility of attaining any feasible and individually rational outcome that is supported in equilibrium in repeated games, as asserted by the Folk Theorem. In this scenario, the main ingredient for the restoration of equilibrium is to introduce the notion of tolerant trigger strategy. Consequently, the use of the typical trigger strategy is abandoned since it ceases to be efficient as it only brings automatically the game to its punishment path, therefore eliminating the possibility of extracting other feasible equilibria. I provide a simple characterization of perfect equilibrium payoffs under this scenario and show that cooperative outcome can be approximated. | **R.T. Balanquit**

[WP 2013-05]

Rethinking Baselines: An Efficiency-based Approach to REDD+

Abstract: We present an alternative approach for the determination of dynamic baselines for Reducing Emissions from Deforestation and Degradation plus sequestration (REDD+) based on the efficient path of forest emissions absent carbon prices. The efficiency baseline does not reward countries for past overharvesting and potentially saves the world \$1.1 trillion relative to baselines calculated according to historical emissions, while maintaining marginal incentives to reduce carbon emissions. The savings can be used to induce developing countries' participation through financial and technical assistance in forest governance and/or the international community has a comparative advantage in some aspects of governance.

The efficiency benchmark is calculated as the path of harvesting that maximizes consumer and producer surplus from harvesting timber given an initial forest stock and exogenous world prices. Forest biomass is modeled as a function of the age distribution of trees across stands, such that the solution to the optimal cutting problem corresponds to the evolution of the optimal biomass stock. The numerical results show that, unlike positive efficient

emissions for industry, baseline emission permits for forests should be negative. Positive entitlements for forest emissions are unnecessary and may be ineffective, in the absence of additional governance mechanisms. A numerical exercise for the case of Indonesia shows that the potential gains from the efficiency-based approach are nearly twice that of conventional REDD+. The approach may also cost developing countries less than conventional transfers if the international community has a comparative advantage in some aspects of governance. | **M.V. Ravago**

[WP 2013-06]

On Diminishing Marginal Impatience, Money and Capital Exogenous-Growth Models

Abstract: This paper analyzes the conditions under which decreasing marginal impatience (DMI) is consistent with saddle-path stability in monetary economies with exogenous and endogenous growth. Whether capital and money are asset complements or substitutes determines these conditions. Indeed, unlike in a non-monetary context as in Das (2003), diminishing marginal product of capital is not necessary for saddle-path stability, if capital and money are substitutes. In line with these results, two monetary implications emerge. One, DMI is consistent with both a negative and a positive long-run inflation-growth nexus; inflation adversely affects growth under exogenous growth and capital-money complementarity, while a Mundell-Tobin effect ensues under endogenous growth and capital-money substitutability. Two, DMI and capital-money complementarity with exogenous and endogenous growth can work like an inflation tax, so that the Friedman rule might even fail to hold. | **S.S.Daway**

[PN 2013-4]

Mining Sector: Towards Contributing to Inclusive Growth

Abstract: This paper tests if the mining sector has contributed to inclusive growth in the Philippines. The results of the econometric test indicate that households—both poor and non-poor—whose members are employed in the mining sector are neither likely to exit nor enter poverty, suggesting that mining has a neutral impact on poverty status. The results also show that households whose members are in the agriculture, forestry, and hunting sectors are statistically likely to enter poverty, and less likely to exit it. The analysis also indicates that households engaged in entrepreneurial activities are the best candidates to exit poverty in the next period. The findings suggest that the mining sector in its current state cannot be relied on to directly contribute to poverty reduction. Moreover, it suggests that poverty reduction could be very likely attained by promoting and supporting entrepreneurship among poor households. | **A.L. Arcenas**

[PN 2013-5]

Non-Investment-Related Tax Incentives

Abstract: This note analyzed non-investment related tax incentives (NITIs)—tax mitigation instruments geared toward enhancement of social values from promotion of education, arts, and science, to assistance of charitable institutions, non-government and non-profit organizations (NPOs) and cooperatives and grant of tax privileges to individuals. It found that government's largest NITI fiscal exposures were to NPOs, seniors' VAT exemptions and cooperatives.

