

The AQUINO MANAGEMENT Of The PRESIDENCY

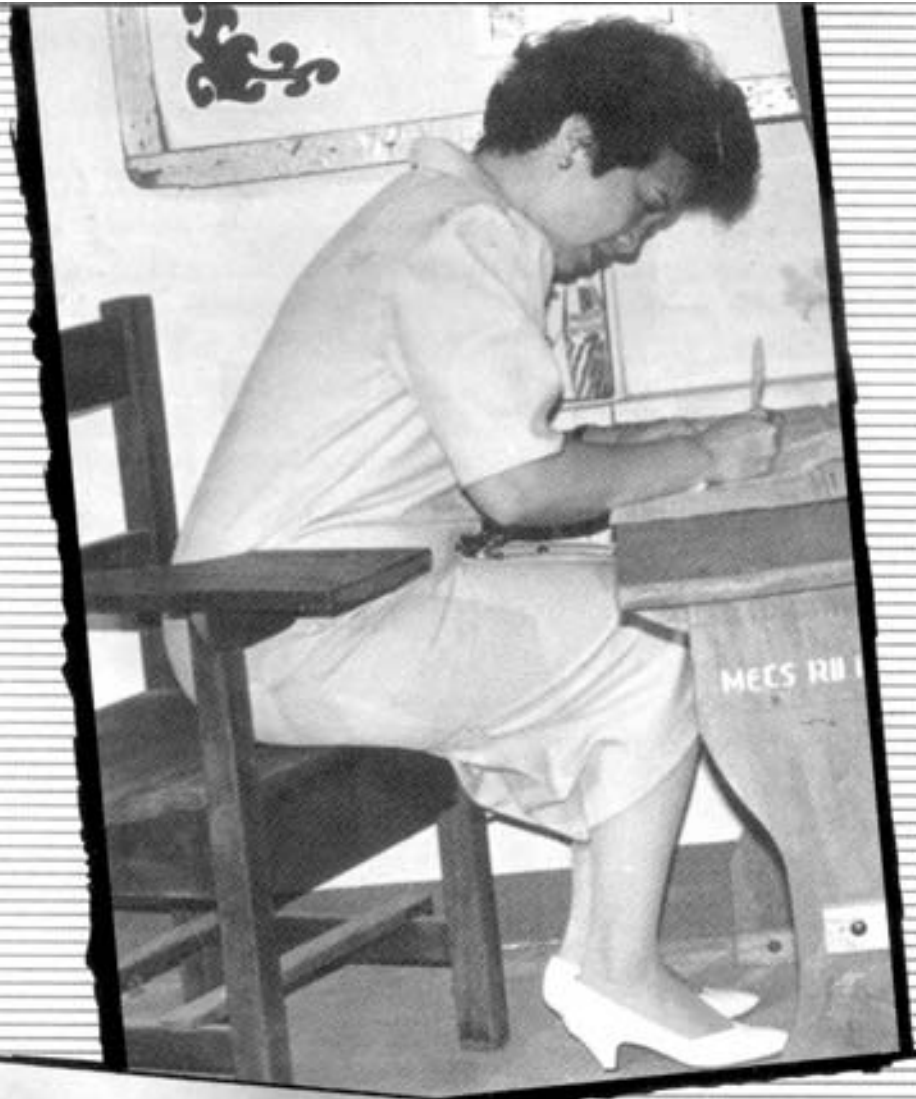


THE PRESIDENT'S REPORT 1986 – 1992

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1

REESTABLISHMENT OF DEMOCRATIC INSTITUTIONS AND PROCESSES

When President Corazon C. Aquino took over the reins of government in 1986, all the basic processes and institutions that make up a democratic government were in shambles. The most significant act of her administration was the speedy reestablishment of these structures: drafting of a new Constitution; conduct of free elections at the local and national levels; installation of an independent judiciary; restoration of the freedom of expression; and extending its hand in peace to communist rebels and secessionists.

All the efforts would have daunted a more fragile soul. But President Aquino, through cheers and jeers, successfully put the house in order, in record time. And they said she would not last.



President Aquino speaks before members of the constitutional commission and top government officials.

Political Freedom

One of the first official acts of President Corazon C. Aquino was the issuance of Presidential Proclamation No. 2 lifting the suspension of the writ of habeas corpus throughout the Philippines. Through this act, the Aquino government revoked Proclamation No. 2045 (1981) and 2045-A (1983) which suspended the privilege of the writ of habeas corpus in certain parts of the country. These two repressive decrees have no place in the restored democratic Philippine society. As a result of the proclamation granting amnesty to all political prisoners, about 459 political detainees were set free.

Freedom of Choice Through Elections

Eager to build from the ashes, President Corazon C. Aquino appointed the Constitutional Commission of 1986 to draft a new Philippine Constitution. The Filipino people, in a referendum in February 1987, overwhelmingly ratified the new fundamental law of the land. The huge voter turnout on plebiscite day was a reaffirmation of the people's faith in the newly-installed government.

In the 1987 congressional elections, there was a significant increase in the number of registered voters and the national voter turnout surpassed those for previous exercises. The multiparty system provided the Filipino voters a wide array of choices for people to represent them in the Legislature. Even the leftist Partido ng Bayan fielded their own candidates.

Although there were isolated cases of alleged irregularities, the overall fair outcome made the elections credible. The results of these electoral exercises also showed that the Aquino administration had the full support of the Filipino people. During the congressional elections, the administration's senatorial candidates won 22 out of 24 seats. Candidates who supported the Aquino administration won majority of the seats in the Lower House.

The severe test of democracy's survival was the 1992 synchronized national and local elections. Predicted by many to be the bloodiest ever to be held, the said electoral exercise proved to be the most peaceful, cleanest, and most orderly the country ever had. Also, voter turnout was one of the highest ever as more than 80 percent of the some 32 million registered voters went to the polls.



The President signs appointment of Christian Monsod as head of COMELEC. The COMELEC was primarily responsible for the peaceful and orderly synchronized elections of 1992.

The government and the private sector worked closely to ensure its success. Empowered by the Constitution to deputize the police, the highly-esteemed Commission on Elections (COMELEC) put in place the mechanisms that would ensure honest and peaceful elections. The success of the elections was also the result of the active participation of the Church, media, and nongovernment organizations (NGOs) in poll vigilance.

Independent Judicial System

The Aquino administration had the highest regard for the judicial processes, thus, at the onset, President Aquino ensured that basic democratic institutions were installed without delay. This restored public confidence in the rule of law through an independent judiciary and promoted and preserved the general public's faith in the democratic institutions. Supreme Court decisions were handed down without the slightest intervention by the executive.

The courts worked for the expeditious administration of justice. The disposition of cases was hastened with the institutionalization of the continuous trial procedure and the completion of more halls of justice. With this development, the number of pending cases was significantly reduced. Free legal assistance was extended and significantly expanded to people who could ill-afford the expensive services of lawyers.

The Supreme Court had the power to declare the acts of the President and the laws passed by Congress unconstitutional and, thus, null and void. On many occasions, the Supreme Court

functioned to break the deadlock over certain disputes and legal questions between the executive and legislative branches of government.

The Presidential Task Force on the improvement of the Administration of Justice was created to review and assess the basis for many administrative reform measures, ranging from procedural reforms to alternatives to litigation and conflict-resolution mechanisms at the lowest level of government.

Independent Bicameral Body

The Philippine Constitution provided for a presidential form of government with appropriate check and balance mechanisms. The Congress, consisting of the Senate and the House of Representatives, extended authority to the President to exercise powers necessary to carry out critical or emergency measures. It was vested with the power to override any presidential veto.

The bicameral legislature was truly representative of the people. It was composed of 24 members in the Upper House, 250 in the Lower House, and 50 members nominated by organizations and special interest groups. Its legislations were more responsive to the people's needs. The primary objective of the Lower House was to develop and protect their respective districts and the people they represented. The Senate, on the other hand, had a national and broader perspective. The checks and balances between the Senate and the House of Representatives discounted the possibility of the Executive manipulating the legislature.

Freedom of Expression

Freedom of the press was immediately restored upon President Aquino's assumption to office. There was a total change in the government's media policy. Under a climate of press freedom, the Philippine press was envied by media practitioners the world over. The daily newspapers also mushroomed from less than 10 under the Martial Law period to about 30.

The government's commitment to be transparent in all government information was firm. One of the first measures the government took was to abolish the media offices used for propaganda by the Marcos regime. The Office of the Press Secretary (OPS) including its bureaus and attached agencies were reorganized. These were done to reorient the information system and professionalize news agencies such as the Philippine Agency. Moreover, the government encouraged the privatization of media facilities.

The Aquino administration exercised maximum tolerance with newspapers and political commentators having different views from that of government. Although not spared from criticisms, government had respected the people's right to free expression.

Aquino with officers of the Malacañang Press Corps 1991-1992.



Restoration of Peace and Order

Office of the Peace Commissioner (OPC)

The government realized that the reestablishment of democratic institutions would prove futile if there was no peace and order throughout the country. Immediately, government started to extend its hand in peace to insurgents and secessionists alike.

The OPC was created as a special unit in the Office of the President explicitly mandated to seek nonmilitary means to address the internal conflict arising from armed insurgent and secessionist movements.

In many parts of the country, particularly in those areas directly affected by the armed conflict, people were growing weary of war. On their own initiative, some communities and organized groups were making decisions to initiate or actively participate in efforts to bring an end to the violence around them, to define for themselves the peace that they want, and to decide on ways to achieve that peace.

The OPC actively supported such group's peace efforts which included the following:

1. Declaration of "peace zones" or "demilitarized zones" by local communities. There were eight such "peace zones" - Sagada, Kalinga, and Tinoc in the Cordillera; Naga in the Bicol Region; Cantomanyog in Negros Occidental; and Bituan, Nabundasan, and Tuburan in North Cotabato.
2. Efforts to preserve, strengthen, and apply indigenous conflict resolution mechanisms to problems arising from the insurgency conflict. Kalinga, Tingguian, and Maguinadanao groups were involved in such efforts.
3. Local peace agenda development, peace advocacy, and peace education by communities and nongovernment organizations. The growing peace movement gave rise to continuing requests for OPC support for peace visioning and action planning

activities by area-based NGOs. This included such organizations as the Kalinga Women's Movement for Peace, the Movement for Peace in Basilan, the Basilan Peace and Ecology Movement, and the Mindanao Peace Conference.

The OPC also extended assistance to peace advocacy and education activities, such as the Concerned Women of the Philippines Peace Awards, the Ateneo de Zamboanga Peace Education Workshop for Region IX teachers, and the Notre Dame University Peace Education Workshops for Region XII teachers and soldiers.

4. Dialogues to bring about intercultural understanding. The OPC consistently supported Muslim-Christian dialogues organized by the Silsilah Dialogue Movement in Mindanao.

The OPC support for these peace initiatives was given in various forms -technical and research assistance; financial support; liaison with military and civilian government agencies, as well as with other NGOs; facilitating sharing and exchange between peace-building communities and/or NGOs; and responding to specific requests and problems requiring national level intervention.

Finally, the OPC extended its internal advocacy to this front as well. Through briefings and dialogues with civilian government and military personnel on various levels of the bureaucracy, OPC worked to build acceptance and a support infrastructure within the government for these people's peace initiatives.

Pro-Poor and Special Development Areas

Recognizing that poverty and government neglect were among the root causes of the internal armed conflict, the Office of the Peace Commissioner coordinated with other government agencies to develop and implement programs and projects meant to bring services directly to insurgent areas, address the identified needs of these communities, and bring government closer to the people. Among these were the Special Development Area (SDA) Program and the Program to Refocus Orientation for the Poor (Pro-POOR). The OPC also maintained a "resource-brokering" service for communities and community-based NGOs seeking funding and capability-building assistance.

The SDA introduced "development first" prior to any military operations. The concept of "development first" specifically involved: 1) consultations and dialogues with the people on local problems; 2) establishing and institutionalizing community and civilian government structure responsive to the identified needs; and 3) delivery of development services to the communities. The strategy was fast-tracked, area-focused, and pooled government services.

There was a total of 15 SDAs launched. These were municipalities or a set of contiguous municipalities which were confronted by conditions of adverse poverty and insurgency.

To ensure the success of the Program, a Lead Implementing Agency (LIA) was designated for each province to coordinate the implementation of needed projects in these areas. The LIAs also designated SDA project managers in each province.

As of May 31, 1992, in addition to the regular programs and projects implemented by the line agencies in the various SDAs, a total of 353 small but high impact projects had been

completed and 43 projects are ongoing. Around 61 percent or 260 infrastructure projects were funded by the Department of Public Works and Highways (DPWH). Another 24 percent or 120 were livelihood, water supply, and schoolbuilding projects funded from the President's Social Fund (PSF). The DPWH and PSF alone infused an estimated P78.9 million for projects in the SDAs. The rest were projects funded from the savings or special funds of line agencies and special sources such as Countryside Development Fund, Rural Roads Program of DILG, LGA, PAGCOR, PCSO, and the USAID Child Survival Program.

In addition to actual projects implemented in the SDAs, the Program also exemplified effective collaboration among government agencies, local government officials, and NGOs.

Undertaking the Peace Process on the Homefront: Coping with Communist Insurgency

Peace talks between the government and the National Democratic Front (NDF) were held in 1986. While these talks failed to terminate the more than two decades of insurgency, it demonstrated the government's willingness and commitment to address the social unrest through peaceful means.

