The Island of Samar and its Economic Potentials\textsuperscript{1}: Notes on Strategies for the Industrialization of Samar

by

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Introduction

Much has been written about Samar\(^2\), its dwindling rainforest, the struggling economy, or whatever resembles an agriculture-based economy, the informal economy, the travails of its people in the island, and in urban cities living as informal settlers, or as members of criminal gangs in the metropolitan cities.\(^3\)

But nothing has been written about its economic potentials as an industrial base for the Philippine economy, or as a powerhouse for the future.

I. Samar and its natural resources

Samar is the third largest island in the Philippines.

During the 1970s, Samar was widely used as source of metals and minerals such as copper, and manganese. Most of the extraction of the minerals were taken without regard for the environment. Companies like San Jose Timber Corporation, Marinduque Mining Corp., and Marcopper has heavily extracted natural resources with devastating impact on the environment. There is no doubt that the economic interests of Enrile, then Defense Secretary, was linked to the increased militarization campaign in the area.

With the new regime, geologic mine search revealed vast quantities of metals such as bauxite, manganese, iron ore, and chromite. Licenses and permits were issued to different companies to extract these metals.

However, the Samarenos has learned the hard way. A massive protest action from ‘civil society’ stopped the mining and deforestation of the remaining forest cover in Samar.

\(^2\) Samar is located in the western side of the island of Samar, the capital of which is Catbalogan. On June 2007, Catbalogan became a city. There are two other regions, Northern and Eastern Samar, with Catarman, and Borongan, as their capital respectively.

\(^3\) Among the provinces of Eastern Visayas, the Samar Island is still one, if not the most economically depressed. In fact, the study results contained in the publication entitled, “Estimation of Local Poverty in the Philippines”, which is a part of the output of the Poverty Mapping Project implemented by the National Statistical Coordination Board (NSCB), revealed that the top 3 poorest municipalities of Region 8 in 2000 are found in Samar, with poverty incidence as high as 72% of the population. Adding to this scenario is the 2005 data of the National Nutrition Council revealing Samar municipalities topping the list of the region's most nutritionally depressed municipalities. (DOST, 8-14 May 2006, Researchers Relate BioDiversity Conservation to the Development of Samar)
Economic Series 1: Regional Economies in the Philippines-Samar Island

Land Area:

The province of Samar has a total land area of 559,100 hectares. Of this, 151,131 hectares or 27.30 percent is agricultural land.

The potential irrigable land of the province of Samar is 15,782 hectares. The total irrigated area is 2,940.93 hectares, however out of this only 1,039 hectares are operational, 1,503 hectares for rehabilitation, 398.92 hectares totally damaged. The total irrigated area of 2,940.92 hectares is only 18.63 percent of the total potential irrigable area.³

Agriculture and Fisheries:

The main base of agricultural production is coconut. Majority of the farmers use coconut as their main source of income. Traditionally, coconut farming has been the basis of the agricultural economy of Samar, and the rest of the country. During the 1970s, the Marcos administration established the Philippine Coconut Authority, and the Cocofed, and its fund counterpart, Cocofund, in order to support any buffer effects on the fluctuation of the world market prices for copra, and coconut oil. But this eventually failed since the institutions became monopolistic, and was controlled by a single person, Eduardo Cojuangco.

Due to the mountainous, and rugged terrain of Samar, rice cannot be cultivated in a massive volume. Parts of Samar in the South has ricelands but cultivated only to supplement family incomes. Samar relies on imports from Cebu or nearby Leyte, and as far as Mindanao.⁴

The main source of income for farmers is coconut. With approximately, 10,000,000 coconuts, or roughly 67,602,000 liters of coconut oil can be produced annually, Samar can be a major source of coconut-based products destined for the international market.⁵

³ Province of Samar, year 2000 Report
⁴ Based on the year 2000 report of the Province of Samar, “Ninety percent (90%) of the population of the province of Samar is dependent on rice for their food intake; hence it is staple food of the Samareños. In the year 2000, total palay production under the Agrikulturang MakaMASA program, registered at 40,579.48 metric tons, of which 9,751.74 metric tons came from irrigated fields; 29,110 metric tons, rainfed/lowlands; and 1,717.74 metric tons, uplands. The decrease in production for this year could be attributed to the occurrence of rat infestation in the entire province and typhoon damage reported which occurred in October 2000.”

