



REPORT ON PHILLIPPINES COUNTRY DIALOGUE

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Initiative for Policy Dialogue
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INTRODUCTION:

Philippine President Joseph Ejercito Estrada was impeached on the morning of November 13, 2000. His trial began December 7, 2000. On January 20, 2001, Estrada resigned under pressure from the military, while his trial was still going on. The same day, his successor, Gloria Macapagal Arroyo, was sworn in as President.

In November 2000 IPD began a fact-finding mission in the Philippines as part its "Asian pilot technical assistance" project, funded by the Ford Foundation. This project became the basis for our first country dialogue, in the Philippines. In July 2001, IPD and its partner, Action for Economic Reforms (AER), hosted "The Post-Estrada Agenda," in Manila. The purpose of the forum was to evaluate policy challenges facing the new Arroyo administration, propose concrete policy alternatives, and establish a diverse public dialogue on the issues.

As part of the November fact-finding visit, IPD conducted about 25 meetings with government officials, NGO leaders, and academics, and chose to partner with AER. By choosing an effective partner, and impressing upon that partner the importance of inclusiveness, IPD played an important role in encouraging diverse groups to work together.

As part of the preparation for the forum, a group of local academics known wrote and then circulated a series of working papers, the "Yellow Paper II On the Agenda For Reforms in the Post-ERAP era." Yellow Paper II consisted mainly of economics professors from the University of the Philippines, La Salle University, and Ateneo University who wanted to make a real contribution toward change and reform in the economy. The organizations behind Yellow Paper II included groups from the three Universities, AER, and IPD. [Click here](#) for links to the working papers and [here](#) for more on Yellow Paper II. The yellow papers were synthesized into an integrated framework paper (IFP) with specific policy proposals, which became a basis of the upcoming policy dialogue. The issues covered in the working papers included: fiscal reform, corruption and governance, privatization of electrical utilities, and jobless growth. Three days prior to the forum, members of the Yellow Paper Group met with about 20 leaders from civil society organizations to obtain comments and criticisms on the papers. In addition, four civil society leaders were chosen to make formal comments at the panel itself. Their active involvement contributed to the success of the forum.

The Philippines has one of the largest and most vibrant civil societies in the world. However there had not been significant involvement in policy dialogue, or cooperation between the various groups involved. IPD played an important role as a catalyst, bringing together a wide range of groups for a serious policy dialogue on issues facing the Philippines' new administration. The Forum included perspectives from a diverse group of stakeholders, including academics, civil society organization, and government officials. Senior government officials, including former and present ministers and members of Congress, a considerable number of political party and civil society representatives, and the Asian Development Bank and other international organizations participated. In planning the forum, our partner AER collaborated with economics and political science departments from the University of the Philippines, La Salle University, Ateneo University, and civil society groups. The forum's success can be measured by the participants' intention to continue working together to promote policy dialogue and to develop a program of more extensive civil society involvement. As part of the Yellow Paper II Group's desire to foster policy dialogue and enrich the policy debate, the group has maintained the "Yellow Pad," a weekly column in Business World that is a follow-up to the Yellow Paper process that took place during the IPD dialogue. The column features discussions

and opinion pieces on issues of relevance to the Philippine economy, and serves as a good medium for popularizing technical concepts. In addition, AER continues to invite [commentaries](#) to stimulate the dialogue that was initiated with Yellow Paper II.

OVERVIEW:

The forum succeeded establishing a diverse and public dialogue about policy alternatives. In addition to government officials and academic economists, a considerable number of political party and civil society representatives were present. The presentations and audience questions revealed a serious disjuncture in thinking about economic reform.

The forum also succeeded in getting the government's attention. Repeated and prominent newspaper coverage - especially in the influential Business World - publicized extensive criticism of the Arroyo administration's handling of reform thus far.

PLENARY PRESENTATIONS:

The keynote speaker, Planning Minister Dante Canlas, discussed the government's plans for reform and economic growth. He emphasized agricultural modernization as a central priority, given the high level of poverty in the sector, as well as skills development.

Canlas was followed by Prof. Noel de Dios, from the Yellow Paper Group, who synthesized the alternative proposals of the IFP. He began by criticizing the government for failing to address central issues that affect citizens' everyday lives, and warned of the danger of "losing tempo" for meaningful reform. He characterized government "planning" as an amalgam of existing ideas, with no real blueprint for change. Dismissing the notion that a weak state had "shrinking options," he argued that government had to present a clear policy vision or risk being captured by special interests.

De Dios's advice was to avoid "doing everything," but rather to focus on a few long-term reforms, such as revenue shortfall, poverty and governance. Like Canlas, De Dios also stressed agricultural modernization as a key to poverty reduction, but with more specifics: focus on smallholder plots, rural infrastructure, communal irrigation, research and extension services, rural finance and agrarian reform. He also defined good governance as "delivering results, rather than prescribing behavior," and emphasized the need for innovative participation of civil society in ensuring government accountability. In considering what kind of mechanisms would be needed to make this role possible for civil society, he suggested the need for a vigorous party system to coordinate large social forces.

CIVIL SOCIETY CRITICISMS AND RESOPNSES:

Several civil society leaders were invited to respond to De Dios's presentation of the IFP.

Bayan representative Carol Araullo maintained that IFP needed to address the underlying cause of continued poverty and crisis: power and patronage relations in the Philippines, especially the maintenance of a "feudal agricultural system." Maria Teresa Diakno of Freedom from Debt Coalition criticized the consensus among officials and economists that the "private sector" was

the key to poverty reduction. She insisted that the real creators of wealth were not capitalists but rather workers, and that policies designed to improve conditions for the private sector would never help the poor. Acbayan representative Loretta Rosales agreed with much of the IFP. She told an anecdote about how a recent utility bill was so technical that its most important concessions to business elites were not even understood by the principal legislative actors who approved it. She said that Congress still operates primarily through patronage, is incapable of reforming itself, and that only citizen movements can achieve real reform.

Joseph Stiglitz noted with some irony how the same leaders that caused crises were the ones put in charge of resolving crises. Because new actors and new ideas are not considered, it is not surprising that the answers given by the technocratic elite in global institutions are basically the same answers they have always given, although now repackaged within a vague notion of institutional strength and accountability. Professor Stiglitz then articulated one policy alternative, arguing that conventional revenue enhancement through VAT or income tax was bad advice for developing countries. Because of regressiveness and administrative obstacles to taxing the wealthy, these taxes are typically not pro-poor. Professor Stiglitz' alternative was a domestic consumption tax on products that tend to be high-value added imports - goods that wealthier people consume. Such a tax would be both administratively easier to implement than income tax and also consistent with the WTO, since it would not discriminate.

BREAKOUT SESSIONS:

After the plenary the forum divided into three breakout sessions: macroeconomic policy, poverty reduction, and governance.

The poverty reduction panel included presentations of three technical papers on income inequality, low worker productivity and agricultural reform. What was revealing in this session were several questions from the audience that expressed doubt about dealing with poverty by focusing on purely economic variables. There was a sense of frustration that none of the presentations assigned an activist role for the state in development, at least nothing beyond bland prescriptions for skills development.