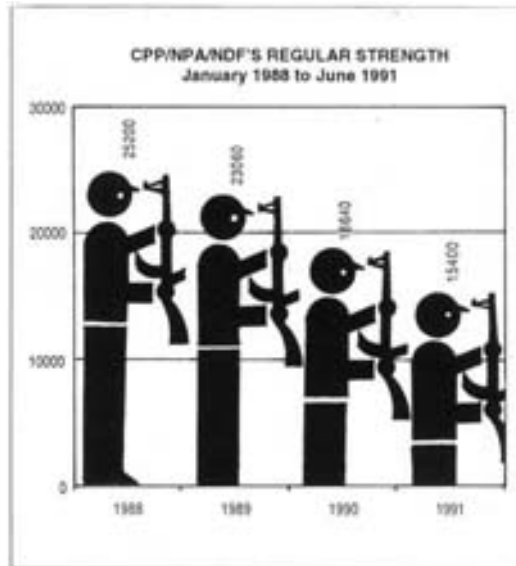


The Commander-in-Chief troops the line at the Borromeo Field of the Philippine Military Academy during its 86th graduation rites, February 17, 1991.

In 1988, the Department of National Defense - Armed Forces of the Philippines (DND-AFP) launched an all-out offensive against the Communist Party of the Philippines / National People's Army / National Democratic Front (CPP / NPA / NDF) which resulted in serious setbacks to the communist movement. Its regular strength declined continuously since 1988 with the highest annual decrease registered in 1989 at 19.2 percent. The CPP/NPA/NDF's regular strength declined by 34 percent from January 1988 to June 1991. Its peak strength of some 25,800 in 1988 had been brought down to some 15,400 at the end of 1991, a reduction of 40 percent.

From a peak of some 8,496 in 1986 representing 19 percent of the total barangays nationwide, the number of insurgent-affected barangays was reduced to 3,710 at the end of 1991, or a reduction of 56 percent. The government had considered this the most significant achievement in the counter-insurgency campaign.

During the period 1988-90, the government captured top CPP/NPA/NDF leaders consisting of 18 members of the Central Committee, 33 functional and territorial staff officers, nine members of the territorial commissions, 34 regional leaders, and four provincial/front committee members.



Handling Regional Secessionist Movements

Following the failed negotiations with the Moro National Liberation Front (MNLF) and in an effort to keep the door of reconciliation open, the government maintained the informal ceasefire. However, to preempt the resumption of conflict, the government adopted a deterrent posture by keeping a sizeable military strength in the south ready to respond to any contingency. Such policy of deterrence allowed peaceful initiatives to be pursued. The informal ceasefire in the south continued to hold, although marred occasionally by sporadic fighting.

On the other hand, despite repeated attempts, the MNLF had failed in its bid to gain membership in the Organization of Islamic Conference (OIC). At home, a newly established government for the Autonomous Regions in Muslim Mindanao (ARMM) as mandated by the Constitution had politically blunted the MNLF and demonstrated the sincerity of the government to address the Muslim Mindanao concerns at its roots.

National Reconciliation and Development Program (NDRP)

The government knew that in extending its hand in peace, it should also extend its support to rebel returnees (RRs) to enable them to return to the mainstream of society and lead normal lives. Thus, the creation of the NDRP. The NDRP was composed of several projects to assist RRs: skills training (carpentry, adobe-making, and such); balik-probinsiya where an RR who expressed his desire to go home can do so without fear of reprisal from local authorities; Balik-Baril where RRs surrendered their firearms for a fee; livelihood projects (poultry and pig or cattle raising; buying a passenger jeepney or fishing boat) where RRs were given financial and technical assistance; and, the resettlement project wherein groups of RRs were provided a piece of land to build their homes.

The program was intended to coordinate and integrate the related projects and efforts of the government, NGOs, and the private sector for the RRs.

Although launched in December 24, 1986, it was not until 1988 that the NRDP went into full swing providing loans to rebel returnees under the Department of Trade and Industry's (DTI) P30 million fund through the local governments and the Balik-Baril program. The relative success of NRDP was attributed to the transfer of the program to Peace and Order Councils which facilitated and hastened the processing of assistance to the rebels at the lowest levels of government.

NRDP had greatly contributed to the substantial neutralization of the secessionist movement in southern Philippines as well as improved peace and order situation in erstwhile insurgent-affected areas.

A total of 1,813 RRs from the New People's Army (NPA), 837 Cordillera People's Liberation Army (CPLA) members, and 12,978 secessionist members from Muslim Mindanao returned to the fold of the law between 1987 to 1991. The returnees were granted P53.8 million in financial assistance to start their livelihood, resettlement, and training programs. Another 1,845 subversive mass activists and 4,655 NPA sympathizers also availed of the Program.

Crushing Military Rebels

One of the more serious groups that the Aquino government had to contend with was that sector ironically clothed with authority to bring about peace and order. These were the military rebels.

Despite the shaky start of President Aquino's governance, it successfully weathered seven coup attempts. The supremacy of the Constitution and the duly constituted government, consistently upheld by the Armed Forces who believed in the democratic processes and institutions, was preserved.

About 5,000 military rebels, consisting of 575 officers and 4,376 enlisted men, had been captured or had surrendered. Only 99 remained at large, 14 of them officers.

Of those who participated in the coup attempts, 225 are serving prison sentences; 221 remain detained pending results of court martial action; and 4,505 were less severely punished

through dismissal from service, forfeiture of pay, demotion, administrative confinement, loss of seniority, and reprimand.

The success of government in crushing seven coup attempts may be attributed to the following factors: 1) lack of public support to the ultra-rightists; and 2) the firm resolve of the vast majority of the Armed Forces to preserve the Constitution and defend the duly-constituted authorities.

The conviction by court martial of 81 officers and enlisted men to prison terms ranging from 12 to 32 years for taking part in the failed coup attempt of August 28, 1987, as well as the enactment of R.A. 6968 imposing stiff punishments for the crimes of sedition and rebellion served as deterrent to future coup attempts.



Fighting Crime in the Streets

The intensified drive of the Philippine Constabulary/Integrated National Police (PC/INP) against criminality increased crime solution efficiency from 67 percent in 1988 to 74 percent in 1990. Police operations resulted in the capture of some 19,000 criminals and the neutralization of about 600 organized crime groups. A total of 9,255 loose firearms were also recovered.

The anti-carnapping campaign resulted in the recovery of 2,068 vehicles out of the 2,686 reported stolen. Recovery rate of 65 percent in 1988 increased to 97 percent (574 out of 592 stolen vehicles), and 84 percent in 1990 (588 out of the 701 stolen vehicles). Average monthly carnapping cases recorded in 1988 numbered 122 and dropped significantly to 58 in

1990. Meanwhile, the Narcotics Command confiscated narcotics and dangerous drugs worth P2.17 billion during the period.

Upon President Aquino's instructions, the Cabinet Cluster on Security and Political Development created the Task Force on Law Enforcement to identify major cases requiring priority attention. As a venue for strategy-formulation to improve law enforcement, the Cluster advocated the Witness Protection and Security Benefits Act, the National Crime Prevention Information System, and the adoption by the courts of the continuous trial system.

CRIMEBUST. inspecting the 'chop-chop' vehicles seized at the Logistics command compound in Camp Aguinaldo, Nov. 1988.



There had also been more vigorous coordination between government agencies and courts to facilitate the servicing of warrants and the issuance of hold departure orders to prevent those charged with serious crimes from fleeing to other countries. Of the monitored cases which were disposed in 1990, 60 percent had convictions.



BEST-WEAPON. The President and Presidential Security Group (PSG) commander Col. Voltaire Gazmin (right) are welcomed by their 'inaanak' upon arrival at Malacanang's Heroes Hall to attend the wedding reception of 133 PSG Troopers.

Efforts for International Peace

The Aquino administration's insistence on stronger RP-US relations mainly focused on the need to continue commitments to the 1947 RP-US Military Bases Agreement. This approach heightened into a series of exploratory talks by separate negotiation panels held mostly in Manila. This process culminated in the drafting of the RP-US Treaty of Friendship, Cooperation and Security. The Senate, however, strictly adhered to the Philippine Constitution which mandated that no foreign military bases will be allowed in the country beyond 1991.

The nation places value to its continued alliance with the United States under the 1947 Mutual Defense Treaty. However, preparations are underway to convert the Philippine military bases into economic assets following the non-approval of the proposed treaty. While the country welcomed alliance with the United States under the Mutual Defense Treaty, it faced the reality of the eventual phaseout of the U.S. military facilities in the Philippines.

In anticipation of less direct U.S. military assistance, the DND launched the Self-Reliance Defense Posture Program (SRDP). The government had pursued a good measure of self-reliance and started to provide the foundation for the growth of national defense-based industries. These efforts had generated savings of \$20.36 million through export savings, import substitution, and local value added costs. The SRDP also generated job opportunities for heads of families benefiting 1,206 families. Meanwhile, self-reliance in small arms ammunition was achieved through the Government Arsenal which produced a total of 64.4 million assorted rounds of ammunition or 74 percent of the target.

Among the most significant deliveries by the defense contractors were 55,596 M16 rifles, 140,000 rounds of M79 / M203 grenade launcher ammunitions, 3,659 radio sets, 15,450 mortar fuses, 10,000 mortar ammunitions, and 22,600 rifle grenades.

On external defense, the government focused its efforts in preventing illegal intrusions into Philippine territory and illegal exploitation of marine resources in the 200-mile exclusive economic zone. This was achieved by optimally using the air force and naval assets resulting in the apprehension of 52 foreign fishing vessels with 212 crew members.

Meanwhile, the AFP continued to make its presence felt in the Kalayaan islands or the Spratly Islands in order to protect national interest in the area.



2

INTERNATIONAL RELATIONS AND GOODWILL

The success of the EDSA Revolution was celebrated not only by Filipinos here and abroad but by leaders and peace-loving people the world over. They all marveled at this modern day miracle who was pitted against a 20-year old dictatorship.

As she performed the duties of her office which includes the mending of relations with foreign governments and institutions, all hailed her immediate feat. The goodwill that the People Power Revolution generated was put to great advantage. President Aquino had it in her heart. With it, she gained for the country the much-needed support in rising from the ruins.

Development Diplomacy

“Development Diplomacy” - the political and economic reconstruction of the Philippines through international cooperation had been the country’s thrust in its foreign relations. This guided the country’s dealings with the rest of the world.

The following were the initiatives undertaken to pursue development diplomacy:

- 1) holding of the First International Conference of Newly-Restored Democracies in Manila, 1988. At present, the Conference of Newly-Restored Democracies is fast becoming institutionalized with the next meeting to be held in Nicaragua in the first quarter of 1993;
- 2) forging closer ties with India, Vietnam, and Myanmar (formerly Burma);
- 3) holding of the First Hispano-Asian Pacific Conference. The conference was aimed to strengthen the bonds among countries which have been touched and influenced by Spanish culture; and
- 4) establishment/improvement of relations with West Asia (formerly Middle East) and members of the Organization of Islamic Countries.

The 3rd ASEAN Summit

The Third Meeting of the ASEAN Heads of Government or the ASEAN Summit was held in Manila on December 14 and 15, 1987. What made the event significant was the fact that it was pushed through despite the fact that a bloody coup attempt had just been staged two months earlier. The attendance of the ASEAN leaders in the Summit was a concerted show of support for the newly-restored Philippine democracy.

During the Summit, the Manila Declaration of 1987 was signed which declared 1992, being the 25th anniversary of ASEAN, as “Visit ASEAN Year”. It also provided the framework for enhanced cooperation and assistance among Asean countries to ensure security, stability, and growth in the region. Also signed were the Protocol amending the Treaty of Amity and Cooperation (Treaty of Amity) and the Revised Basic Agreement on ASEAN Industrial Joint Ventures (AIJV). The Treaty of Amity was revised to enable states outside the region to accede to the Treaty while the AIJV was improved to make the scheme more flexible, more attractive to investors, and to facilitate its implementation.

Other agreements signed during the Summit included: 1) Protocol on the Improvements on the Extension of Tariff Preferences under the ASEAN Preferential Trading Arrangements to further enhance and expand intra-ASEAN trade cooperation; 2) Memorandum of Understanding on Standstill and Rollback on Non-Tariff Barriers among ASEAN countries; and 3) Agreement on the Protection and Promotion of ASEAN Investments.

The 4th ASEAN Summit

The Fourth Meeting of the ASEAN Heads of Government in Singapore served as a fitting venue for the valedictory address of President Aquino to the other ASEAN Heads of Government.



The President with ASEAN leaders in Singapore.

The adoption of the four Philippine initiatives presented before the forum reflected the high esteem for President Aquino by her counterparts. The initiatives were: 1) the Framework Agreement on Enhancing ASEAN Economic Cooperation which was substantially based on the Philippine-proposed ASEAN Treaty of Economic Cooperation (ATEC); 2) the proposal on continuing dialogue to develop a regional consensus on political and security cooperation; 3) the call to UN Secretary General for the early dispatch of the UN Transitional Authority in Cambodia (UNTAC); and 4) forging of regional cooperation on the development of programs for children. These initiatives would serve as the legacies of President Corason C. Aquino to the ASEAN.

Regional Security

The Philippine proposal to hold a consultative dialogue on regional security with its ASEAN counterparts in July 1990 was accepted and the first dialogue took place in Manila in June 1991. This was followed by another in Bangkok in October 1991, and finally, in Singapore in January 1992. A formal statement was communicated in the Singapore Summit communiqué where ASEAN members committed to undertake formal talks on a regional security framework as one of its highest priorities in the immediate future.

Promotion of Human Rights

The Philippines was the lead sponsor of the United Nations' Commission on Human Rights resolution on "Regional Arrangement for the Promotion and Protection of Human Rights in the Asia-Pacific Region". The resolution led to the holding of the first Asia-Pacific Human Rights Workshop in Manila 1990.

The Philippines was a co-sponsor of the resolution adopting the “International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families”. This was adopted by consensus during the 45th UN General Assembly.

International Debt

In 1989 and 1990, the Philippines participated actively in drafting the G-77 resolution on debt and successfully won the inclusion of the Philippine proposal - a call for the establishment of an International Advisory Commission on Debt and Development. The Philippine delegation was also the chief coordinator for the draft resolutions on human resources development and on assistance to debtor developing countries seriously affected by the Gulf crisis which were both adopted without a vote.