⁵ “Coconut is the main commercial crop in the province, which are mostly concentrated in coastal areas. Total coconut area for the year 2000 was 563,670 hectares. The total number of coconut trees was 10,099,872 of which 7,322,525 (72.5%) are bearing trees and 2,777,347 (27.5%) are non-bearing trees. The total coconut production was 270,360,381 nuts with an average yield of 37 nuts/tree/year and its equivalent copra production was 57,290 metric tons. It recorded a remarkable increase of 58.08% from its 1999 production.” Based on year 2000 report of the Province of Samar.
The coconut industry is currently undergoing a major structural change in its market. And this is the right time to develop the industry based on vertical integration.

Root crop production is also abundant in Samar “such as cassava, sweet potato, gabi and ubi which registered a total production of 16,073 metric tons. Cassava represents 45.36% of the total production with an average yield of 1.27 metric tons/hectare”.

Samar also has abundant fishing ground. A variety of fish exists in the areas of Maqueda Bay, and Samar sea, and the annual production would approximate to thousands of tons. This is also the main source of income for the fishermen, and the big fishing companies using trawlers. As the years passed by, and without an effective resource management techniques, the catch dwindled, due mainly to over fishing, and using illegal methods such as dynamite, and cyanide.

**Labor and employment:**

There are 2 major state universities in Samar: Samar State Polytechnic University, and Samar Fisheries College. Private colleges and universities also exist. Approximately 100,000 students graduate from colleges and universities in the province, every year. Labor is abundant. An educated workforce of more than a million can be tapped, if utilizing other neighboring provinces from the North and the East. Most of the college graduates from these universities go abroad or work in Metro Manila or Metro Cebu. Labor migration for skilled workers is high. This is due to the lack of employment opportunities in Samar.

The major source of income in the provinces is entrepreneurial activities, employing roughly 40% of the total labor force in the island. The secondary sources of income is wages and salaries, combining the government and private sector.

The private sector accounts 40% of the employment generated in the province, as based on the agricultural and non-agricultural activities.

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**Catbalogan City: Capital of Samar**

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The center of urban growth is Catbalogan City. It is currently undergoing growth coming from two areas: migration and trading activity for fishing and food supplies. The city has relatively developed infrastructure - 2 piers and communication facilities. Pier 1 is the oldest and has to be rehabilitated. Pier 2 is in relatively good condition. The 2 km airport runway located 8 kms away from the city proper is not being used currently for commercial operations, but can be developed eventually.

Its roads and highways are however underdeveloped which is the source of complaints for travelers from the north going to south. The road starting from Calbayog up to Calbiga is in a state of disrepair - big potholes, cracked roads, and unfinished maintenance operations. A total rehabilitation for the approx 100 km highway is undergoing but is hampered by bureaucratic delays and corruption.

The communication facilities are in better condition, having 3 companies, Globe and Smart, and PLDT, operating in the area. There is also an operating cable channel.

Catbalogan City is, however, hampered by its natural environment. Its physical expansion is obstructed by the hills surrounding it. Housing development is slowly encroaching the hills around it. A reclamation plan for 50 hectares was launched in 2002 but the bidding failed as no construction companies came forward to invest approximately Php 300 Million pesos.[7]

**Industries:**

There is only light manufacturing industry in Samar based on agriculture, and fishing, as well as fledgling cottage or home-based industries.

**II. Samar as an industrial base**

1. **Resource Management** - in conventional economics, an economic or business

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enterprise must have the following inputs: **Land, Labor and Capital.** An effective management utilization of the economic inputs must be used in order to obtain the highest return on investment to shareholders, and at the same time contribute to the economic and social alleviation of the stakeholders therein.

**Land-**

In order to generate investor confidence and interest, a Special Economic Zone should be established in the island, providing the incentives as well as infrastructure facilities to support light-to-heavy industries to be put up in the island.

Land utilization has not been maximized that a higher percentage is devoted mainly to agricultural production. There are areas which needed to cover certain industries in order to generate employment in the island.

