

PARTNERSHIPS FOR DEMOCRACY AND DEVELOPMENT
UNDER THE ESTRADA ADMINISTRATION

By DAR Secretary Horacio R. Morales, Jr.*

Gov. Vicente Bermejo, Amb. Thomas Bubbard, Congressman Manuel Roxas, Director Patricia Buckles, guests, friends and partners in the civil society movement, good morning.

I'd like to thank the US AID for inviting me to address this conference. This gives me an opportunity to discuss the new administration's policy priorities as they relate to civil society. I also hope to learn new and better ways of establishing partnerships for democracy and development from this conference. The US AID has been a very valuable and innovative partner of the civil society movement in the Philippines.

The Estrada administration is about to reach its first 100 days in office. It is thus a good occasion for me to explain what policy directions we have set.

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POVERTY ALLEVIATION

The most important policy priority is the Estrada administration's focus on poverty alleviation. Poverty is, perhaps, the biggest obstacle to having a strong civil society in the Philippines. And addressing poverty during an economic crisis makes our job more doubly difficult.

If we are to create any impact in poverty alleviation, there is a need to establish creative partnerships between the state, business, and civil society. With a global recession looming in the horizon and with the ranks of the unemployed rising each day, strong and innovative partnerships for democracy and development is the only way to go.

SHIPTING PRIORITIES

Fortunately, for us in the new administration, we have had the benefit of learning from the mistakes of the past. It would be tragic if we are to keep repeating history.

We now know that globalization, though it has enhanced our access to foreign investments and markets, has also helped create a more unequal society in the Philippines. Globalization has not contributed to forming a of a more stable, egalitarian society, at least, in the case of the Philippines, that is important to developing partnerships among the nation's stakeholders.

The facts speak for themselves.

From 1994 to 1997, the biggest beneficiaries of globalization were the riches 10% of Filipino families. The 1997 Family Income and Expenditures Survey (FIES) shows that "only the families belonging to the richest group" registered an increase in the national income share. In 1994, the average income of the richest 10% was 19 times higher than the average income of the poorest 10%. Three years later, it was 24 times higher. The Gini coefficient, an indicator of income inequality, increased from 0.45 to 0.49 indicating that income distribution in 1997 became more unequal.

As of 1997, the top 10% of Filipino families had 35% of the national income; the poorest 30% had 56% of the national income.

Our only consolation is that poverty incidence of families fell from 35.5% in 1994 to 32.1% in 1997. However, the actual number of poor families increased from 4.5 million to 4.6 million families.

The whole nation is paying for the mistakes of the past. As of June 1998, inflation was 9.9%; it was 4.8% on June 1997 just before the financial crisis struck. The exchange rate has fallen from P26:\$1 to P43:\$1 thereby increasing all production costs for our import-dependent economy. The high inflation

rate continues to put pressure on the peso. As of first semester of 1998, unemployment reached the double digit level of 11%.

As cheap capital flooded Asian economies, projects that could deliver the quickest and biggest profit margins set the tone of development and growth--condominiums, golf courses, trade of luxury commodities. Agriculture, where most of the poor are, was neglected. Low productivity in agriculture has led to higher food prices and more food insecurity.

COUNTRYSIDE DEVELOPMENT

What we have done in the past nearly 100 days is to formulate a new development paradigm that corrects these mistakes. All the concerned government agencies have been refocusing their offices toward agriculture. The bureaucracy is being retooled to meet the overall objective of food security.

Poverty in the Philippines is mostly found in the rural areas. As of 1997, poverty incidence of families in rural areas was 44.4%; in urban areas, it was 18.5% of families. As of 1994, there were 3 million rural poor households and 1.5 million urban poor households. Most of the rural poor are farmworkers, fishermen, and those who depend on the forest for their survival. Poverty incidence is also greater in rural uplands than in rural lowlands.

President Estrada has made it a national policy that the focus of development should be where poverty is greatest--the countryside. His decisive stand on cancelling the World Expo 2002 freed the government of its 40% share of P2.4 billion in financing that would have gone into urban development.

The Estrada administration is in the process of finalizing a common sustainable rural development program that will address the critical problems of rural poverty, declining agricultural productivity, and environmental degradation.

Its main objective is to be able to produce competitive agricultural commodities for the local and global markets. This can be done by mobilizing financial resources to the countryside, refocusing the bureaucracy toward rural development, and by moving public and private resources to where they are most needed.

The specific ingredients of this rural development strategy are: agrarian reform, raising agricultural productivity, greater access to capital, introduction of more modern rural technologies, environmental protection and rehabilitation, and the fullest participation of the rural stakeholders in decision-making processes.