Asia-Pacific Relations

The Asia-Pacific region has become a focus of events involving the major players in international affairs. These events will shape the future foreign policy directions of countries in the region and at the same time influence their allies to assess their respective policies towards Asia.

Five countries in the region - Japan, the Republic of Korea, Singapore, Australia, and New Zealand - participated in the Multilateral Aid Initiative/Philippine Assistance Program. The Philippines obtained benefits from programs of Technical Cooperation Among Developing Countries (TCDC) conducted by Asian countries for mutual help and cooperation.

Japan provided the largest contribution to the MAI/PAP, committing about a third of the total pledge at the Pledging Session in Tokyo in July 1989. It had become the country's second largest trading partner and market for Philippine products, and the largest source of bilateral Official Development Assistance provided through grants, loans, and technical assistance. In 1989, Japan disbursed a total of US\$403.75 million in official development assistance. In 1990, agreements were signed for the provision of Y39,486 billion, where 29 percent were used as grants and 71 percent in loans.



European Relations

In 1990, Europe underwent a historic transformation. Germany became one nation. The Soviet Union and much of Eastern Europe pursued the process of democratization. Free elections were held in Bulgaria, Romania, Hungary, and Czechoslovakia for the first time after nearly five decades. Leaders identified with freedom were elected. The Cold War formally ended with the signing by 34 nations of the Treaty of Paris in November 1990.

The Philippines welcomed these changes in Europe. Support for the newly-transformed governments of Eastern Europe and their continuing search for freedom was affirmed during the visits made by Secretary Manglapus and Undersecretary Yan to Eastern European countries in June and July 1990. In turn, the countries in Eastern Europe reiterated their support for the government of President Aquino. Mutually beneficial projects and agreements that could advance bilateral relations were concluded during these visits.

The DFA implemented measures to eliminate the barriers which previously inhibited the full development of relations with Eastern Europe. Some of these measures were: the liberalization of entry rules for Eastern European nationals; negotiation of air agreements with the USSR and Yugoslavia; and active encouragement of direct trading of private entities with Eastern European firms. The Department likewise delisted Hungary from the jurisdiction of the Philippine International Trading Corporation (PITC). This will help intensify trade relations with Hungary which transformed itself into a free-market economy. The removal of Yugoslavia, Poland, Romania, and Bulgaria from the PITC ambit was also planned.

Specific Accomplishments of the Presidential Trips

The state visits made by President Aquino to numerous countries generated for the Philippines goodwill, respect, and admiration the world over. Her meetings with the heads of state and top government officials yielded tangible results. Bilateral economic relations were strengthened and expanded with the United States, Canada, Japan, Europe, and our Asia Pacific neighbors.

Canada (November 1989)

The following were the agreements signed by the Philippine and Canadian governments during the state visit of President Aquino in Canada:

1. **Memorandum of Understanding (MOU) on Commodity Assistance.** This was a grant amounting to Canadian \$50 million. Supported by the Canadian International Development Agency (CIDA), this project will provide the Philippines with commodities such as paper, vaccines, fertilizers, and industrial products and help ease the government's burden of commercial borrowing for development projects.
2. **MOU on Assistance in Telecommunications.** A grant amounting to Canadian \$15 million and supported by CIDA, the project helps the Department of Transportation and Communications (DOTC) by providing microwave telephone systems for rural areas with one installation targeted per barrio.

3. **MOU on the Establishment of a Canadian \$27.1 million Line of Credit** by the Export Development Corporation (EDC). The EDC is Canada's official export credit agency. This was released to the CIDA telecommunications project.
4. **Agreement by Exchange of Letters providing Grant Assistance from CIDA** amounting to Canadian \$4.9 million for an environment and natural resources management project.
5. **MOU on Fish Inspection** which seeks to facilitate the entry to Canada of Philippine products that meet Canadian and international standards.
6. **Third Bilateral Debt Rescheduling Agreement** signed with the EDC of Canada covering Canadian \$6.8 million rescheduled over 10 years inclusive of a five-year grace period.
7. **Treaty of Extradition** which will facilitate the deportation to the Philippines of Canada-based fugitives.

United States of America (November 1989)

1. **MOU reached with Agency for International Development** to support project feasibility studies.
2. **US-RP Trade and Investment Facilitation Agreement**
3. **Restoration of US pledge** to grant RP with a \$200 million assistance under the PAP and the commitment to provide a \$25 million grant to support PAP-related activities.
4. **Signing with the World Bank of three Loan Agreements totaling \$175 million** which provided for co-financing amounting to \$222.4 million.
5. **New loan negotiations with the World Bank** amounting to \$430 million.

Germany, France, Belgium, and the European Economic Community (EEC) (July 1989)

1. **A total of \$232.4 million pledges** in soft loans and grants was realized during the President's trip to Western Europe.
2. **MOU on Trade between RP and France** making the social security law of France applicable to many Filipinos working in France.
3. **Official Development Assistance (ODA) in the total amount of \$156.4 million** over four years from the government of France. The Philippines also had the assurance to be an early beneficiary of debt reduction.
4. **MOU between RP and EEC** providing for \$18 million a year for the next five years for Philippine agricultural and rural development projects.



President Aquino tours Hongjian in Xiamen, People's Republic of China. The President's great grandfather, Xo Yohuan, came from Hongjian.

The President with US President George Bush at the White House.





People's Republic of China (April 1988)

1. MOU on Trade and Protocol
2. MOU on the Importation and Exportation of Commodities

Japan (November 10-13, 1986)

The Philippines enjoys warm and cordial relations with Japan. The first visit of the President to Japan in November 1986 laid the groundwork for strengthened RP-Japan economic, political, and cultural ties. Highlights of the visit were the following:

1. **Commitment to the Philippines of an eight-point aid package totaling some \$625 million.** The financial package included a \$252 million loan for the construction of the Calaca II coal-fired power project in Batangas.
2. **ODA in the total amount of \$308.4 million and \$100 million in technical assistance grants was also extended.**

Switzerland (June 1988)

Switzerland, which happens to be one of the top investors in the Philippines, extended:

1. A total of \$43 million technical loan-grant package.

Italy (June 1988)

Italy, the staunchest political and economic ally of the Philippines in Europe and the first European country to recognize the Aquino government, had been the most generous European economic benefactor of the country. It extended the largest development assistance to the Aquino government through:

1. The first **RP-Italy Protocol of Understanding**. This Protocol of Understanding which included a development cooperation program amounting to \$270 million in grants and highly concessional loans, highlighted President Aquino's state visit. Moreover, it also extended a total of \$188.6 million grants and soft loans and \$60 million loans for CARP.

Indonesia and Singapore (August 24-27, 1986)

The President took this opportunity to strengthen bilateral relations with our neighboring countries. Her visit in Indonesia resulted in the signing of:

1. **Trade agreements** covering economic relations and joint search and rescue operations in the border areas.
2. **A memorandum** which sought to increase air and sea links between the two countries.

Negara Brunei Darrusalam (August 1988)

President Aquino's visit succeeded in establishing a strong bond of friendship and cooperation between the two countries. Her visit resulted in:

1. **Brunei's firm commitment to assist in the proposed US\$10 billion Philippine Aid Plan**
2. **Assistance in the construction of a \$39 million fiber optic submarine cable network.**



3

PEOPLE EMPOWERMENT

Borne by the people to power, President Corazon C. Aquino would return the favor a millionfold. She actually did more, she decided to institutionalize the empowerment of the people through legislation.

Government powers which were centralized in Malacañang were soon devolved to the local governments and to the autonomous regions, giving the people a freer hand in planning and governing their lives. She also strengthened the linkages between the government and people's organizations by giving them due recognition and logistical support.

Decentralization and Local Autonomy

The 1987 Constitution embodies definite provisions for conferring more authority to local governments and autonomy to the regions in order to address historical, cultural, and political imperatives.

The bureaucracy had actively participated in the devolution of powers and functions from the central offices to the regional offices. Provincial and regional offices were set up and enhanced to facilitate delivery of services to the people in the rural areas.

Pending the enactment of the Local Government Code, the President put in place Cabinet-level structures that would formulate and implement policies and programs that would pave the way for a true and meaningful local autonomy.

As an initial undertaking, the President created the Cabinet Action Committee on Decentralization (CACD) in 1988 which implemented the Pilot Decentralization Project (PDP). The PDP was to provide structures, mechanisms and resources to support local autonomy by pilot testing innovative decentralization schemes in five provinces which was later expanded to 15.

The PDP successfully laid the foundation for legislative initiatives toward decentralization and local autonomy such as the Local Government Code. The lessons learned in Phases I and II of the PDP served as inputs in the formulation of the Code.

The President sets the Local Government Code in action.



Regarding regional autonomy, the Cordillera Administrative Region in the north and the Autonomous Region for Muslim Mindanao in the south were established.

The powers and functions of the Autonomous Regional Government are tremendous. It is vested with powers to exercise jurisdiction over matters covering administrative organization; creation of sources of revenues; ancestral domain and natural resources; personal, family and property relations; regional, urban and rural planning and development; economic, social, and tourism development; and educational policies.

Regional and Local Development Councils

In November 1987, the President issued Executive Order No. 308, which empowered the Regional Development Councils (RDCs) to be the “primary institutions in the regions which shall set the direction of economic and social development”. E.O. 308 defined the RDC membership and prescribed that one-fourth of the composition was to come from representatives of the private sector. This move was meant to involve the private sector in regional planning and development efforts.



The RDCs were mandated to administer most of the Integrated Area Development Programs (IADPs). This included authority over the finances of the IADPs. To strengthen the RDCs, a Regional Development Fund was instituted in 1988 to finance the operating requirements and capital outlays of regional and local development projects identified and adopted by the RDCs.

The Department of Interior and Local Government (DILG) assisted in organizing Local Development Councils at all levels. As of December 31, 1989, 99 percent of 75 provinces, 100 percent of the 60 cities, and 96 percent of the 1,534 municipalities had already organized Local Development Councils. In coordination with the RDCs, the DILG conducted information drive and/or training activities among the local development councils to keep them abreast with their functions, duties, and government program thrusts.

More public funds had been allocated to Local Government Units (LGUs) -from P5.6 billion in 1985 to P16.6 billion in 1990. Excluding debt service and net lending payments, P147.2 billion or close to two-thirds of the 1990 budget had been earmarked for capital projects in the different regions.

Decentralization in Budget Preparation and Allocation

Under the Aquino administration, budget preparation was participated in by all national government agencies as well as Regional Development Councils. It held sectoral consultations where each sector prioritized its funding requirements based on the sectoral ceiling, and through RDC-agency workshops to ensure that agency budgets and physical targets per region supported the regional needs and priorities.

Where before the budget was apportioned to various regions that did not specify the breakdown by project category or by province, the Aquino administration adopted the more decentralized approach to regional budgeting known as the "block" or "lump sum" approach initiated by the Department of Budget and Management (DBM). During President Aquino's term, the RDCs sub-allocated the lump sums using the following criteria: 20 percent of the total to be equally divided among the provinces of the region, 30 percent to be allocated on the basis of population, and the remaining 50 percent to be apportioned in accordance with measures of scarcity or availability of infrastructure facilities existing in the region.

The decentralization policy of the national government as implemented by the DBM devolved additional authorities and responsibilities to LGUs and DBM regional offices.

The authority to review provincial and city budgets, hire new personnel, and purchase equipment was delegated to governors and city mayors to hasten the implementation of their own priority programs and projects.



The President admires hand-made cross-stitch towels made by Nancy Yadao at Pineda-Pasig livelihood project under the Development Advocacy for Women Volunteerism, October 7, 1991.

GO-NGO Partnership

The Aquino administration actively promoted the development of NGOs as a strategy to empower the people. Meaningful development is achieved when NGOs are involved in policy planning, decision making, implementation, and evaluation of programs and projects.

The development of NGOs became synonymous with people empowerment. It moved along two mutually enriching directions: increasing NGO involvement in government programs and decreasing government assistance to NGO programs. The administration efforts were directed toward the encouragement and capability-building of NGOs.

The 1987 Constitution laid the foundation for the development of the NGOs. It encourages the formation of non-governmental, community-based, or sectoral organizations that promote the welfare of the nation. It also guarantees the "right of the people and their organizations to effective and reasonable participation at all levels of social, political and economic decision-making".

A landmark law for people empowerment was the New Local Government Code which institutionalized and enhanced the partnership between NGOs and LGUs. The Code provided for the involvement of NGOs and the private sector in local development councils, delivery of basic services, joint ventures and cooperative programs, financial and other forms of assistance, and in financing and construction. It also gave preferential treatment for cooperatives development and organizations.

The Medium-Term Philippine Development Plan 1987-1992 which was adopted through Presidential Proclamation No. 51 on December 12, 1986 made explicit the role of NGOs and community organizations as the "prime mover of development...the lead in undertaking and sustaining programs and projects aimed at improving the Philippine socioeconomic situation".

From 1987 to 1992, various partnership modes between GOs and NGOs had evolved. These flowed into three streams of people empowerment: 1) socioeconomic development vital for poverty alleviation; 2) disaster management for calamity-stricken areas; and 3) political development activities necessary to preserve democratic institutions and the progress gained.

The underlying theme for all these efforts in promoting GO-NGO partnership is doing things the *kabisig* way -enlisting the active support of all sectors, including the private sector, toward establishing an economically self-reliant, socially participative and responsible, and politically progressive and stable, nation and citizenry.

Thus the Kabisig Peoples' Movement, institutionalized in Proclamation No, 650 and in Article XII of the Constitution, had been a movement for people empowerment and developmental objectives. It was tasked to facilitate, coordinate, and monitor the implementation of programs and projects, and provide linkages between and among the private sector and government agencies and instrumentalities.

