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## The Economic Development Foundation

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# Notes & Comment

## *The Economic Development Foundation*

One afternoon not long ago I went into town to pay a visit to Manuel Lim, Jr., who, since early in August, has been the executive vice-president of the newly formed Economic Development Foundation, Inc. In giving me directions, Mr. Lim assured me that I could not miss the offices of the Foundation: they are located on the corner of Arquiza and Alhambra in Ermita, above the Omelette House. No symbolism there.

The EDF is, more or less, the successor to the Industrial Development Center, a joint venture of the Philippine and U.S. governments which for 12 years lent a helping hand to industrial firms coming into being or already in being, engaged chiefly in supplying the people's basic needs: shelter, clothing and food. The production of building materials and of textiles and the processing of foods were in fact substantially promoted by the IDC. The Center no longer exists, yet the functions which it performed are no less needed now. The time has come, however, when this kind of service can be provided more suitably by the private sector than by a government-sponsored and supported agency.

Though the Foundation is the IDC's heir, it has not suddenly sprung up of itself out of nowhere. Several interested and farsighted individuals toiled hard and long to bring it into being. If I may risk limiting the credit of explicit mention to two names, one Filipino and one American, Sixto K. Roxas III and Richard Bernhart are the two I would choose. Mr. Roxas is the chairman of the EDF's prestigious board of trustees; Mr. Bernhart left Manila at the end of September after seven years' service here in the various US aid agencies. *Valent.*

The EDF has three main purposes and a plethora of subsidiary ones. First, it is equipped to help existing private firms to get bigger

and better, and it includes agricultural enterprises among the firms it stands ready to serve. The IDC had specialized in aiding manufacturing firms. Second, it will assist new private firms to come into being from the very first instant of their conception. Third, it will help to develop manpower for middle and lower management positions, where shortages of capable men have caused and continue to cause business growing pains. There is room at the top.

One of the Foundation's subsidiary purposes has been judged important enough to warrant a department: that of Information and Statistics. This warms an educator's heart. The Department's reason for being is to "develop and maintain a reliable and central source of economic, technical and financial information and statistics." This Department is in charge of Mr. Buenaventura H. Ocampo, who joined Mr. Lim in telling me about EDF.

The EDF is a non-profit organization but far from uncostly. As a matter of fact the services it intends to provide cost plenty of money. From the start its costs will run to about ₱320,000 a year. To help it get on its feet, it has gotten a grant of ₱150,000 from NEC-USAID Counterpart Special Funds. The same Special Funds are paying its rent in the Ermita Building, about ₱40,000 a year. To keep it going, USAID has agreed to lend the Foundation ₱3 million at an interest rate of three-fourths of one percent per annum, for 15 years, the repayment of the principal to begin five years hence. The Foundation will invest the ₱3 million in first-class securities with the aim of earning at least seven percent per annum. But the loan is contingent upon the Foundation's raising an endowment of ₱500,000 from sponsoring firms in the private sector. Mr. Roxas, who has missed no chance of acquainting groups of businessmen with the idea of the Foundation and of exhorting them unashamedly to support it, is looking for 35 sponsor-firms which will make gifts — really, quasi-loans — of ₱15,000 each to the Foundation's long-term capital fund. Smaller firms are invited to become members by contributing ₱1,000 a year. Fees for services rendered will also help cover the costs of operation, but note that it is not expected that fees will entirely cover costs.

The Foundation is blessed in being able to start out in life with a 5,000 volume technical library, a most precious asset in a country where library resources are skimpy and books expensive. It also possesses a collection of training films and other audio-visual teaching aids. The library is housed on the P. Faura campus of the Ateneo de Manila, rent-free, in space which would otherwise cost the Foundation ₱18,000 a year.

USAID has assigned to the Foundation for two years a team of four American management consultants from George Fry and Associates, Chicago. The four are known impressively as the Pre-Investment Feasi-

bility Study Team. Their job is to spot cracked pots. Working with them are Messrs. Ocampo (*supra*), Cesar M. Sarino (marketing) and David L. Arcenas (production management). The two-year contract with George Fry and Associates is costing USAID \$50,000.

Businesswise, this is a very exciting time to be alive. Today men have the chance to play the roles in the economic order which Quezon, Osmeña and their confrères played forty years ago in the political order — the chance to be the shapers of something new under the sun. There is need today for the old-fashioned virtue of economic patriotism, the virtue by which men of business concern themselves with the common good as well as with their individual advantage, though there need be no conflict of interest between these two. That is to say, it is to the personal advantage of all businessmen in the long run that this economy develop and thrive rather than stagnate and founder. Now, the productive power of an economic organism is no greater than the productive power of the single firms — the cells — which constitute it. The healthier these are, and the more of them there are, the better for the whole economy.

The needs of a developing economy are legion and, therefore, in one sense it is an exaggeration to claim that any single institution—the Economic Development Foundation, for example—goes to the heart of the matter. But there is no doubt at all that EDF intends to work in the region of the heart. If an economy is to grow in a wholesome way, its resources must be more and more fully and efficiently employed in turning out the goods and services which satisfy the people's first needs first and raise their level of living. Mr. Roxas revived the expressive old phrase "wage-goods" to describe what is meant: food, clothing, shelter, furnishings. Individuals can grow rich by diverting scarce resources into casinos, motels, recreation resorts and a wide variety of less urgent ventures — like reclaiming land in Manila Bay. But the social utility of this kind of enterprise is zero or negative. The Foundation will help firms in the production of wage-goods and of fundamental means of producing them.

Specifically, it will help already existing firms to grow stronger and more efficient. And it will help new firms come into being. All successful firms are in a working sense growing-points. The centuries-long history of modern economic progress attests that the capital which an economy needs for its further growth is generated chiefly out of the net earnings of profitable firms. Much of it is put back to work by them directly.

The chairman and his distinguished board of trustees serve the Foundation without compensation. If their efforts are touched with the success they deserve, the Foundation will be a monument to their memories more enduring than bronze.

MICHAEL MCPHELIN