NITIs were subjected to rigorous economic efficiency criteria. Philippine standards, norms, practices, rules and laws for NITIs were compared with international best practice and were found wanting. Institutional shortcomings in NITI administration and tax system were pronounced—aggravated by a lack of thorough audits of NPOs and cooperatives by regulators and absence of agency coordination in implementation and monitoring of NITIs. The resulting non-transparency gives rise to mistargeting of subsidies and taxpayer abuse (money laundering by taxpayers, given the lack of oversight over many foundations). The Note concluded by offering stakeholder recommendations. | **R.P. Alonzo & R.E. Reside**

[PN 2013-6]

Just how good is unemployment as a measure of welfare?

Abstract: The government is rightly concerned with employment generation to make growth inclusive. The use of the open unemployment rate to measure its success, however, is misplaced. In a developing country with a large informal sector and in the absence of unemployment insurance, open unemployment is primarily a middle-class phenomenon: the unemployed are not predominantly poor, and the poor are not predominantly unemployed. Measures of productivity and shifts of labor across sectors may contain more information. | **E.S. de Dios**

[PN 2013-7]

The Philippine Rice Self-Sufficiency Program: Pitfalls and Remedies

Abstract: Will the Philippines become self-sufficient in rice in 2013? This policy note depicts research results indicating that the country is unlikely to become so. More importantly, it identifies pitfalls of its rice self-sufficiency program, and suggests how the country can move towards rice security at a much lower economic cost. | **R.L. Clarete**

Table 2. **UPSE Discussion Papers, 2013**

DP NO.	AUTHORS and TITLE	DP NO.	AUTHORS and TITLE
1301	* Balanquit, Romeo T. "Stable Commitment in an Intertemporal Collusive Trade". February 2013	1308	Fabella, Raul V. "Moral Hazard and Cooperation in Competing Teams". July 2013
1302	de Dios, Emmanuel S. "Skills, migration, and industrial structure in a dual economy". March 2013	1309	Fabella, Raul V. "Salience and Cooperation Among Rational Egoists". July 2013
1303	de Dios, Emmanuel S., Williamson, Jeffrey G. "Deviant Behavior: A Century of Philippine Industrialization". April 2013	1310	Horioka, Charles Y. "Why has Japan's Massive Government Debt Not Wreaked Havoc (Yet)?", October 2013
1304	Capuno, Joseph J. "Fiscal transfers and gerrymandering under decentralization in the Philippines". June 2013	1311	Horioka, Charles Y. "Corporate Cash Holding in Asia". October 2013
1305	* Quimbo, S., Javier, X. "Does economic empowerment protect women against domestic violence? Evidence from the Philippines". July 2013	1312	Capuno, Joseph J., Kraft, Aleli D., Quimbo, Stella A., Tan, and Carlos Antonio Jr. "Shocks to Philippine households: Incidence, idiosyncrasy and impact". November 2013
1306	Natividad-Carlos, Fidelina B. "An Exercise on Discrete-Time Intertemporal Optimization". July 2013		
1307	* Natividad-Carlos, Fidelina B. "'Time Inconsistency': The Phillips Curve Example (An Analysis for Intermediate Macroeconomics)". July 2013		

* Independent research funded by PCED prior to 2013
 * The papers are available at the UPSE Discussion Papers website:
<http://www.econ.upd.edu.ph/dp/index.php/dp>

Table 3. **UPSE Working Papers, 2013**

WP no.	Title	Authors
WP2013-01	* For Profit Firms and NGOs as Service Delivery Partners	J.J. Capuno
WP2013-02	* A New Database of Non-Profit Organization (NPOs) in the Philippines	R.E. Reside, Jr.
WP2013-03	* Linking Geography and Human Development in the Philippines	T. C. Monsod
WP2013-04	* Equilibrium Restoration in a Class of Tolerant Strategies	R.M.T. Balanquit
WP2013-05	* An Efficiency-based Approach to REDD+	M.L.V. Ravago
WP2013-06	* On Diminishing Marginal Impatience, Money and Capital in Exogenous-and Endogenous-Growth Models	S.L.S. Daway