1. 2. Special Economic Zone\(^8\)-

Under the R.A. 7916, section f, Ecozones or “Special Economic Zones” is defined as “selected areas with highly developed or which have the potential to be developed into agri-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZ), free trade zones and tourist / recreational centers.

f.1. “**Industrial Estate (IE)**” refers to a tract of land subdivided and developed according to a comprehensive plan under a unified continuous management and with provisions for basic infrastructure and utilities, with or without pre-built standard factory buildings and community facilities for the use of a

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\(^8\) Under R.A.7916, otherwise known as “Special Economic Zone Act of 1995” under SECTION 1. General Criteria - All areas initially identified under Section 5 of the Act as the sites of the ECOZONES and other areas where ECOZONES may be established shall conform to the following general criteria to ensure their viability and geographic dispersal.

a) Identification of the proposed area as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Development Council;
b) The existence of required infrastructure in the proposed ECOZONE, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;
c) The availability of water source and electric power supply for use of the ECOZONE;
d) The extent of vacant lands available for industrial and commercial development and future expansion of the ECOZONE as well as of lands adjacent to the ECOZONE available for development of residential areas for the ECOZONE workers;
e) The availability of water source and electric power supply for use of the ECOZONE;
f) The area must have a significant incremental advantage over the existing ECOZONES and its potential profitability can be established;
g) The area must be strategically located; and
h) The area must be situated where controls can easily be established to curtail smuggling activities.
community of industries.

f.2. "Export Processing Zone (EPZ)" refers to a specialized industrial estate located physically and / or administratively outside the customs territory and predominantly oriented to export production. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes and other import restrictions.

f.3. "Free Trade Zone" refers to an isolated policed area adjacent to a port of entry (such as a seaport) and / or airport where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated. However, movement of these imported goods from the free-trade area to a non-free trade area in the country shall be subject to customs and internal revenue rules and regulations.

f.4. "Tourist / Recreational Center" refers to an area within the ECOZONE where tourist accommodation facilities such as hotels, aparthelles, tourist inns, pension houses, resorts, sports and / or recreational facilities are provided to render tourism services for both local and foreign tourists, travellers and investors in accordance with the guidelines issued by the PEZA.

-Industrial Estate

There are several ideas that can be established in order to set up an industrial estate which is basically a coconut integrated processing center. This center will utilize coconut as a raw material for making coco fiber, coco coir, coconut juice, coconut wine, and vinegar, as well as other applications.

-Export-Processing Zone

The availability of light and medium industries is based on the agro-technology aspect such as production of ethanol, and biodiesel, which will serve both as the downstream industries for the agriculture.

-International Port(s)

There is only one major port servicing international ships. This is located in Guian, Eastern Samar.

Labor

An education work force is available. The three existing universities in the island churn out approximately 100,000 graduates every year. After graduation, they find work in the metropolitan cities such as Metro Manila and Cebu which is the traditional migration patterns for most Samarenos. In fact, the majority of informal settlers or squatters in Metro Manila are from Samar, and the rest are from the Visayan region. From engineers to nursing graduates, they comprise the labor pool which can be readily absorbed when industries are set up in Samar from shipbuilding to oil refining.

Capital
Opening of a credit system conducive to agricultural and fishing development is necessary.

The current banking system in Samar is undeveloped in such a way that most banks are used only as conduit for transfers of funds between regions and cities for a select group of clientele, mostly the traders and traditional business elites of Samar. The lending and deposit ratio is not balanced. Most deposits are used mainly for money market instruments and overnight rates with the Bangko Sentral ng Pilipinas.

There are currently 10 banks in Samar, listed as follows:

<table>
<thead>
<tr>
<th>Name of Banks</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allied Bank</td>
<td>Catbalogan</td>
</tr>
<tr>
<td>2. China Banking Corporation</td>
<td>Catbalogan</td>
</tr>
<tr>
<td>3. Development Bank of the Phil.</td>
<td>Catbalogan</td>
</tr>
<tr>
<td>4. Land Bank of the Phil.</td>
<td>Catbalogan, Calbayog City</td>
</tr>
<tr>
<td>5. MetroBank</td>
<td>Catbalogan, Calbayog City</td>
</tr>
<tr>
<td>6. PCI-Equitable Bank</td>
<td>Catbalogan</td>
</tr>
<tr>
<td>7. Philippine National Bank</td>
<td>Catbalogan, Calbayog City</td>
</tr>
<tr>
<td>8. RCBC</td>
<td>Catbalogan, Calbayog City</td>
</tr>
<tr>
<td>9. Rural Bank</td>
<td>Calbayog City, Basey, Calbiga, Gandara, Sta. Margarita</td>
</tr>
<tr>
<td>10. United Coconut Planters Bank</td>
<td>Calbayog City</td>
</tr>
</tbody>
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These banks average loan ratio as against deposit is very low. The lending activities of these banks are more eschewed in favor of collateralized lending scheme for property development and traditional business establishments mostly for Chinese-Filipino businessmen who have started years back in the 1970s during the fledgling retail trade and industrialization Act.