Its accomplishments included the launching of the Kabisig Livelihood Program, the Kabisig Resource Complementation Program, the Kabisig Kabuhayan Centers nationwide, and the Kabisig fairs and exhibits. There were also the Kabisig projects under government agencies such as the Tulong sa Tao of the DTI, the Integrated Social Forestry and Livelihood Project of the DENR, and the Bamboo Reforestation Project of the DND.

NGOs For Socioeconomic Development

It was in this first stream where most GO-NGO partnership arrangements were explored and attained the most gains. Exemplary partnerships in this area included:

- Integrated People's Livelihood Cooperative System of the Department of Agriculture which provided financing, technical, and training assistance, and values education for farmer cooperatives;
- Community Mortgage Program where urban poor NGOs negotiated and purchased the land, and initiated housing projects with assistance from government housing agencies. Since the onset of the program, some 200,000 urban poor families had availed of the CMP;
- President's Social Fund where NGOs were tapped to construct schoolbuildings, potable water systems, and provide livelihood to identified beneficiaries; and
- Special Development Area Program of various government agencies where NGO networks were utilized to fast track development projects in poverty stricken and insurgency infested areas.

NGOs For Disaster Relief and Rehabilitation

This may be considered the traditional form of partnership where NGOs automatically respond to the immediate needs of relief mobilization and the task of rehabilitation and reconstruction.

The Integrated Livelihood Reconstruction Program for Earthquake Victims (ILRP-EV1) and Eruption Victims (ILRP-EV2) of the Office of the President exemplified NGO involvement in reconstruction work. An estimated 300,000 beneficiaries had benefited from the restored footrills, footbridges, communal irrigation systems, pumps, flood control dikes, desiltation of farmlands, rivers and earth dams, and the farm tools, equipment and machineries provided through the assistance of about 50 NGOs.

NGOs had also been involved in early warning systems. For example, local farmers had been made part of the Flood Warning System to disseminate information about water levels and to initiate evacuation to relocation sites. With the growing concern on lahar flow from Mt. Pinatubo and other volcanic activities in other parts of the country, local neighborhood associations had also been tapped as channels for information and feedback.



Former NPA Supremo Dante Buscayno assists the President in inaugurating a manual water pump in Kalangitan Aeta Resettlement and Rehabilitation Center in Capas, Tarlac.

NGOs For Policy-Advocacy and Contingency Planning

This area involved the utilization of NGOs in generating support to democratic organizations:

- Drugwatch with a network of 200 NGOs who linked up with the local police and Armed Forces to identify and apprehend drug pushers, among others;
- National Coalition for Transparency where NGOs assisted in energizing the bureaucracy. It aided in the formulation of policies to reduce red tape, and graft and corruption in frontline services;
- Emergency Coordination Council which was organized with NGOs. Included in its Contingency Planning were the linkages with NGOs for swift mobilization in times of destabilization such as coup attempts; and the
- Multisectoral Contingency Planning where five task forces with NGO representation were created to address the adverse effects of the 1990 Gulf war. The task forces were for food, fiscal and monetary reforms, freedom and security, foreign exchange, and oil.



ONE WITH HER PEOPLE.

Upper photo: Peasant leaders from Bicol gives the President a hand-woven cotton tapestry. Below: Sitting down with farmers of Nueva Ecija.

Institutional Development

Towards institutionalizing government's partnership with NGOs, each department or agency tasked specific units or persons in coordinating with NGOs at the national and local levels. Specifically, these desk officers had been tasked to: 1) relate with leaders of the major NGO networks and federations; 2) assist in policy formulation; 3) provide information regarding the progress of activities in their respective agencies; and 4) communicate with their local levels, the policies and program development related to GO-NGO matters.

To coordinate the activities of these NGO liaison officers, the NGO Liaison System was created in 1989 to bring together the liaison officers of 70 government agencies with critical frontline services. The System served as a forum where operational issues on NGO matters were discussed. The System also launched the Capability Building Program where NGOs with capabilities to organize were tapped to assist smaller NGOs develop their own capabilities. Under the Program, eight NGOs were tapped to train smaller NGOs on community organizing.

New Local Government Code

On October 1991, Republic Act No. 7160, otherwise known as the Local Government Code was signed into law. The Code aimed to enable local government units (LGUs) to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals. It also sought to give them more powers, authority, responsibilities, and resources.

"Devolution" was the key word. The Code mandated the national government agencies must devolve functions, responsibilities, and even facilities, records, equipment, assets, and personnel to LGUs.

The local governments were to assume the delivery of basic services and facilities in the following areas: agricultural support services; health and social welfare services including maintenance of hospitals, health centers and day care centers; general hygiene and sanitation; beautification and solid waste collection; maintenance of roads and bridges; local infrastructures intended primarily to serve the residents; community forest projects; and other projects.

The basic services and facilities were to be funded from the share of the LGUs in the proceeds of national taxes and other local revenues and funding support from the national government, its instrumentalities, and government-owned or -controlled corporations. Any fund or resource available for the use of the LGUs should first be allocated to provide basic services or facilities.

On February 24, 1992, President Aquino issued Executive Order No. 507 directing the transfer of the amounts appropriated in the 1992 General Appropriations Act for devolved services and facilities, and projects and activities of affected national government agencies and departments to the Internal Revenue Allotment (IRA) of the LGUs.



4

ENERGIZING THE BUREAUCRACY

Transparency in governance was what President Corazon C. Aquino directed. She led by example. Honest, frugal, and with an unassailable integrity, she set the tone of true public service. Under her administration, the Salary Standardization was implemented which made the payscale of government workers approximating those in the private sector.

Aquino acknowledged the public servants' worth, not just by giving them benefits but by making them active participants in nation building.

Promotion of Honesty, Integrity, And Accountability

Presidential Committee on Public Ethics and Accountability

To set the moral tone to promote honesty, integrity, and accountability in public service, the President created the Presidential Committee on Public Ethics and Accountability through the issuance of Administrative Order No. 25 on May 15, 1987. Through this Committee, the President and the Cabinet were able to coordinate the efforts of the various departments in fighting graft and corruption and in promoting the ethical standards of public service in the executive branch.

President Aquino also approved the Code of Conduct and Ethical Standards for Public Officials and Employees.

Office of the Ombudsman

Following a Constitutional mandate, the Office of the Ombudsman was created as an independent body to investigate complaints of any illegal act and conduct by any public official. It also recommended the removal, suspension, and prosecution of any public official found guilty of wrongdoing.

Committee on Energizing the Bureaucracy

In view of the President's concern in developing a results-oriented bureaucracy, the Committee on Energizing the Bureaucracy was created in May 1988 as a Standing Committee of the Cabinet Assistance System (CAS). This body recommended appropriate double measures to address existing gaps in policies and programs in the bureaucracy.

One of the administrative reforms initiated by the Committee was the adoption of performance contracts for government officials. This scheme was implemented government-wide through the Career Executive Service Board in 1990. It also reviewed and recommended immediately implementable programs which improved critical frontline services in the Philippine Overseas Employment Authority (POEA); National Bureau of Investigation (NBI); Land Transportation Office (LTO); and Department of Foreign Affairs (DFA).

At the DFA, reforms were instituted in August 1989 to improve the passport processing service. This resulted in part to a 46 percent increase in the number of passports processed from 766,360 in 1990 to 1,120,481 in 1991. At the LTO, a significant increase in the number of transactions was also noted with the introduction of the Fast Lane System in 1988. Processing time for license renewal applications was reduced from three hours to an average of 30 minutes per application. This had resulted in savings of approximately four million manhours or about P60 million for the 1.6 million applications in 1991 alone.

Improvement in the Administration of Justice

The President's issuance of Administrative Order No. 75 on June 11, 1988 created the Presidential Task Force on the Improvement of the Administration of Justice as a

nongovernment organization. It was composed of officials from the government, private organizations, and the academe with the primary task of reviewing, prioritizing, and adopting proposals for the improvement of the administration of justice. It was tasked to formulate short- and medium-term plans to improve the system and to identify mechanism that will sustain efficient and effective performance of the reforms to be instituted.

The Task Force developed a Case Tracking System and Productivity Improvement Program which recorded and monitored the performance of 150 fiscals and 2,500 assistant fiscals nationwide. A data base system was also developed which the Department of Justice used in determining the grant of incentives and promotions in the department as well as the imposition of administrative penalties to erring employees.

Review and Monitoring of Agency Performance

Through the President's initiative, several measures to enhance accountability in government had been implemented. Upon her instruction, all agencies set well-defined targets and their performance was regularly monitored. For this purpose, a mechanism for yearend assessment of government performance had been adopted. The President tasked the then Cabinet Secretariat to coordinate all activities relevant to this effort in order to facilitate each agency's review and monitoring of performance.

Raised Standards And Streamlined Operations

Upgrading of Standards

One of the methods developed to upgrade the standard of the bureaucracy was the institutionalization of a performance appraisal system as a prerequisite in any personnel action particularly serving as a basis for promotion. With the system in place, a government employee with a rating of "very satisfactory" for two consecutive rating periods can be promoted.

The entry standards for the civil service were also raised. The passing grade for the civil service eligibility examination was raised from 70 to 80 percent. With the above increase, the government expects to employ the best and the brightest among the applicants. In 1991, eligibility requirement was strictly imposed which minimized granting of temporary appointments.

Likewise, the schedule of penalties for administrative offenses had been upgraded.

Systems Improvement

The "Do Away with the Red Tape" (DART) Program and the "Ang Magalang, Bow" courtesy campaign instilled courtesy in the frontline personnel of agencies and cut unnecessary documentation requirements in the agency. Public Assistance Centers were institutionalized in all government offices as part of the deregulation thrust of the Aquino administration.

The bureaucracy also started computerizing the government personnel records. Moreover, the bureaucracy's human resource development programs had been deregulated and vigorously expanded.



Easy Access

The staggered examination scheme was initiated under the Aquino administration to facilitate the provision of civil service eligibility, an increasing demand by new graduates, and interested civil service entrants. Instead of holding one national career service examination once a year, examinations were given thrice a year in different centers nationwide. The walk-in examination system where applicants can take the examination at a date of his choice was also implemented.

Promotion of Employees Welfare

Democracy in the Work Place

As a result of the change in government in 1986, agencies underwent reorganization which, for a while, created unrest among government employees at all levels.

The Aquino administration, however, reaffirmed and strengthened the security of tenure of the employees and the basic democratic principle of due process. An example was the reorganization and subsequent actions at the Bureau of Customs. The Supreme Court upheld the CSC action on these cases. The legislative supported the CSC efforts by setting down the ground rules on the reorganization procedures.

The Career Executive System was also recognized and this had helped in the stabilization of the bureaucracy. The merit and fitness system had been restored as the sole criteria for entry, retention, and advancement in government service.



Increased Salaries and Benefits

The Salary Standardization Law was enacted and passed through the initiative of the executive to promote uniformity in wages across the bureaucracy. This has been regarded as the most substantial upgrading of government salaries in the history of Philippine civil service. Likewise, the government wage structure was finally rationalized so that distortions and inequities were largely eradicated.

Moreover, the package of government employees benefits were made permanent upon the initiative of the Chief Executive. The 13th month pay for each employee had been continued and an additional P1,000.00 cash gift was initiated in 1989.

New Benefits

Measures to upgrade the financial condition of the civil service after the economic crisis brought by the July 1990 earthquake and the June 1991 Mt. Pinatubo eruption was also implemented. Effective January 1991, the Permanent Emergency Relief Allowance (PERA) for each employee below the rank of Assistant Director in the amount of P500.00 per month was integrated in the pay envelope of government employees. In the same year, monetization of leave credits up to 10 days per year was also started.

Moreover, the Aquino administration increased the amounts of benefits to Government Service Insurance System (GSIS) members.

Employee Empowerment

Public Sector Unionism

Promotion of employee unions/employee associations had been a primary concern in keeping with the democratic ideals of the nation. Activities and measures were pursued intended to give government employees a bigger role and a stronger voice on matters that affect them. As a result of these efforts, employee unions increased from 79 in 1988 to 242 by end 1991.

The first collective bargaining agreement in the public sector took place in 1991 when the Memorandum of Understanding between the government and employee representatives and government management represented by the Executive Secretary was forged.

In support to government employees associations, the President released P10 million from her Social Fund to the Compensation and Review Panel, Inc., a federation of government employees associations, in February 1992. The amount served as a seed fund which can be tapped by any government employees cooperatives.

Panibagong Sigla 2000

To implement other administrative reforms of the Aquino administration, Panibagong Sigla 2000 was launched in March 1991. The program was expected to address the gaps in policies and programs, institutionalize reforms through consultative and active participation of government employees to make the bureaucracy more responsive, and prepare the public service for the challenges and opportunities in the year 2000.



5

LEGACY OF ECONOMIC RECOVERY

The economy was hemorrhaging when President Corazon C. Aquino assumed leadership in 1986. There was flight in capital, the nation was heavily in debt, national banks were in the red, inflation was galloping, and GNP was plunging continuously down. The Aquino administration stopped all these and turned the economy around.

Although having to do with only about half of the national budget (since the other half was meant to honor obligation), the Aquino administration did remarkably well in delivering basic services to the people. And in putting the country back on track towards being an NIC in the year 2000.

SECTORAL GAINS

Agriculture: Towards A Market-Oriented Economy

One of the most significant accomplishments of the Aquino administration was the restoration of a market-oriented economy and the dismantling of crony capitalism and economic cartels in the sugar and coconut industries. These measures and others carried out immediately upon its assumption to office partly explain the resilience of the economy despite the series of national and man-made disasters that confronted the country's economy. Agriculture served as the safety net as it proved to be a more efficient and consistent earner and saver of foreign exchange. When the performance of all the sectors of the economy went down, only the agricultural sector registered positive growth rate. For the years 1986-90, the agricultural sector grew by an average of 3.14 percent, 11 percent higher than the targetted growth rate.