* Independent research funded by PCED prior to 2013

Table 4. **PCED Policy Notes, 2013**

PN Series No.	Title	Authors
1	Health or Wealth: Is there a trade-off when taxing sin?	S.A. Quimbo
2	How much protection does PhilHealth provide Filipinos?	S. Quimbo, A Kraft, J Capuno, and C Tan
3	Giving the BSP an Extra Mop: A Response to Short-Term Capital Inflows	R.V. Fabella, FN. Carlos, S.L.S. Daway, and G.M. Ducanes
4	Mining Sector: Towards Contributing to Inclusive Growth	A.L. Arcenas
5	Non-Investment-Related Tax Incentives (NITIs)	R.E. Reside, Jr. and R.P. Alonzo
6	Just how good is unemployment as a measure of welfare?	E.S. de Dios
7	The Philippine Rice Self-Sufficiency Program: Pitfalls and Remedies	R.L. Clarete



TOP PHOTO: Meeting on the social protection survey, with the principal investigators and PSRC.

BOTTOM PHOTO: (from left to right) PIDS President Gilbert Llanto with UPSE Professors Aleli Kraft, Joseph Capuno and Stella Luz Quimbo at the special seminar/ symposium on universal SHI coverage on 27 September 2013.

Commissioned Surveys

PCED also supported a baseline socio economic survey of households for the studies “Conditional Cash Transfers and Household Consumption Expenditure” and “Coping Strategies to Extreme Weather Disturbances: Interaction and Welfare of Private and Public.” PCED contracted the services of Philippine Survey and Research Center, Inc. (PSRC) thru the Philippine International Trading Corporation (PITC). The project costs PhP 5,369,840.54.

Research Dissemination

PCED organized a total of 29 seminars in 2013—27 during its regular Friday Seminar Series and two special seminars (Table 5).

One special seminar include the participation of UPSE and PCED together with the UPEcon- Health Equity and Financial Protection in Asia (HEFPA) and the Philippine Institute of Development Studies (PIDS) during the 11th Development Planning and Research Month on 27 September 2013 at the UPSE Library. Senior faculty members from UPSE—Joseph Capuno, Stella Luz Quimbo and Aleli Kraft presented a paper titled “Towards Universal SHI Coverage in the Philippines: Setting the Subsidies Right for the Informal Sector”. Senior officials from Philhealth and the Department of Health (DOH) attended the seminar.

PCED also held a special seminar at the 51st Annual Meeting of the Philippine Economic Society on 15 November 2013 at the Intercontinental Hotel, Manila (Table 6).

Table 5. **UPSE Friday Seminar Series, 2013**

Date	Speaker	Topic
11-Jan	Rupert P. Majuca, Assistant Director-General, National Development Office for Planning, NEDA	An Estimated (Closed Economy) Dynamic Stochastic General Equilibrium Model for the Philippines: Are there Credibility Gains from Committing to an Inflation Targeting Rule
18-Jan	Franz M. Loyola, Ph.D. Candidate, George Mason University	Silver and Inflation: The Role of the Philippines in the Spanish Empire
25-Jan	Frank Melville Little, Ph.D. Candidate, Griffith University, Brisbane, Australia	Structural Change, Industry Transformation: Economic Development in the Philippines: An Evolutionary Appraisal
1-Mar	Nazmul Chaudhury, Social Protection Unit, World Bank, Manila	Impact Evaluation of the Conditional Cast Transfer Program in the Philippines
8-Mar	Romeo T. Balanquit, Assistant Professor, UP School of Economics	Stable Commitment in an Intertemporal Collusive Trade
22-Mar	Vigile Marie B. Fabella, Ph.D. Candidate, Universität Konstanz, Germany	The Robust Nash Equilibrium and Equilibrium Selection in 2×2 Coordination Games