AGRARIAN REFORM PARTNERSHIPS

Asset reform is high on the agenda of President Estrada. He has directed me to try to complete the Comprehensive Agrarian Reform Program (CARP) within his six year term. Since the previous administrations focused mainly on public lands, I will be responsible for redistributing the more difficult and contentious private lands, including commercial farms whose deferments expired on June 1998.

In order to meet this objective, the DAR, in consultation with landowners and farmer beneficiaries, is in the process of developing various schemes so they can become partners in maintaining, even increasing, the productivity of the lands after these are transferred to farmer-beneficiaries. We will endeavor to produce "win-win" solutions for these stakeholders so that nobody loses when land ownership changes hands.

For instance, last Saturday, a joint venture agreement between the Eduardo Cojuangco Jr. and Sons Corporation and the 1,758 farmer beneficiaries of the Cojuangco land holdings in Negros Occidental was launched. Mr. Eduardo Cojuangco placed 4,361 hectares of his farms under voluntary land transfer and offered it for free to the Farmer-beneficiaries. Meaning, the government and the farmer-beneficiaries will not be spending anything for the acquisition of the land valued at P1.2 billion at current prices. In addition Mr. Cojuangco agreed to a joint venture arrangement where the farmer beneficiaries get to own 30% of the corporative that is jointly formed by the ECJ Corporation and the farmers' association. They propose to call this corporative the Southern Negros Agri-Venture Inc. In this corporative venture, the farmers bring in the land as their capital investment while the Cojuangco group will contribute the technology, machineries and physical infrastructures as their counterpart. Hence, yearly, the farmers expect to get 30% share of the corporative's net income on top of the regular wages that they will receive as regular workers of the corporative.

With the expiration of the deferment of around 30,000 hectares of commercial farms, the DAR is in the process of consulting farm owners and farm workers in how to establish partnerships or joint ventures for the productive operations of these farms. We will be heavily involved in promoting and organizing workers cooperatives to prepare them for these joint venture arrangements.

LOCAL GOVERNMENT

The third policy priority of the Estrada administration that affects civil society is its focus on decentralization and local governance.

Having been town mayor for nearly two decades, President Estrada realizes the important role played by the local government in the development process. In the past three months, he has focused on improving peace and order. He knows for a fact that development cannot take place in an environment of social unrest and conflict. High-level task forces have been established to address kidnappings and other criminal activities.

At the same time, the strong support the Department of Interior and Local Government (DILG) has given to agriculture and agrarian reform underscores his policy of using local government to support his development objectives.

For instance, in the case of the Bondoc Peninsula, the DILG was instrumental in providing police support for the installation of 55 farmer beneficiaries in barangay Catulin, Buenavista, Quezon province. A multi-sectoral partnership, between the DILG, the military, the DAR, NGOs, POs, church groups, and media, paved the way for the successful installation of the farmers. The DAR will soon be issuing their certificates of land ownership so they can begin to make their 175 hectares of land productive. The support of the DILG will prove critical in resolving land conflicts.

In addition, the DILG and local government units have important roles to play in the government's sustainable rural development programs. Since a lot of the functions of the Department of Agriculture and Department of Environment and Natural Resources (DENR) and other social services (health, social welfare) have been devolved to LGUs, they have become important players in meeting development objectives. LGUs, in partnerships with civil society and business sector, are in the best position to effect local area development. LGUs have a critical role to play in determining the appropriate strategies for sustainable community development.

President Estrada has asked provincial and municipal governments to draw up their own food production and agricultural modernization programs. He has asked that a larger portion of the Internal Revenue Allotment (IRA) be used

to finance these programs starting next year. He has stressed the need for governors and mayors to ensure that their provinces are self-sufficient in food. He has expressed the hope that LGUs can help in the effort of raising the incomes of farmers and fishermen.

President Estrada wants to see stronger partnerships between the national and local governments in the implementation of food production and agricultural modernization programs. The national government can help provide funding for these programs, but LGUs also have to step up their efforts in mobilizing local resources and private sector support for countryside development.

In particular, there is a need to upgrade the quality of agricultural research and extension services that have been devolved to LGUs. We have to find ways on how best to link up a decentralized extension service with a centralized research system. State universities and colleges must help in retraining agricultural extension workers.

The role of LGUs in constructing rural support infrastructure, such as farm-to-market roads, irrigation, post harvest facilities, is critical to the success of this sustainable rural development program. Building LGU capability will require a lot of resources which the national government cannot fully provide. The business sector and civil society organizations have to come in to upgrade the manpower at the

local level. The Technical Education and Skills Development Authority (TESDA) is expected to pay more attention to the skills training needed for countryside development.