The specific measures taken were:

- Abolition of the meat importation cartel;
- Breaking up of the fertilizer cartel;
- Dismantling of cargo handling cartels;
- Lifting of price controls which hindered market development during normal situations;
- Abolition of quantitative restrictions on the importation of all fertilizer grades;
- Lifting of the copra export ban;
- Relaxation of restrictions on the establishment of dessicated coconut plants; and
- Bidding out of fertilizer grants to the private sector.

The Aquino administration also introduced reforms in the sector with the removal of all agricultural export taxes and exemption of all primary agricultural products from the value-added tax (VAT); lowering of tariff rates on fertilizer; reduction of tariff rates on fishing vessels and animal breeders; and, privatization or leasing of government-owned postharvest processing facilities to farmer associations.

Four themes characterized the Aquino administration's record in agriculture:

- 1) Agricultural production served as the bulwark of the economy despite tremendous constraints and major calamities.

In 1991, although the country experienced a backlash from the Gulf War and suffered from the Mt. Pinatubo eruption, drought at the start and end of the year, and several typhoons, agriculture still achieved a 2 percent growth for the entire year. In addition, good harvests in rice and corn stimulated by the Rice Action Program (RAP) and the Corn Production Enhancement Program (CPEP) allowed the country to gain self-sufficiency and to export. For the period 1987 to 1991, rice production increased from 6.7 million M.T. to 7.3 million M.T. while corn production increased from 3.01 million M.T. to 3.4 million M.T.

- 2) The market-orientation of agriculture had been realized.

The Livelihood Enhancement for Agricultural Development (LEAD) Program was designed to spur farmer entrepreneurship. It had extended assistance in project

packaging, fund sourcing, and management of bank-assisted livelihood projects, as well as financing numerous grant-assisted projects.

To date, under the bank-assisted component of the LEAD, around P215.2 million had been released to finance a total of 39 projects benefiting 35,129 farmers. For the grant-assisted component, O184.72 million had been released to 214,194 farmers involving 3,232 projects.

- 3) The pursuit of democracy and development through people empowerment had been enhanced and promoted.

Over the years, the government had established many linkages with farmers and the private sector through multisectoral task forces, the Agriculture and Fishery Councils, and the Peasant Council.

Special projects directed towards disadvantaged groups were also undertaken. These included:

- Lalakas ang Katawang Sapat sa Sustansiya (LAKASS) Program which aimed at improving the nutrition situation in 131 nutritionally-deficient low-income municipalities nationwide;
- National Reconciliation Development Program (NRDP) provided rebel returnees services which included livestock dispersal, seed and seedling distribution, construction of small water impounding projects, cooperatives establishment, and technology transfer. As of 1991, 2,674 heads of livestock and poultry had been dispersed benefiting 3,074 rebel returnees; 35 M.T. of seedlings, 300 bags of fertilizers had been distributed to 1,778 barangays; and 270 small water impounding projects had been constructed in 270 barangays all over the country;
- Tribal Agricultural Support Services Program benefited 6,750 tribal farmers by extending assistance and support for farming systems suitable for cultural communities;
- Highland Agricultural Development Project had increased the income of 17,311 upland farmers through the intensified production and diversification of established crops; and
- Central Cordillera Agricultural Project (CECAP) had provided infrastructure and support services as well as initiated community resource development activities in 22 municipalities in Nueva Vizcaya, Ifugao, Mountain Province, Abra, and Kalinga Apayao;
- Other area-specific projects were also undertaken such as the Samar Island Development Project, the Aurora Integrated Area Development Project, and various Southern Mindanao Agricultural Projects.

- 4) Agricultural research had been rationalized.

The National Research and Extension Agenda (NAREA) had provided the mechanism for allowing a surge in agricultural productivity through the rationalization of research and extension services to farmers and fishermen, providing them access and opportunities to utilize cost-effective, location-specific, and ecology-oriented technologies. Also complementing these research and extension services were the Integrated Pest Management Program and Soil Resources Management and Conservation Programs which included the Sloping Agricultural Land Technology (SALT) Project, the Farm Home Resources Management Project, and the Farm Youth Development Program.

The increase in farm productivity had resulted to a corresponding increase in income of farmers. In 1987, the average nominal income of farmers was only P31.62 per day. By 1989, farmers income had increased to P41.72. In real terms, the average income of P30.24 had inched up to P33.17 in 1989.

Agrarian Reform: The Land Problem Addressed

The Comprehensive Agrarian Reform Program (CARP) as provided under the Comprehensive Agrarian Reform Law or R.A. 6657 was formulated, like its precursors, out of the need to achieve political and socioeconomic stability, particularly in the agrarian sector.

In adherence to democratic principles, the Aquino government took into full consideration the consent and preferences of the farmers and farmworkers. In some areas, the farmer-beneficiaries opted for the stock distribution in the disposition of the lands awarded to them. The case of Hacienda Luisita and Del Monte are good examples. In the Hacienda Luisita, majority of the farmer-beneficiaries approved a stock distribution plan in two referenda called to hear the will of the people. As for the case in Del Monte, the farmers' cooperative opted to lease the lands back to the multinational.

Moving a program of CARP's magnitude in a democracy meant not only reconciling the need for action with the need for consultation but also reconciling the need for accuracy with cost efficiency. There had been too many things that had to be done at the same time with so limited human and financial resources. There were also the complicated accounting and auditing systems and the rest of the bureaucracy to contend with. Yet, with all these limitations, CARP became a reality and represented a major improvement over previous land reform laws.

The government instituted the most comprehensive and the most radical agrarian reform this country had ever seen. From 822,000 hectares of rice and corn lands under the previous program, the CARP coverage was expanded to 10.3 million hectares of public and private agricultural lands, including the resettlement and Integrated Social Forestry (ISF) areas.

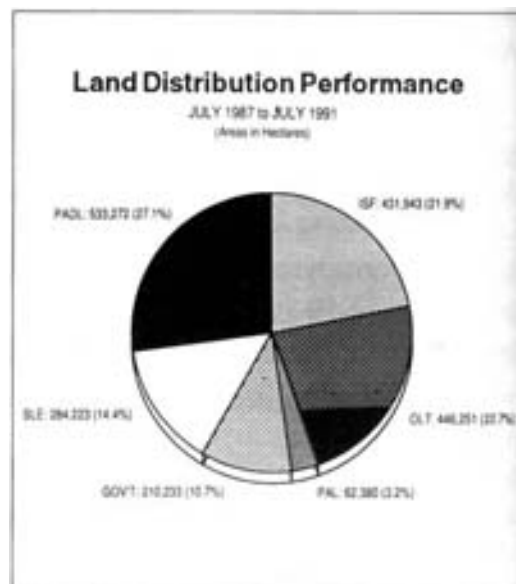
The fast-track implementation of the CARP, particularly in land distribution, had further made the Program irreversible. The Department of Agrarian Reform (DAR) and the Department of Environment and Natural Resources (DENR) distributed 1.96 million hectares or 67 percent of the targets to about one million farmer-beneficiaries. The backlogs during the previous administration which consisted of Operation Land Transfer (OLT) lands and landed estates were likewise absorbed under RA 6657.

The President awards emancipation patents to a farmer in Mindanao.



The number of beneficiaries increased from 16,750 in 1986 and 26,570 in 1987 to 627,304 in 1991. The actual farmer-beneficiaries of the program totaled around 1.04 million farmers including those with land titles and those who benefited from production and profit-sharing, stock distribution option, leasehold operations, and ISF lands.

Through the Land Bank of the Philippines, CARP provided P10.36 billion in credit. CARP also delivered such other support services as postharvest facilities, extension services, and small water impounding projects through the Department of Agriculture (DA); farm-to-market roads through the DPWH; communal irrigation systems through the National Irrigation Administration (NIA); common service facilities through the DTI; formation of self-reliant organizations through the Department of Labor and Employment (DOLE); access trails, impounding dams, and soil conservation structures through the DENR; and information and education programs, organization-building, and skills enhancement trainings through the DAR.



Environment and Natural Resources: Strategy for Sustainable Development

Realizing the extent of environmental ruin it inherited and its consequent adverse effect on the country's natural resources, the Aquino administration adopted a strategy that integration natural resource utilization and environmental protection. Such strategy was instituted into what is known as the Philippine Strategy for Sustainable Development (PSSD).

Government embarked on a number of policy reforms and programs that sought to address the problems and issues relating to the environment and the exploitation of natural resources. These included:

1. **Forest Protection.** Logging was banned in all old-growth forests thereby shifting logging operations to residual forests. All virgin forests were also placed under a protected area status. Likewise, a no-log-export policy was adopted reducing log exports from a volume of 295,912 cubic meters (cu.m.) to 2,358 cu.m. in 1991.

The drive against illegal logging and other enforcement activities was intensified. This resulted in the confiscation of around 383,251 cu.m. of logs and lumber. In addition, 169 sawmills were either closed or suspended. Timber License Agreements (TLAs) were cancelled such that in March 1992, there were only 55 TLAs from the 242 TLAs in 1986.

These combined forest protection activities resulted in the deceleration of the deforestation rate from a high of 210,000 hectares per year in 1969 to 1988 to 88,000 in 1991.

2. **Forestation.** In 1989, around 3,356,363 individuals or 5.5 percent of the total 1990 population were residing in forests. To improve the tenure and livelihood opportunities of these forest settlers, a number of forestation programs were implemented. The biggest of these programs was the National Forestation Program (NFP).

The Integrated Social Forestry Program (ISFP) provided tenure and livelihood to 200,000 families in the uplands with the awarding of 160,458 Certificates of Stewardship Contracts (CSCs) and the development of 241,393 hectares of agroforestry plantations.

Under the Community Forestry Program (CFP), some 33 CFP projects were established with 33 NGOs undertaking community organizing and providing technical assistance.

The Industrial Forest Plantation Management Agreement allowed a qualified person to occupy and possess for a specified rental fee any forest land of the public domain in order to establish industrial forest plantations. A total of 47 Industrial Forest Plantation Lease Agreements were issued covering an aggregate area of 150,586 hectares.

A milestone in the drive to ensure a clean and healthy environment was the passage of Republic Act No. 6969, on Toxic and Hazardous Wastes. The law prohibited storage,

transport, collection, processing and disposal of hazardous wastes in a manner that would present potential risk or injury to health and environment.

A Rivers Revival Program for Metro Manila was also undertaken. The program aimed to dredge and clean major river systems such as the Tenejeros-Tullahan-Navotas-Malabon water system.

In the mining sector, a significant accomplishment was the passage of the People's Mining Act or RA 7076. The law provided for greater access of small miners to the country's mineral resources.

To correct historical injustices and to ease the tension in the uplands, 59 Certificates of Ancestral Land Claims (CALCs) which covered a total area of 661,290 square meters were issued. It benefited 2,483 families from seven cultural communities in five provinces.

Trade and Industry: Backbone Of A Developing Country

Simultaneous to efforts in reestablishing democratic processes and institutions, the Aquino government began the gargantuan task of extracting the country out of the economic rubble.

For the period 1985 to 1988, the poverty incidence was significantly lowered: from 44 to 32 percent in the NCR; 55.9 to 50 percent in the Luzon area; a high 71.2 to 59 percent in the Visayas area; and 63.1 to 51 percent in the Mindanao area.

The implementation of structural reforms in the economy and the tremendous amount of goodwill generated by the historical events of February 1986, which restored business and consumer confidence, pushed real growth in the Gross National Product (GNP) from 4.2 percent in 1986 to 7.2 percent in 1988.

Real GNP growth posted an average annual increase of 4.3 percent from 1986 to 1991, a turnaround from the 0.6 percent average contraction recorded during the previous six years. Analysis of the sectoral trends showed an impressive performance of the construction sector, which buoyed up the overall industrial performance.



However, by 1989, macroeconomic imbalances due to structural weaknesses in Philippine industries, rapidly growing fiscal deficit, external debt overhang, political instability, and the slowdown of the global economy, began to take its toll. The Gross Domestic Product (GDP) growth therefore dropped to negative 1.2 percent in 1991 from an average growth of 4.6 percent in 1986-90.

Inflationary Pressures, Budgetary Deficit, and Stabilization Measures

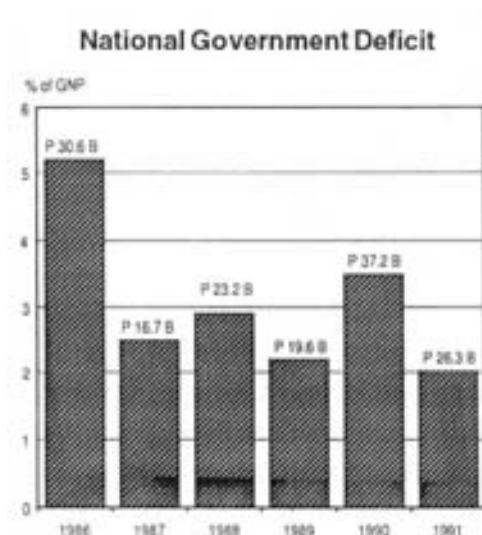
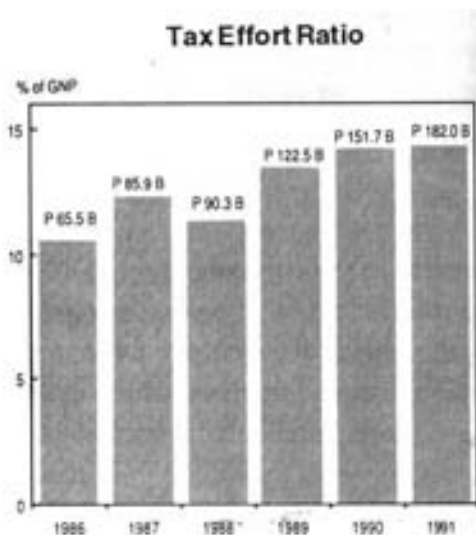
The inflation rate significantly declined from 23 percent in 1985 to a single-digit average of 9.1 percent from 1986-92. As of May 1992, the inflation rate was pegged at 9.2 percent.