Table 5 (continued). **UPSE Friday Seminar Series, 2013**

Date	Speaker	Topic
5-Apr	Raja Mikal Mitra, Senior Consultant, Asian Development Bank (ADB), World Bank and the United Nations	Knowledge Economy Transformation in Asia: ICT Revolution Opportunities and Challenges for the Philippines
6-May	Yurika Suzuki, Ph.D. Candidate, Institute of Developing Economies, Japan External Trade Organization (JETRO)	Investment Behavior of Firms in the Philippines
21-Jun	Denise Eby Konan, Dean of the College of Social Sciences and Professor of Economics, University of Hawaii	Commitment to Reform: The Success of Service Trade Liberalization
12-Jul	Ujjayant Chackravorty, Ph.D., Professor of Economics, Tufts University	Biofuels, Food Prices and Poverty
19-Jul	James A. Roumasset, Professor, University of Hawaii, Manoa	The Resource Economics that I Love and the 'Sustainability' Policies that I Love to Hate
26-Jul	Renato E. Reside Jr., Assistant Professor, UPSE	Social Spending Through the Tax System: Tax Expenditures by Nonprofit Organizations and Others
15-Aug	Klarizze Anne Puzon, Ph.D. Candidate, Universite Montpellier	Institutions and Resource Windfalls: An Experiment
16-Aug	Snaebjorn Gunnsteinsson, Department of Economics, Yale University	Identifying Information Asymmetries in Insurance: Theory and Evidence on Crop Insurance in the Philippines
23-Aug	Ramon L. Clarete, Dean and Professor, UPSE	Rice Self-Sufficiency Plan: Pitfalls and Remedies
30-Aug	Miklos Romandy, Project Coordinator FNF's Southeast and East Asia Regional Office in Indonesia	Freedom Barometer Asia: Is the Philippines Free Enough?
6-Sep	Kiyoshi Taniguchi, Operations Coordination Division Private Sector Operations Department, ADB	Asymmetric Transmission in Wheatflour Market in Indonesia
13-Sep	Jessica Kiessel, Director for Country Program, Innovations for Poverty Action	Evaluating Development Programs
20-Sep	Cielo Magno, Fellow, Action for Economic Reforms	Physician Prescribing Behavior: Direct-to-Consumer Advertising and the Demand for Me-Too Drugs
27-Sep	Joseph Capuno, Aleli Kraft, Stella Luz Quimbo, Associate Professors & Professor, UPSE	Towards Universal SHI Coverage in the Philippines: Setting the Subsidies Right for the Informal Sector
4-Oct	Fidelina Carlos, Professor, UPSE	Towards an Interest Rate Corridor
11-Oct	Agustin L. Arcenas, Associate Professor, UPSE	Mining Sector: Towards Contributing to Inclusive Growth
18-Oct	Daniel Cotlear, Lead Economist, The World Bank	Nuts and Bolts of Universal Health Coverage
14-Nov	Sophie Sam Joyce, Singapore Management University	Running Some Tests: Doctor-Patient Demographic Concordance, Communication and Diagnostic Test Orders
15-Nov	PCED- PES Conference	
22-Nov	Raul V. Fabella, Professor, UPSE	Giving the BSP an Extra Mop: A Response to Short-term Capital Inflows
29-Nov	Lino Briguglio, Professor of Economics, University of Malta	Euro Area: Recent Events and Prospects
6-Dec	Rolando Danao, Professor Emeritus, UPSE	Mathematical Economics
13-Dec	Emmanuel de Dios, Professor, UPSE	Just how good is unemployment as a measure for welfare?

Table 6. **PCED – PES Parallel Sessions**

Presenter	Title of Presentation
<i>Parallel Session 1</i>	
Poverty and Development	
Toby Monsod, UPSE	Linking Geography to Human Development in the Philippines
Joseph J. Capuno, Aleli D. Kraft, Stella A. Quimbo and Carlos Antonio R. Tan, Jr., UPSE	Shocks to Philippine Households: Incidence, Idiosyncrasy and Impact
Melba Tutor, UPSE	The Impact of the Philippines' Conditional Cash Transfer Program on Consumption
<i>Parallel Session 2</i>	
Natural Resources and Environment: Climate Change, Water, and Waste	
Majah-Leah V. Ravago, UPSE	Inter Generational Games with Dynamic Externalities and Climate Change Experiments
Adoracion M. Navarro, Philippine Institute for Development Studies	Economic Regulation of Water Supply in the Philippines
Levi Guillermo Lima Geganzo, UP Visayas Foundation, Inc.	Who Should Shoulder the Cost of Solid Waste Management?

II. Support to UPSE Teaching

For academic year 2013-2014, UPSE resumed the use of PCED scholarship funds to support teaching fellows. For the first and second semesters of 2013, PCED gave grants to a total of 24 teaching fellows.