Although 10% of the IRA due LGUs have been withheld this year to help reduce the budget deficit, President Estrada has vowed to increase the IRA of LGUs from P77.5 billion to P103.8 billion next year to help implement countryside development programs. Moreover, with the scrapping of the congressional pork barrel, President Estrada has asked the LGUs to assume greater functions in identifying pro-poor projects in support of food security and poverty alleviation.

Agrarian reform communities (ARCs) are potential convergence points for strong tripartite partnerships for development. Under the previous administration, nearly 1,000 ARCs with 350,000 farmer beneficiaries were established. Within these ARCs, there was focused intervention in providing rural support services. The results have been higher agricultural output per hectare and higher income for agrarian reform beneficiaries. The ARCs also served as bridges for joint ventures between agribusiness enterprises and ARCs. In 1997, over 200 contracts were signed between 223 people's organizations and 125 agri-business enterprises.

Due to lack of funds and time, the previous administration was able to cover only 1 million hectares or 21% of lands that have been distributed or 350,000 farmer beneficiaries. There

are 3.6 million hectares more of land reformed areas or 1.7 million other rural households that will have to be covered.

Under my leadership, ARCs will be expanded and increased in order to cover three-fourths of agrarian reform beneficiaries by year 2004. The services that they will receive will be sustainable and integrated, covering all their financing, production, processing and marketing requirements, as well as basic social services ---education, health, shelter. Forging partnerships in these ARCs will be critical in alleviating poverty in rural areas.

In the long run, we hope to see stronger partnerships between the national and local governments and civil society groups in sustainable development projects. NGOs have the experience, expertise, and networks that are needed to help government succeed in developing rural areas and in alleviating poverty.

DRIVE

The Department of Trade and Industry (DTI), for its part, while it will continue to focus on attracting foreign investments, has also started to redirect investments to where they can have the greatest impact in reducing poverty--the countryside. It is currently coordinating an inter-agency program for the Office of the President called DRIVE--Developing Rural Industries and Village Enterprises.

Drive is a new program aimed at strengthening the links between rural producers and markets. Its particular objectives are to create rural employment and give impetus to agro-industrialization.

Under the DRIVE program, agrarian reform communities (ARCs) will be producing food and high-value crops for agribusiness enterprises. Village enterprises will have access to technical and financial assistance from government and private sector for their commodity production and distribution activities. Presently, village enterprises can't take off because of weak links to markets, low production, inconsistent product quality, lack of financing, poor technology and ineffective marketing.

Under the DRIVE program, the government and business sector help provide access to markets, expands financing and technology to the rural areas, and assist in improving production and quality.

Let me cite an example.

The multinational company, DOLE Philippines, wants to expand its production of six exports crops--pineapple, papaya, nata de coco, asparagus, cutflower, banana--in the Philippines. It will also venture into rice production. It will be marketing rice using the DOLE brand.

Under a three year project (1999-2001), DOLE Philippines and the government will be tapping village enterprises and cooperatives in supplying DOLE with the quality crops they need for export.

DOLE will provide marketing support, technical assistance, and agricultural inputs to their supplier-cooperatives. The Development Bank of the Philippines or the Land Bank provide financing for the cooperatives. DOLE currently operates in Cotabato, Davao, and Bukidnon. It is eyeing, 1,000 hectares in Bicol for its new rice export production.

The Department of Agrarian Reform will help organize cooperatives and agrarian reform communities or tap existing ones to support the requirements of DOLE Phils. Farmers are ensured of a market and will earn income from contract growing. This P1.5 billion DRIVE project will create 17,000 new jobs.

The DTI is aiming to have at least one DRIVE project in each province. Projects will focus on food products and food raw materials since they are less affected by the economic slowdown. Civic entrepreneurs have the opportunity to use their skills in building prosperous rural communities through DRIVE projects.

CONCLUSION

Forging partnerships for development and democracy is a high priority of the Estrada administration. As he has stated in his action program, the "long term objective is to establish an enduring partnership among the government, the business community, and civil society based on mutual consultation, transparency, and consistency in government decisions."

Through our initial projects and activities, we have begun to build a more solid national community by focusing on peace and order, by cleaning up and transforming the bureaucracy, and by focusing on countryside development and agriculture.

I, personally, will try to establish strong partnerships with civil society and local government units in support of our objective of poverty reduction and food security. In particular, I would like to find new ways of establishing partnerships between farmers' organizations, irrigation associations, barangays, NGOs, and the rest of the local community to support our sustainable rural development program. I know that a lot of lessons and experiences will be shared in this conference and I hope to learn a lot from them.#