Political Governance, Economic Policy Reforms, and Aid Effectiveness: The Case of the Philippines/Lessons from the Ramos Administration

By Dante B. Canlas
Professor
School of Economics
University of the Philippines

Outline

• Introduction
• Political Governance
• Economic Policy Reforms
• Aid Effectiveness
• Outcomes of the Reform Process
• NEDA’s Role
Introduction

• Tools for creating opportunities and expanding human choices under Ramos administration
  – Political governance
  – Economic policy reforms
  – Aid effectiveness

Political Governance: Challenges and Responses

• Challenges faced by the Ramos administration
  – Political instability
  – Internal and external insecurity
  – Judicial activism in economic policymaking

• Responses
  – Coalition building in Congress
  – Amnesty and peace talks with rebels
  – Judicial appointments and reforms
  – Legislative-Executive Development Advisory Council
  – Multisectoral People’s Summit
Economic Policy Reforms

• Setting the stage: overcoming a power shortage
• Macroeconomic stabilization
• Long-run industrial restructuring
• Social reform agenda

Overcoming a Power Shortage

• Electric Power Crisis Act: 5 new power plants
• Amended BOT Law: 15 BOT power plants
• Outcomes
  – 770 MW of new capacity in Luzon
  – Brownouts gone by December ‘93
Macroeconomic Stabilization

• Responsible deficit reduction
  – Spending cuts
  – Tax enhancers
    • Excise tax on cigarettes
    • Comprehensive Tax Reform Act of 1997
    • Privatization

• Outcomes
  – Increased tax effort
  – Consolidated public sector surplus in 1996

Macroeconomic Stabilization

• Monetary and exchange-rate policies
  – Independent central bank
  – Inflation targeting
  – Flexible exchange-rate system

• Outcomes
  – Low inflation rate
  – Sustained real GDP growth
Long-term Industrial Restructuring

- Industrial policy
- Deregulation and privatization
- Import liberalization and tariff reduction
- WTO accession
- Financial-market liberalization

Industrial Policy

- Raise agricultural productivity
  - Expand access to modern seeds
  - Increase investments in rural infrastructure
- Raise investments in industry and services
  - Enact Land Lease Law
  - Ratify MIGA ratified
  - Trim Negative Lists in Foreign Investments Act
Deregulation and Privatization

- Mandate interconnection among telecom companies
- Oil Industry deregulation
- Privatize Petron, PNB, MWSS, etc.
- File bill on retail-trade liberalization

Import Liberalization and Tariff Reduction: Getting Global

- Executive Order 470 on tariff reduction
- Removal of quantitative restrictions on imports
- Accession to the WTO, AFTA-CEPT, and APEC
Financial-Market Liberalization

- Liberalize bank branching
- Allow entry of 10 new foreign banks
- Allow entry of 10 new insurance companies
- Merging of two bourses (Makati and Manila)

Social Reform Agenda

- Embodies anti-poverty and equitable growth program
- Affirmative action for disadvantaged groups
- Social Reform Council: precursor to National Anti-Poverty Commission (NAPC)
Aid Effectiveness

- Set up Presidential Task Force on Right-of-Way Acquisition
- Protect budget cover of ODA-funded projects
- Set up Flagship Committee
- Start Credible ODA Review Process
- Raise utilization rate and absorptive capacity

Outcomes of the Reform Process

- Reliance on markets and price signals
- Sustained real GDP growth
- Single-digit inflation rate
- Resiliency amid 1997 Asian financial crisis
NEDA’s Role

• Complete staff work through NEDA Board Committees
  – Investment Coordination Committee (ICC)
  – Development Budget Coordination Committee (DBCC)
  – Infrastructure Committee (Infracom)
  – Social Development Committee (SDC)

NEDA’s Role

• Project monitoring
• ODA programming and monitoring
• Secretariat to LEDAC