To contain inflationary pressures and stop speculations on the peso, the Central Bank engaged in open market operations through the issuance of treasury bills while managing more carefully and monitoring the growth of monetary aggregates to help attain real GNP growth targets.

Stabilization measures initiated in 1990 called for the raising of reserve requirements against deposits and deposit substitute liabilities from 21 percent in March 1990 to 25 percent in December 1990 up to the present. This mopped up liquidity in the financial system and attracted the holding of the peso vis-à-vis the US dollar. While the short-term results meant higher interest rates, the stabilization measures and the much improved performance in government cash operations had been able to reduce these rates.

Government financial institutions pursued administrative improvement programs which enable them to make better collection rates: the Bureau of Internal Revenue's (BIR) collection ratio as a percent of GNP rose from 7.7 percent in 1985 to 9.2 percent in 1991; while the Bureau of Customs' (BOC) ratio rose from 3.0 to 5.1 percent for the same period.

Overall, the tax revenues of the government grew annually by an average of 20.4 percent from P65.5 billion in 1986 to P182.0 billion in 1991. As a result, the tax effort of the Philippines steadily increased from 10.6 percent in 1986 to 14.4 percent by 1991.



The intensified collection efforts coupled with cost-cutting measures enabled the national government to reduce its budget deficit. From a deficit of P30.6 billion in 1986 or 5.2 percent of GNP, this was trimmed down to P26.3 billion in 1991 or 2.1 percent of GNP.

Export Development and Promotion

The period 1986-91 saw a steady increase in our export earnings from US\$4.84 billion in 1986 to US\$8.84 billion in 1991.

Aside from the sustained rise in export value, a positive development came by way of a more diversified export base. There was a shift from traditional to nontraditional products such as gifts, toys, housewares, and fashion accessories. From 71.2 percent in 1986, nontraditionals constituted 88 percent of total exports by 1990. Also, industrial manufactures strengthened their share to total exports from 36 percent in 1987 to 49 percent in 1990.

To sustain the trend, the National Export Development Program was implemented with the following components:

1. **Export Enterprise Development Program.** This program sought to maintain and improve the competitiveness of exporters countrywide through the expansion of their product base, increase in productivity, and the improvement of management and professionalism in the export sector.

From 1987-91, the Philippine Trade Training Center (PTTC) conducted 500 various training programs/seminars for exporters, training more than 20,000 current and would-be exporters as well as government personnel involved in export promotion.

On the other hand, the Product Development and Design Center of the Philippines (PDDCP) which provides exporters product development and design adaptation, created 21,722 designs for 26,562 clients. Further, the Center held a total of 156 workshops which covered not only designs, but also technological processes that could improve product quality. These workshops benefited 8,578 exporters and would-be exporters.

2. **Export Market Development Program.** This addressed the need to increase the country's share in target markets, reduce deficits in bilateral trade, and diversify product and buyer compositions.

The Foreign Service Trade Corps (FSTC) provided commercial intelligence reports, country briefs, and product trend reports while the Bureau of Export Trade Promotion (BETP) developed market studies, regional and market strategies, product situationers for dissemination to exporters, and trade opportunity reports which were also distributed to specific enterprises.

Since 1989, the FSTC had reported 21,612 trade opportunities and 2,216 investment opportunities. Through its efforts, 2,644 foreign buyers and 973 potential investors had expressed interest in doing business in the Philippines.

In addition, the Center for International Trade Expositions and Missions (CITEM) had provided direct buyer and market exposure to 15,693 exporters which generated export sales of over US\$825 million. This was done through promotional events such as 527 market weeks, trade and selling missions and trade fairs both here and abroad.

3. **Export Environment Development Program.** This program was responsible for the strengthening of the primary institutions for export in the public and private sectors; effecting better linkage and coordination between government and private sector in planning and implementing export development programs and liberalization; and streamlining of administrative procedures and regulations.

An essential necessary component of the economic recovery program was the passage of Executive Order 499 which created and Export and Investment Development Council. The Council was tasked to provide direction, guidelines, and coherence to the development and promotion of exports and investments.

Executive Order No. 266, which created the One-Stop Processing Center for Tax Credit Duty Drawback, streamlined various government agencies documentary requirements for processing applications, thus shortened processing time and safeguarded the system from undue claims.

The foreign exchange liberalization measures that eased restrictions on the repatriation of investments and gave exporters increased access to foreign exchange at lower costs included: 1) the full and immediate repatriation and remittance privileges for all types of investments provided they had registered with the Central Bank; 2) the liberalization of the eligibility of deposits under the Foreign Currency Deposit System; and 3) the raising of the dollar retention ceiling of exporters of commodities from 2 percent to 40 percent of their export receipts.

Domestic Trade

Whenever prices of basic commodities threatened to escalate such as during the Gulf War and after the 1989 attempted coup, price ceilings were imposed to protect the consumers. Other price stabilization efforts included the organization of price monitoring teams which assisted in enforcing price controls and the setting up of product monitoring committees and the Bantay Bilihin Volunteer Network. The private sector was substantially involved in these efforts.

External Debt Management

The Philippine authorities had consistently maintained and negotiated approach in management of external debt to keep international confidence in the Philippines as a reliable trading partner, borrower, and investment area. The country obtained financial relief from commercial banks and official creditors through: restructuring of principal payments on both commercial bank and Paris Club obligations; interest restructuring on Paris Club debts;

availment of new money for developmental financing, balance of payments and budgetary support; and trade financing under the \$3 billion Revolving Trade Facility.

Based on the last agreement with the Paris Club, capitalization of interest was increased to 100 percent from 60 percent during the first agreement. Moreover, debts previously rescheduled in the first three Paris Club agreements were again rescheduled on top of the non-previously scheduled maturities. An innovative feature of the latest agreement was the provision, on a voluntary basis, for debt swaps (i.e., debt-for-nature, debt-for-equity, debt-for-aid, or other local currency debt swaps).

As of 1991, about US\$11.3 billion in outstanding debt owed to official and commercial bank creditors had been rescheduled.

Complementing these agreements was the implementation of various debt reduction strategies such as:

- 1) Reduction of the debt stock. As of March 1992, the various debt reduction measures reduced debt stock by \$3.1 billion. In addition, the series of buybacks reduced debt by \$1.34 billion in January 1990, \$100 million in December 1991, and \$1.3 billion in May 1992.
- 2) Transformation of the Philippine creditor profile. There had been a shift from a generally more expensive commercial bank debt to more concessional bilateral and multilateral loans. For the period 1986 to 1991, loans outstanding which were due foreign commercial banks and financial institutions decreased from 58 to 36.7 percent while those due bilateral and multilateral creditors increased from 11 to 32 percent and from 17 to 21.7 percent, respectively. Other suppliers accounted for the 9.6 percent by end-December 1994.
- 3) Lengthening of the maturity structure of outstanding debt. As of end-December 1991, 16.1 percent of the country's \$29,956 million external debt consisted of short-term loans in contrast with the 33 percent of short-term liabilities at the beginning of 1986.
- 4) Reduction in debt service burden as a result of reschedulings. As a result of rescheduling and various debt reduction schemes, the average annual debt service was cut down to only \$3.1 billion from \$5.4 billion. Likewise, the debt service ration after rescheduling was scaled down to 20.7 percent in 1991 from 35.8 percent in 1986.
- 5) Reduction of debt relative to the country's financial capacity. While the debt had grown in absolute terms, it had been trimmed down vis-à-vis the country's domestic gross output. External debt as a percentage of GNP was recorded at 87.9 percent at the beginning of 1986, down to 67.8 percent in 1991.

The implementation of the 1992 financing package with commercial banks is expected to provide further debt relief to the country. There are four options available under the package namely: cash buyback, temporary interest rate reduction (TIRR) bonds, principal collateralized interest reduction (PCIR) bonds, and new money bonds.

Philippine Assistance Program (PAP)

The Philippine Assistance Program (PAP) was designed to effectively mobilize the international community's financial support to the country to achieve the objectives of sustainable economic growth.

In July 1989, a total of \$3.52 billion in pledges were generated, of which \$2.8 billion were in the form of concessional loans and grants (ODA) and \$0.65 billion in commercial loans and investments (non-ODA).

During the second pledging session in February 1991, \$3.25 billion in ODA were pledged by the country's donors and creditors.

Investment Performance

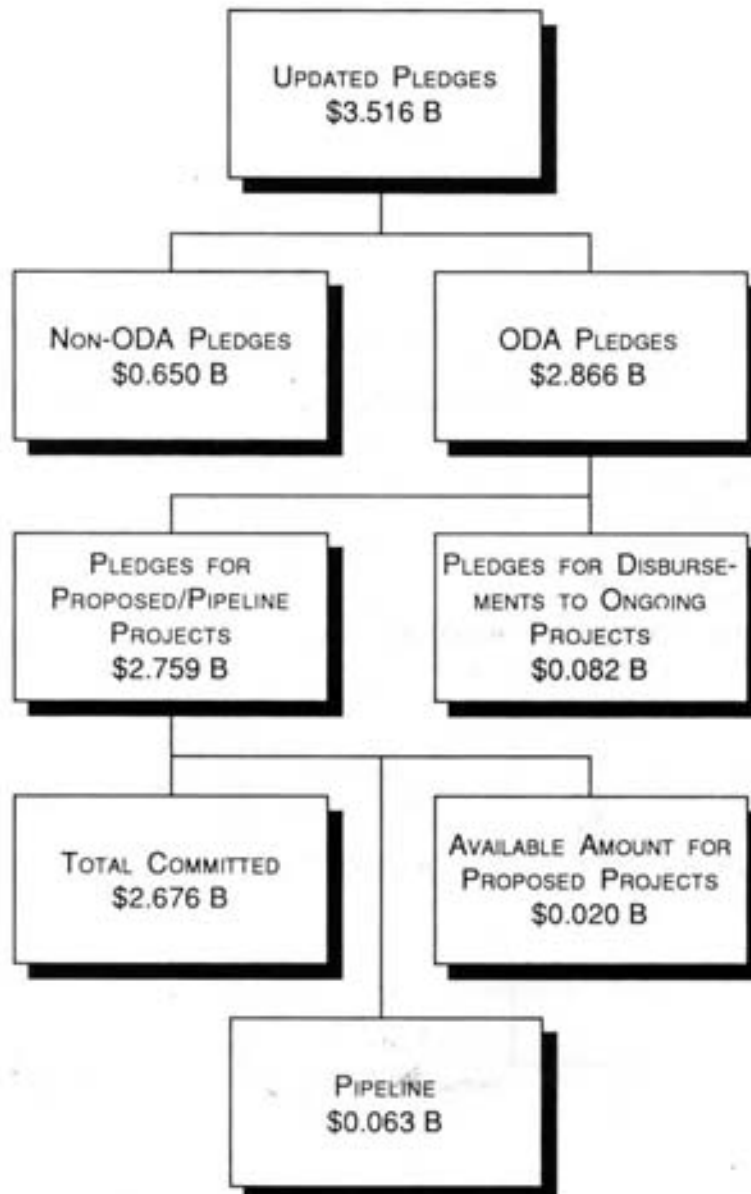
Savings and Investment

One of the benefits derived from the restoration of democratic institutions and the policies adopted by the Aquino government was the generation of more investments in the country.

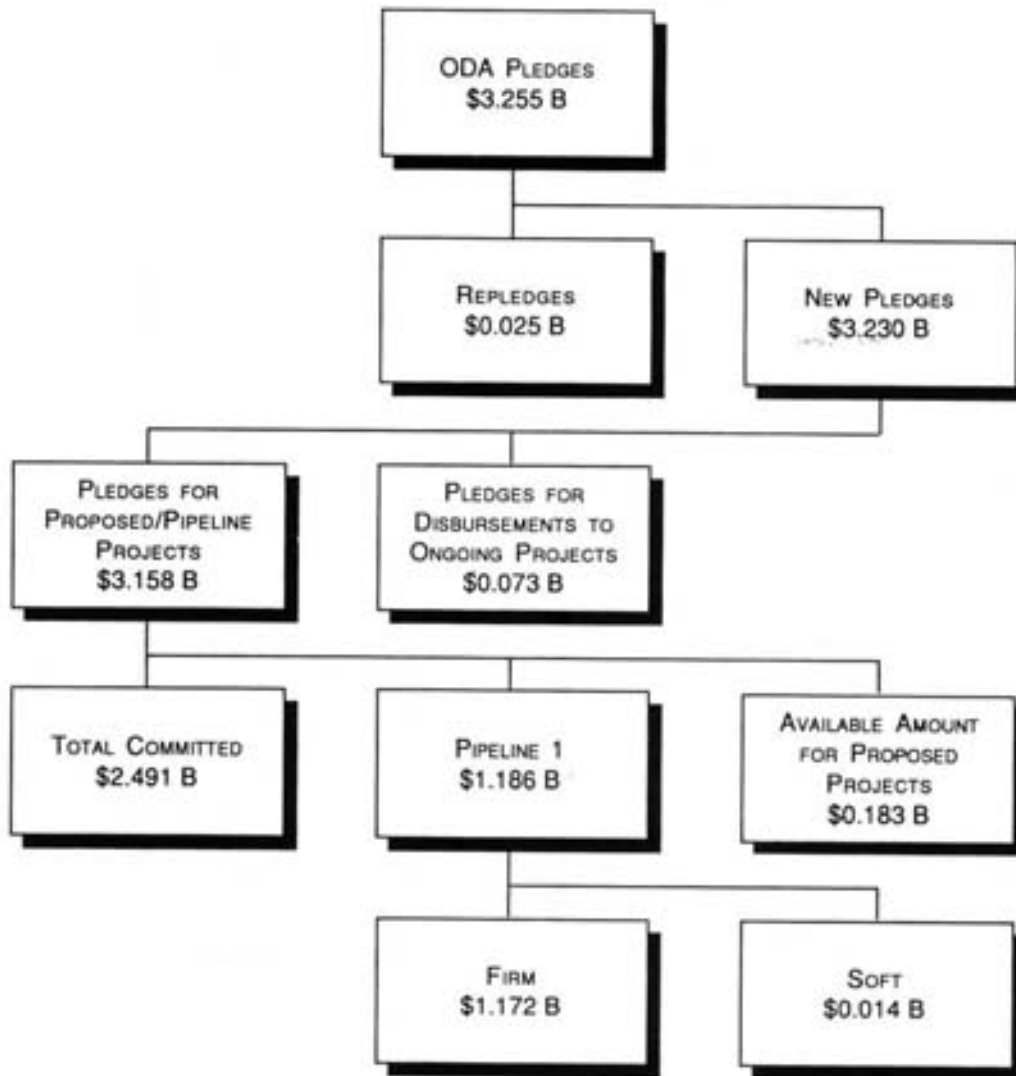
The share of gross domestic investments in the total output of the country increased from 16.3 percent in 1986 to 22.4 percent in 1990. Corollarily, both public and private investments had increased their shares to total Gross National Product during the five-year period. Private investments made up the bulk of total investments consistent with the private sector orientation of the country's development thrust.