III. The Basis of Industrialization in Samar

In order for Samar to develop itself, the basic infrastructure must be laid down:

1. Infrastructure-

1.1 Efficient Highway system

A highway system must be developed connecting main cities in the island. The national roads are being repaired mainly on the basis of available funds from the government as allocated by the Congress and the Department of Budget and Management.

1.2. Farm to Market roads
The inner roads can connect other feeder roads going into major cities and tributary roads connecting the highway surrounding the island.

1.3. Ports-connecting other islands

The ports must be rehabilitated so as to accommodate incoming and outgoing vessels. Catbalogan City has 2 piers that can accommodate 3,000 DWT ships. Each pier can accommodate a Roro-type, flat bed barges, and regular-type vessels.

1.4 Railway system

A railway system can be constructed connecting the major cities of the island, from Calbayog City to Catbalogan City to Borongan City which can be used to deliver goods and services between these cities. A later expansion can connect the northern part which is Catarman.

1.5 Reclamation Projects

In 2002, the Public Estates Authority approved the bidding of a reclamation project for 40 hectares in the Municipality of Catbalogan, for expansion of needed land for housing and commercial use. However, this project remains unsuccessful due to its economic feasibility which is not commercially feasible as of this time. A special economic zone can be designated to reclaimed areas as added incentives for investors.

2. Energy program

2.1. Alternative energy source

A hydropower plant can be constructed in one of the major rivers of the island, and also the tidal power technology can be constructed in San Bernandino Strait, which is at the northern tip of the island. Also wind power technology can be set up in the eastern side of the island.

3. Labor and population

3.1 Reverse labor and population migration

If the industries are put up such as aluminum to steel production, and downstream industries, a reverse migration from rural Samar to highly urbanized areas such as Metro Manila and Cebu will be noted. Engineering graduates and skilled workers are abundant in the universities of Samar such as the Samar State University which is now the biggest university in the island.

4. Peace and Order

The rebel or communist movement in Samar is in the decline. Most of the rural
population does not see them as the solution to their economic problems. Most often, the rebels are used for redress of grievances against military abuses. However, with the integration of civilian peace councils or barangay councils, the delivery of justice has become more or less efficient. During election time, the peace and order situation is Samar is at its worst state, mainly caused by competing politicians.

III. **Industries to be set up in Samar**

1. Petrochemical complex

2. Bio-Diesel and Ethanol Production Plants

3. Agriculture-based industrialization

3.1 Integrated based coconut production

3.2 Integrated Cooperative Farming

3.3 Root-crop production: Cassava, corn, sweet sorghum, sugar, are used for extracting ethanol.

4. Mining and Smelting Plants

4.1 Aluminum smelting plant

4.2 Iron and Steel Plant

5. Shipbuilding

6. Cooperative Fish Farms

III. **A Balanced Socio-Economic Development, Bio-Diversity and Eco-Tourism Programs**

Samar is rich in natural resources, with a long coastline, natural parks and biodiversity areas. These areas can be developed as a showcase for environmental preservation from its mangrove to the remaining primary growth trees

IV. **The linkage of Samar to the rest of the Philippine economy**

Samar has been traditionally a source of raw materials, from logs to ores, and mineral resources, as well as marine resources.

Due to its inefficient management of its resources, over the years, they had been depleted being its nature, non-renewable, except the marine resources.
In recent findings, an estimated reserve of aluminum bauxite and nickel ore has been found out in the eastern side of the island. The areas could serve as a potential source of mining operations.

V. The Linkage of Samar to the rest of the World Economy

While the rest of the world economy is moving in different directions, the state of the local economy remains stagnant.

Samar as a traditional supplier of raw materials can overcome its limitation by establishing in its boundaries, industrial structures that can generate value added.

Factories within industrial estates, and export processing zones can serve as the basis for generating employment, and wealth creation.

Given however the examples of the recent past such as the dependency of Samar to Metropolitan Manila, the new strategy is to develop it internally using its resources. If local taxation and the power of the central government to provide fiscal stimulus through its Internal Revenue Allotment schemes can be balanced in such a way that the funds are used to develop its infrastructure rather than depend too much on foreign and private investments, then Samar will come a long way.

Samar is need of repositioning itself in the global economy as the need for restructuring the financial system becomes urgent. The fundamentals of restructuring the world economy rests on its contribution of the country’s resources to the rest of the world.

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