Library Acquisitions

The UPSE Library increased its 2013 collection with the acquisition of 959 volumes of print and non-print materials through purchase (339), and gifts and exchange (459). The present serial holdings consist of 573 titles in 7,635 bound volumes of which 28 are active subscription categorized as 18 technical journals, four news magazines, and six foreign and local newspapers. PCED's support enabled the UPSE library to acquire local and international periodicals and books.

III. Support to UPSE Training, Extension and Public Affairs

The Public Affairs Office organizes and coordinates the extension services of the UP School of Economics (UPSE).

PCED supported several special events such as forums, consultations and roundtable discussions on public issues in 2013, including the following:

Forums

- *Forum on Shocks, Traps, and Nets: Pressing Needs and Present Seeds of Social Protection* on 15 April at Crowne Plaza, Quezon City, jointly organized by National Economic and Development Authority (NEDA) and UPSE. The forum discussed the policy agenda, plan of action, research and capacity-building setting for social protection in the country. See <http://www.econ.upd.ph/socialprotection/forum/>
- *Paper Presentation: Exchange Rate Management* by National Scientist and UPSE Professor, Raul V. Fabella, Ph.D. on 18 February at UPSE, organized with the Asian Development Bank (ADB) and NEDA.

- *Paper Presentation: Aggregate Labor Productivity as the Driver of Real Per Capita GDP: A New Look at Philippine Economic Growth, 2002-2011* by Mr. Jesus Dumagan on 14 March at UPSE, organized with ADB and NEDA.
- *Paper Presentation: A Trigger Paper for a Long Term Vision on the Philippine Economy* by UPSE Professor Emmanuel S. de Dios, Ph.D. on 01 July at UPSE, organized with ADB and NEDA.
- *Paper Presentation: Policy Paper on Tax Incentives for Investment in the Philippines* by UPSE Professor, Renato E. Reside, Jr., Ph.D. on 03 July at UPSE, organized with ADB and NEDA.
- *Meeting on Sharing Policy Experience: RH and Sin Tax Laws on January 25 at UPSE.* This gathering of people who contributed significantly to the enactment of the two reforms took stock of the reform challenges that lie ahead and how to realize its potential for poverty alleviation.
- *Consultation Meeting on the Draft Manufacturing Industry Roadmap* by Rafaelita Aldaba, Ph.D. of the Philippine Institute for Development Studies (PIDS), on 21 May at UPSE.
- *Roundtable Discussion on Philippine Development: Economic Policies and Social Progress* on 27 September at UPSE. The panelists were Gilbert Llanto, Ph.D., President of the Philippine Institute for Development Studies; Mr. Calixto Chikiamco, President of the Foundation for Economic Freedom; and Felipe Medalla, Ph.D., Monetary Board Member of the Bangko Sentral ng Pilipinas and former Director-General of NEDA.



LEFT PHOTO: UPSE Prof Emeritus Rolando Danao at his book launch on 6 December 2013.



RIGHT PHOTO: (from left to right), ANC business head Coco Alcuaz (moderator), UPSE Prof Joseph Capuno, DSWD Sec. Corazon "Dinky" Soliman, DOLE Sec. Rosalinda Baldoz, Socioeconomic Planning Sec. Arsenio Balisacan, and DOH Sec. Enrique Ona at the forum on social protection on 15 April 2013.

Training

The Center likewise supported the training for NEDA's regional directors, assistant directors and some technical personnel on the foundations (theories and principles) of development economics and urban and regional planning as well as their methods and applications to the Philippine setting.

Special Events

PCED also supported other events organized by the Public Affairs Committee such as the launch of two books, namely **WEIGHING IN: On the Philippine Economy and Social Progress** by Dr. Gerardo Sicat and **Introduction to Statistics and Econometrics (Second Edition)** by Dr. Rolando Danao, on 27 September and 6 December, respectively. Dr. Sicat's book argues for a deep structural cure that goes beyond the usual remedies offered by superficial reforms. Dr. Danao's book for beginning econometrics students, is an updated version of the first edition, which won the 2004 National Academy of Science and Technology Outstanding Book Award. The major change in this edition is the addition of a chapter on logistic regression, a model of binary choice that is now commonly used in many disciplines including economics.