Domestic savings mobilization, however, had not kept up with the pace of investment expenditure as shown by the growing savings and investment (S-I) gap. This gap was mainly caused by man-made and natural calamities along the increasing instability of the economy which dampened the drive to mobilize savings. As a result, the S-I gap jumped to 3.5 percent of GNP in 1989 and further to 6.1 percent in 1990 when macroeconomic imbalances were aggravated by the Gulf crisis.

BREAKDOWN & STATUS OF 1989 PAP PLEDGES (PAP I)
AS OF 31 DECEMBER 1991



BREAKDOWN & STATUS OF 1991 PAP PLEDGES (PAP II)



Savings and Investment, 1986-92 (Ratio to GNP)								
	1986	1987	1988	1989	1990	1991 /p (Low) (High)		1992 /e
Foreign Savings ¹	3.4	1.4	1.1	3.5	6.1	2.6	2.9	2.9
Gross Nat'l Savings	12.9	17.0	17.4	18.7	16.3	13.3	16.4	16.8
Public Savings ²	-1.2	1.6	0.5	0.9	1.2	3.2	3.9	3.9
Private Savings ³	14.1	15.4	16.9	17.8	15.1	10.1	12.5	13.0
Gross Domestic Investment								
Public	3.2	3.6	3.2	4.1	5.5	5.0	5.5	5.5
Private	13.2	14.7	15.3	18.0	16.9	10.9	13.8	14.3
Capital Transfers from public to private sector ⁴	0.6	0.6	1.0	1.0	0.7	0.9	1.1	1.1
Consolidated Public Sector Deficit ⁵	-5.0	-2.6	-3.7	-4.2	-5.0	-2.7	-2.7	-2.7
<p>Note: Figures may not add up to total due to rounding. P Preliminary. e Projections. ¹ External current account surplus (-)/deficit (+). ² Total revenue less current expenditures of consolidated public sector. ³ Derived as a residual, i.e., includes statistical discrepancy. ⁴ Includes net lending of social security systems. ⁵ Public savings less public investments and transfers to the private sector.</p>								

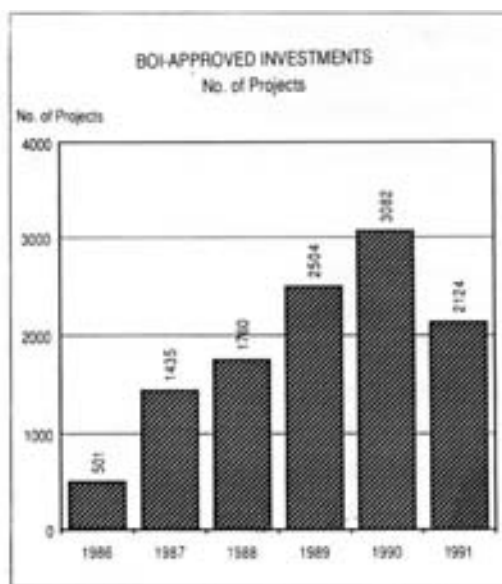
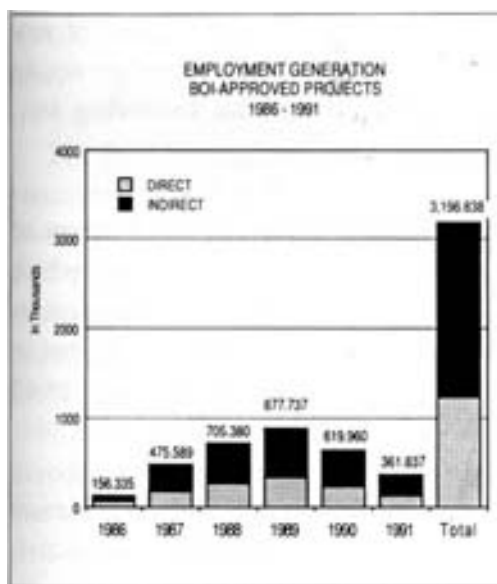
Investment Growths

From P3.8 billion in 1986, investments in terms of the Board of Investments (BOI)-approved projects remarkably increased by an annual average of 120 percent to reach P108.4 billion in 1990.

However, in 1991, investments dropped to P83.5 billion. This can be attributed to the Gulf Crisis, the worldwide recession, and the natural calamities that befell the country. Cumulatively, investments from 1986-91 reached P311.2 billion.

The boost in investments translated into the following benefits:

- In 1991 alone, the 2,124 new and expansion BOI-approved projects were expected to create additional 139,168 jobs once fully operational. Based on the NEDA formula that one direct job opens up to 1.6 indirect ones, another 222,669 jobs would have been generated.
- Then number of direct and indirect jobs generated by BOI projects from 1986-91 totalled 1.23 million and 1.97 million, respectively.
- About 71 percent of all new and expansion projects had chosen regional locations making countrywide investments grow by an impressive annual average of 262 percent, a proof of the success of the strategies adopted to make the countryside an attractive investment site.



Investment Strategies

The increase in foreign and domestic investments from 1986 to 1991 was a result of specific policy measures adopted to channel new and incoming investments into activities with significant impact on overall economic growth.

Streamlined Procedures for Investments

Executive Order 226 or the Omnibus Investment Code, enacted in 1987, consolidated and simplified all laws and regulations governing investments. The Code established the Council for Investments which set up the One-Stop Shop Action Center for Investments (OSAC). Representatives of government agencies involved in promoting and processing investment application were housed in one roof to speed up and simplify the processing of applications.

The Code also required the BOI to act on investment applications within 20 working days. Those which remained unacted beyond the prescribed period were deemed automatically approved.

Liberalized Investment Policies

To further improve the general business climate, investment-related reforms were initiated:

- The liberalization of the country's rules was intended to attract more foreign investments and to reorient the BOI operations to give greater emphasis on investment promotion rather than on incentive administration and regulation.
- The review of equity limitations on foreign investments was conducted with the aim of liberalizing these through an increase in the maximum allowable foreign equity participation in non-priority areas up to the limits set by law.
- The set of criteria for the negative list of investment areas where foreign equity participation would be restricted was formulated.

These measures served as the bases for the passage by Congress of Republic Act No. 7042 known as Foreign Investments Act (FIA). The Act which widened the channels of investing in the Philippines by expanding the areas of economic activity where foreign equity was allowed had the following features:

- Introduction of the concept of Negative List, a guide which clearly defined the investment areas where equity was limited or restricted to a maximum of 40 percent;
- Liberalization of domestic market access for investment activities not restricted by the list;
- Relaxation of the definition of export enterprise to mean at least 60 percent export-orientation;
- Reduction of bureaucratic processes; and
- Establishment of stable and transparent policies and procedures.

Prior to the enactment of the Act, enterprises seeking more than 40 percent foreign equity had to secure the approval of the BOI in order to do business in the country. With the passage of the Act, BOI authority was no longer required for enterprises not seeking incentives.

Incentive Schemes for Priority Investment Areas

The BOI formulated an annual Investments Priorities Plan (IPP) to direct investments to desired areas such that maximum development impact is generated through the granting of attractive incentives. This would improve the profitability of investments in these areas. In 1989, a locational investment policy was introduced to encourage investors to locate in the regions by removing major incentives to firms locating in Metro Manila. As a result of this policy, 71 percent of investments from 1986-91 located in the countryside.

Another form of incentives was provided under Republic Act No 7369 extending until 1994 capital equipment incentives provided under Executive Order No. 226. This exempted selected imported capital equipment from import taxes and duties for a period of three years thereby lowering the cost of investments in productive capital equipment.

Regional Industrialization

The development of the countryside was one of the major concerns of the Aquino administration. To this end, strategies that brought about balanced agro-industrial growth were adopted through programs that provided for a better climate for the regional dispersal of industries, strengthened the small enterprise system, and created more jobs.

In 1989, the DTI launched a program to set up Regional Industrial Centers (RICs) throughout the country. RICs are specific locations in the country's 13 regions which were envisioned to act as growth poles in the countryside. To attract industries to locate in these centers, government focused its resources on these sites through the installation of necessary and vital infrastructures, such as roads, bridges, communication, and water supply systems and electrical power.

As of 1991, 16 RICs had been identified, of which four had been launched. These were:

- the CALABARZON in Batangas;
- the PHIVIDEC Industrial Center in Cagayan de Oro;
- the Pavia Agro-Industrial Center in Iloilo; and
- the General Santos Agro-Industrial Center in South Cotabato.

In addition to the RICs, the planning, development, and operation of private industrial estates and parks, and special processing zones, as well as the improvement and expansion of export processing zones, were pursued.

To fast track the development of these sites, the participation of the private sector was encouraged through three alternative schemes, namely: build-transfer (BT); build-operate-and-transfer (BOT); and build-operate-and-own (BOO). The government gave the private sector opportunities to participate in the development of infrastructural facilities, and at the same time, gain access to Official Development Assistance (ODA) funds.

Thus, it was expected that through these schemes, the development of the infrastructure needed by industries shall be accelerated.



The Privatization Program: Some Highlights

As part of the government corporate reform program, the Aquino administration had embarked on a successful privatization of government-owned and/or -controlled corporations (GOCCs) and transferred assets (TAs). Said program resulted in some notable achievements.

1. *PNB and DBP Rehabilitation.* The Asset Privatization Trust (APT) was created to conserve and privatize the nonperforming assets of the Philippine National Bank and Development Bank of the Philippines. Following the absorption and the subsequent privatization of said assets, the PNB and the DBP regained solid footing and exhibited highly profitable operations.
2. *Provision of CARP Financing Requirements.* Proceeds from the sale of the TAs were earmarked for the Comprehensive Agrarian Reform Program (CARP). As the centerpiece program of the Aquino administration, it had been sustained by the regular remittances of the Asset Privatization Trust (APT) to the national treasury. These remittances amounted to P17.94 billion as of end 1991.
3. *Divestment to the Private Sector.* Where before the GOCCs had entered many economic activities which had been the exclusive domain of private enterprises, in 1987, however, there was a shift in policy with the private sector as the main engine of growth and the government playing a supportive role.

As a first step, 122 GOCCs were approved for privatization, 85 of which were offered for sale and 71 actually privatized by June 1992. Several of these disposed corporations had since recorded substantial increases on production and profitability.

As of December 1991, some of the big-ticket items that had been privatized included the Philippine Airlines (partial P9.64 billion), Nonoc Mining and Industrial Corporation (P7.11 billion), Meralco Foundation, Inc. (P2.12 billion), Philippine National Bank (partial P1.84 billion), Marina Properties, Inc. (P1.78 billion), Philippine Plaza Holdings, Inc. (P1.50 billion), First Philippine Holding Co. (P1.21 billion) and Union Bank of the Philippines (partial P1.01 billion).

4. *Resource Mobilization.* As of June 15, 1992, privatization had generated P58.6 billion in cumulative revenues of which P36.7 billion came from TAs and P21.9 billion from GOCC sales. These proceeds boosted the revenues of the government and helped address its budget deficit. Likewise, it allowed the government to focus its expenditures on other priority projects.

Small and Medium Enterprise (SME)

SMEs are vital in accelerating the industrialization of a country. They generate investments, create employment opportunities due to their labor intensive nature, and provide livelihood programs and projects in the rural areas.

As limited access to low-cost credit hampered the development of SMEs, DTI continuously networked with 2,000 NGOs and private voluntary organizations (PVOs) to implement innovative livelihood programs. These organizations acted as conduits to make credit more accessible to the SMEs in the countryside. These programs were:

- Tulong sa Tao Self-Employment Loan Assistance (TST-SELA)
- Nongovernmental Organization Micro Credit Project (NGO-MCP)
- Tulong sa Tao Subcontracting Facility (TST-SCF)
- Micro Enterprise Development Program-Countryside Development Fund (MEDP-CDF)
- Industrial Guarantee Loan Fund-Micro Financing Program (IGLF-MFP)
- Cottage Enterprises Finance Program (CEFP)
- Tulong Pangkabuhayan ng DTI (TUNGKOD)
- Livelihood Assistance for Victims Affected by Eruptions of Mt. Pinatubo (LAVA)

From 1987-91, the total amount of loans released under the said Programs was P628.5 million. Assistance was likewise provided to more than 61,000 beneficiaries engaged in manufacturing, trading, agro-processing, and other related business. In addition, a total of 60,000 jobs were generated.

Aside from financial assistance, the Aquino administration also provided managerial, entrepreneurial, and manpower skills development and upgrading. Over 5,000 skills training programs attended by more than 120,000 participants and nearly 2,000 managerial training programs attended by more than 52,000 existing and potential entrepreneurs were conducted.

