

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

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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