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News & Announcements


Policy Notes No. 2014-1 (February 2014). How did the Philippines level its tax treatment of imported and local distilled spirits?
By Dr. Pinarata

<http://pced.gov.ph>



www.econ.upd.edu.ph

Website and social media

PCED also supported the updating of the UP School of Economics website <http://www.econ.upd.edu.ph/>. The PCED website (<http://www.pced.gov.ph>) is currently under construction following Administrative Order No. 39, s. 2013, which mandates government agencies to migrate to the government web hosting service (GWHS) of the Department of Science and Technology-Information and Communications Technology Office (DOST-ICTO).

PCED also supported UPSE's efforts to establish its presence in social media and other online services through the creation of accounts in Facebook <https://www.facebook.com/dilimanupse>, Twitter <https://twitter.com/upsediliman> and Instagram <http://instagram.com/upsed50>.



<https://twitter.com/upsediliman>



<https://www.facebook.com/dilimanupse>

IV. MAINTENANCE AND UPGRADE OF PCED PROPERTY

The maintenance and upgrade of UPSE's facilities, which is part of the PCED complex in UP Diliman, is a key component of PCED's support to the School. Facility support for 2013 include the waterproofing of the UPSE Main Building and Library Building, purchase of chairs and tables, installation of audio visual system in the UPSE Auditorium and procurement of a vehicle for PCED.

Table 7. **Maintenance Works and Equipment Upgrade for UPSE Buildings, 2013**

	PROJECT DESCRIPTION	SUPPLIER/ CONTRACTOR	STATUS	TOTAL COST (PhP)
1	Waterproofing and Damp Proofing of the Roof Deck of the UPSE Main Building & Library Building	KB KONSTRAK BILDING SOLUSYONS	Completed August 16, 2013	4,982,971.13
2	Supply and Installation of Furnishing and Fixtures (Stackable chairs and retractable writing tablet)	CITIMEX INC.	Completed November 13, 2013	1,601,249.92
3	Supply and Installation of Audiovisual Systems	ComSEC i-tec	Installation is on going	1,100,000.00
4	Purchase of Motor Vehicle (passenger van)		Bidding still in progress	1,880,640.00

Resources

Personnel

As of December 2013, PCED's staff totalled 16 (Table 8).

Table 8. **PCED STAFF (as of December 2013)**

Position Title	Name of Incumbent
Executive Director	Ramon L. Clarete
Adm. Asst. III	Rowena V. Alvarez
Research Division	
Division Chief III	Majah-Leah V. Ravago
Adm. Asst. II	Juliet R. Gordulan
	Gil S. Mallari
Special Projects Division	
Division Chief III	Geoffrey M. Ducanes
Division Chief III	Toby Melissa C. Monsod
Finance & Adm. Division	
Division Chief III	Fidelina N. Carlos
Accountant III	Milagros O. Savella
Adm. Officer III	Ma. Teresa B. Tueres
Adm. Asst. III	Ruth V. Abaloyan
Adm. Asst. II	Gloria D. Lambino
Adm. Asst. II	Judy Vi V. Avila
Adm. Aide IV	Roberto T. Barcelo
Adm. Aide II	Lilia E. Ravina
Adm. Aide II	Alberto M. Calaguas

Fiscal Resources and General Allocation

For fiscal year 2013, PCED's Board of Trustees approved a budget amounting to PhP30.82 million broken down as follows: PhP2.92 million for Personnel Services; PhP24.70 million for Maintenance and Other Operating Expenditures and PhP3.20 million for capital outlays and equipment. (Table 9).

Table 9. **2013 Authorized and Audited Expenditures of PCED**

Expenditure items:	Authorized Expenditures	Audited Expenditures
Personal Services (PS)	2,919,000.00	2,495,580.00
Maintenance and Other Operating Expenditures (MOOE)	24,703,000.00	20,706,825.00
Capital Outlays (CO)	3,200,000.00	3,368,912.00
	30,822,000.00	26,571,317.00

The audited balance sheet and income statement of PCED for 2012 and 2013 are shown in Tables 10 and 11.

Table 10. **PCED Balance Sheet December 31, 2013 (with corresponding figures for 2012 in pesos)**

	FY 2013 (Audited)	FY 2012 (Audited)		FY 2013 (Audited)	FY 2012 (Audited)
ASSETS			LIABILITIES		
Current Assets			Accounts Payable	3,513,560.00	483,759.00
Cash	32,080,726.00	29,940,802.00	Trust liabilities	441,315.00	143,247.00
Receivables - Net	18,313,501.00	21,259,331.00	TOTAL LIABILITIES	3,954,875.00	627,006.00
Prepaid Expenses	121,838.00	282,601.00	EQUITY		
Inventories	306,693.00	453,261.00	Donated Capital	4,890,129.00	14,890,129.00
Total Current Assets	50,822,758.00	51,935,995.00	Capital - Miscellaneous	23,677,893.00	23,677,893.00
Financial Assets	75,753,579.00	81,391,977.00	Retained earnings	99,658,201.00	100,176,651.00
Property, Plant and Equipment - NET	15,604,761.00	6,043,707.00	TOTAL EQUITY	138,226,223.00	138,744,673.00
TOTAL ASSETS	142,181,098.00	139,371,679.00	TOTAL LIABILITIES AND EQUITY	142,181,098.00	139,371,679.00

Table 11. PCED Income Statement
For the year ended December 31, 2013
(with corresponding figures for 2012 in pesos)

	FY 2013 (Audited)	FY 2012 (Audited)
INCOME		
Income from Investment	3,903,633	4,351,841
Rent Income	3,803,507	4,518,800
Interest Income	403,008	388,585
Dividend Income		10,977
Miscellaneous Income	73,807	73,508
Total Income	8,183,955	9,343,711
EXPENSES		
Personnel Services		
Salaries And Wages	1,129,876	894,744
Other Personnel Benefits	830,900	837,025
Personnel Economic Relief Allowance	144,000	122,226
Life & Retirement/ Philhealth/ HDMF/ ECC Contribution	160,136	126,237
Year-end Bonus and Cash Gift	121,935	95,391
Productivity Incentive Allowances	42,733	34,500
Other Bonus and Allowances	36,000	35,000
Clothing/Uniform Allowance	30,000	25,462
Terminal Leave Benefits	-	-
Total Personnel Services	2,495,580	2,170,585
Maintenance and Other Operating Expenses		
Donations	9,838,113	5,362,735
Depreciation Expense	1,599,242	1,539,160
Other Professional Services	7,166,669	2,779,908
Repairs and Maintenance	1,021,278	502,873
Office and Other Supplies Expense	609,213	685,009
Representation Expense	267,591	148,549
Training Expense	94,108	208,801
Insurance Expense	13,592	20,892
Travelling Expense - Local	17,701	20,870
Subscription Expense	-	24,621
Gasoline, Oil and Lubricant Expenses	34,020	-
Taxes, Duties and Licenses	5,978	2,729
Auditing Services	-	70,123
Miscellaneous Expense	39,320	47,441
Total Maintenance and Other Operating Expense	20,706,825	11,413,711
Total Expenses	23,202,405	13,584,296
Net (Loss)/Income before Subsidy	(15,018,450)	(4,240,585)
Subsidy from the National Government	14,500,000	14,500,000
Net (Loss)/Income after Subsidy	(518,450)	10,259,415

PCED Board of Trustees



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 and The Director-General of the National
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PCED Board meeting

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 of Economics



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 The Secretary of Trade
 and Industry

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PCED Mission, Vision and Goals

Continued from inside front cover...

The support of the Center extends to academic and other programs related to all of the following functions of the School:

1. To conduct and engage in research work and studies oriented towards national policy and the needs of national development in the field of economics, particularly in the areas of:
 - a. monetary and fiscal policy;
 - b. tariff and trade policy;
 - c. industrial and agricultural policy;
 - d. regional economic development;
 - e. long-, medium-, and short-term economic planning;
 - f. manpower and employment;
 - g. economic studies on education, health, and social development in general; and
 - h. statistical programs and policy.
2. To undertake training programs designed to provide government and the nation as a whole with planners, analysts and economic statisticians, or in general, with technicians skilled and knowledgeable in the problems of economic development;
3. To serve as the medium for bringing together experts and specialists in other disciplines to conduct studies and investigations and engage in the interchange of ideas so as to bring their knowledge and experience to bear on common problems with a view to evolving fresh ideas and approaches that could be effectively applied to economic development; and
4. To engage in the publication of the results of research.

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Economic Development

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