The Cottage Industry Technology Center (CITC) was established to assist the SMEs increase their potential to generate employment and engage in export ventures through skills development and technology transfer. The Social Investment Program was another

component where participating companies were able to augment the income of 16,035 families in 1990, more than double the 6,895 family-beneficiaries in 1989.

Employment

From 1987-91, employment increased by about 4 percent annually, slightly outpacing the 3.4 percent labor force growth during the period. Consistent with the general trend in economic growth, the highest year-on-year rate of increase in employment was recorded in 1987 and 1988 which rose by 6.3 percent and 5.8 percent respectively. However, the slowdown in the economy compounded by the string of man-made and natural calamities and the US military pullout caused a downtrend in employment starting 1989.

The distribution of the employed by major industry group showed that the bulk of the employed was still in the agricultural sector, although its share had been steadily declining since 1986. The services sector absorbed the second largest share, with the level of employment growing at an annual rate of 5.5 percent.

In terms of the unemployment rate, the implementation of various long- and short-term strategies for local and overseas employment resulted in the reduction of the country's unemployment rate of 11.8 percent in 1986 to 10.6 percent in 1991.

One of the projects of the government was local job placement through the Department of Labor and Employment's (DOLE) network of Job Exchange Centers. The number of placements increased from 20,637 in 1986 to 177,420 in 1991 or an annual average growth rate of 48.5 percent.

In 1990, the Department of Social Welfare and Development (DSWD) organized 317 livelihood associations which served both as credit and social development organizations through the Self-Employment Assistance Program. Addressing itself to the needs of the marginalized poor, this program was estimated to have provided gainful employment and/or alternative sources of livelihood to some 70,000 people annually. From 1986-91, 41,852 people benefited from the program.

Another notable program implemented to address the unemployment problem was the Integrated Livelihood Program (ILP). The program did not only provide income-generating activities, but also helped raise the quality of life in regions lagging behind in development. Among the components of the program was the Project Mindanao, a turnkey package of employment resources for Regions IX, X, XI, and XII. The Social Investment Program was another component where participating private companies provided income-augmenting opportunities to their employees and/or their families in communities where they operated. Through the ILP, DOLE and participating companies were able to augment the income of 16,035 families in 1990, more than double the 6,895 family-beneficiaries in 1989.

In overseas employment, despite considerable drawbacks such as the contraction of the overseas job market with the rising competition and shifting skills requirements, job placements abroad grew by an average of 9.6 percent over the period 1986-91. Notwithstanding the Gulf War, 615,019 workers were deployed to overseas jobs in 1991 - the highest government overseas deployment in history. Measures to protect overseas contract workers particularly those victimized by illegal recruiters and exploitative foreign employers

LABOR AND EMPLOYMENT, 1986-1991

	1986	1987	1988	1989	1990 ¹ Full-yr.	1991 Oct. ^P	1991 ^Q
Labor Force ('000)	21369	22568	23449	24120	25290	24733	25579
Total Employment ('000)	18855	20050	21205	21908	22913	22532	22857
Agriculture (% share)	9376 (49.7)	9730 (48.5)	9919 (46.8)	9904 (45.2)	9981 (44.9)	10185 (45.2)	10290 (45)
Industry (% share)	2579 (13.7)	2816 (14.1)	3250 (15.3)	3501 (16.0)	3422 (15.4)	3386 (15.0)	3402 14.88
Manufacturing (% share)	1780 (9.4)	1904 (9.5)	2186 (10.3)	2316 (10.6)	2236 (10.1)	2188 (9.7)	2374 10.3
Construction (% share)	619 (3.3)	682 (3.4)	808 (3.8)	931 (4.3)	968 (4.4)	974 (4.3)	1018 (4.4)
Services (% share)	6901 (36.6)	7508 (37.4)	8036 (37.9)	8500 (38.8)	8809 (39.7)	8961 (39.8)	9082 (39.7)
Unemployment Rate	11.8	11.2	9.6	9.2	9.4	8.1	10.6
Urban	17.8	15.9	14.2	12.9	12.2	11.7	14.4
Rural	8.1	8.3	8.4	6.8	6.0	5.9	8.0
Number of Strikes	581	436	267	197	183	167	162
Workers Involved ('000)	169	90	76	57	68	65	52
Mandays lost ('000)	2634	1908	1525	955	1344	1225	933

¹Labor force, total employment and unemployment rates are NEDA full-year estimates which accounted for the absence of the April round of the ISH. Labor force participation rate, sectoral employment, and urban/rural unemployment rates are averages of only the January, July, and October surveys.

^PPreliminary.

^QAverage.

Sources: Integrated Survey of Households, National Statistics Office; Current Labor Statistics (1992), Bureau of Labor and Employment Statistics.

were implemented. These included temporary and conditional and/or selective suspension of deployment of Filipino workers.

On democratic employment, a more conscious and deliberate effort was made to improve working conditions including wages and occupational health and safety. Overall, wages in the NCR increased from P57.08 in 1985 to P118.00 in 1991 in money terms, thereby further increasing wages in real terms from P16.22 in 1985 to P18.12 in 1991.

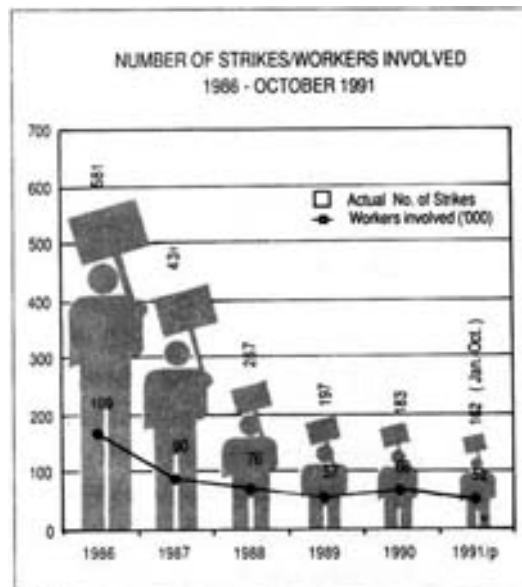
The President also approved a P10 million grant to government workers as the Government Workers Cooperatives Fund. The money became the seed fund for cooperatives organized by employees.

As economic pressures brought on by a succession of crises took their toll on the industries' ability to comply with labor standard laws, DOLE intensified its monitoring of establishments regarding compliance with minimum wage and other terms and conditions of work for the greater protection of the workers. In 1990, the zonal approach to inspection, called the Labor Enforcement and Productivity (LEAP) Program was implemented. In 1991, the LEAP made possible the restitution of P36.560 million to some 56,600 workers.

Industrial peace was maintained during the period with the number of strikes continuously on the decline. This may be attributed to government efforts to improve the lot of the working Filipino through a number of wage adjustments implemented during the period. In addition, the social compact concept to operationalize mutual trust and commitment among labor, management, and government through pledges of sectoral sacrifice or contribution to help stabilize the industrial situation was adopted in 1987. In May 30, 1990, an Industrial Peace Accord (IPA) was signed. Several Tripartite Industrial Peace Councils (TIPCs) down to local levels had been set up to monitor and ensure observance of the IPA commitments and related provisions.

The DOLE formulated its Five-Point Agenda for Social Justice with the thrust of:

- Forging and operationalization of a viable Industrial Peace Accord;
- Promotion of full employment within the country while preserving the strides in overseas employment;
- Greater emphasis on Regional and Countryside Development;
- More vigorous enforcement of labor standards; and
- Full implementation of the labor and employment components of the 1989-1992 Philippine Development Plan for Women.



Banking, Finance and Social Security

The financial system experience robust growth during President Aquino's term.

From 5,780 banks and financial institutions in 1985, the number had increased to 7,937 as of year end 1991 representing a 37 percent change.

The P502.4 billion in resources in the financial system in 1985 likewise increased to P926.3 billion in 1991.

Where the amount of loans and credit provided by the financial system was P314.1 billion in 1985, the yearly average from 1986 to 1990 was P406.1 billion, a change going beyond 29 percent.

But a major achievement was the rehabilitation of the PNB and DBP and the performance exhibited by the other government financial institutions (GFIs) which recorded a dramatic turnaround during the period 1986 to 1991.

Public confidence had been renewed in these GFIs which began posting profits and continued to be financially attractive in capital markets. This marked a renewal of confidence and change in the perception that GFIs were moribund depositories of nonperforming assets arising from behest loans granted during the previous administration.

With the advent of the new order, the opportunities in the economic environment began to unfold. Interest rates were relatively low and exchange rates were relatively stable. To seize these opportunities, government displayed resilience and determination, firmly laying down foundations for longer term viability of GFIs and their greater competitiveness and effectiveness as instruments of national development.

Government Service Insurance System (GSIS)

Unprecedented since its founding in 1937, the GSIS more than doubled its assets under the Aquino administration. In 1986, the GSIS was suffering from a P4.0 billion actuarial deficit. This meant that had all government employees died or retired at that time, GSIS would have fallen short of meeting all social insurance benefits due and would have, in fact, owed them P3,000 each. Today, the needs of 1.7 million members and pensioners are adequately met. With its total assets up to almost P43.0 billion, hypothetically, if all government employees were to retire, GSIS would be able to extend the required social insurance benefits and may even be able to provide for a few more new members who would immediately opt for early retirement. With a “back-to-basics” policy anchored on two objectives - responsiveness to member needs and responsibility in managing the funds it holds in trust, the GSIS continued to:

- Improve actuarial solvency and liquidity;
- Upgrade insurance and social security benefits;
- Enhance financial assistance to members; and
- Improve service delivery.

Through a combined divestment and recoupment program, non- and low-earning investments and idle or slow-moving commercial and individual loans, accounts like Combank and Hyatt Regency were sold, generating P2.4 billion in proceeds. Some P349 million more were recovered from the disposition of 514 acquired assets. A condonation program for individual and mass housing loan borrowers also generated an additional P1.025 billion in revenues.

Since 1985, the GSIS had more than tripled its gross income. The increase would have been more, but for the deliberate effort to emphasize the system’s social commitment by channeling a significant portion of its resources into subsidized member-oriented lending programs. In 1985, only P809 million of GSIS resources went into government securities and a mere P4.0 million in time deposits. This represented its capability to meet sudden demand thereon, as in the case of calamities. In contrast, GSIS today has even greater capability in meeting sudden demands.

The GSIS more than doubled its assets from P16.7 billion in 1985 to P43.2 billion in 1991. By end 1991, loans to members comprised the biggest block, accounting for 34.6 percent. On the other hand, loans to nonmembers dropped to a negligible 3.4 percent share.

In keeping with its commitment to remain responsive to members needs, the GSIS upgraded all insurance and social security benefits and expanded financial assistance to government employees even as it was restoring its trust funds to good health. In step with increases in benefits, the GSIS liberalized and expanded the loan packages available to its members.

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GSIS Benefits Today
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Average Pension - Up from P421 in 1985 to P908
Funeral Benefits - Up from P1,000 to P6,000 with introduction of bereavement aid
Medicare Benefits - Up by 100 percent since 1986
Christmas Bonus to Pensioners - Up from P100 in 1985 to P500 in 1991, equivalent to 1-month pension of a maximum of P3,000
Survivorship Minimum - Increased within a 1-month period
Pension - Spouses: P300 to P400 Children: P60 to P80
Benefits for Barangay Bayan Officials - Up from P5,000 to P20,000
Benefits for Sangguniang Bayan Officials - Up from P3,000 to P10,000
Dividends to Compulsory Life Insurance Policy Holders - From P55 million to P118 million
Accidental Death Insurance Coverage - P10,000 with no additional premium

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GSIS Loan Packages
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Salary and Other Emergency Loans (1986-1991)
P5.0 billion (average disbursed yearly)
90 percent of government employees benefited
P2.6 billion lent to 15,721 borrowers
Unified Home Lending Program
P1.65 billion released for relending to GSIS members

Social Security System (SSS)

Another government corporation which had made outstanding achievements was the SSS. Its membership had significantly grown from 10 million workers and 270,000 employers in 1985 to 13.7 million workers and 380,000 employers in 1992. Benefits, as well as member loans, had been remarkably enhanced; its funds had tremendously increased from P26.3 billion to P80 billion even as they had been utilized to contribute to the socioeconomic development of the country through its various investment programs.

From February 1986 to April 1992, SSS benefit payments totaled P28.983 billion, surpassing the P9 billion granted from 1957 to 1985. This increase could be attributed to the periodic adjustments in current pensions, improvement in benefit calculation, provision for new benefits, and extension of coverage to new beneficiaries.

The highlights of these benefit enhancements were:

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SSS Benefits
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Minimum Pension - Up from P120 in 1985 to P800 for death and disability and P1000 for retirement in 1991
Disability Supplemental - New benefit of P300 starting September 1990 and P350 for work-related disability starting in January 1991
Daily Sickness Allowance - Maximum benefit from P25 in 1985 to P125 in 1992
Funeral Expense - Up from P1,000 in 1985 to P8,000 in 1992

13th Month Pension - New benefit granted since 1986

Medicare for Pensioners and Dependents - Starting 1991, contribution not required

From February 1986 to April 1992, the SSS had extended a total of P30.02 billion in subsidized loans to members, or more than three times the total of P8.81 billion loans granted from 1957 to 1985. These member loans included salary, educational, stock investment, and calamity and housing loans.

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SSS Loan Release

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Salary Loan - Maximum loanable amount was up from P1,000 in 1985 to P10,000 in 1992

Housing Loan - The maximum loanable amount was increased from P100,000 in 1985 to P375,000 in 1992 under the Unified Home Lending Program

House Repair/Improvement - Since 1988, members were allowed to borrow loan up to P1 million

Aside from these loan programs for members, the SSS also had a corporate housing program for companies offering construction of housing units to their employees at affordable amortization rates. There was also the Apartment and Dormitory Loan Program to meet the acute need for better housing facilities for students in Metro Manila and other urban centers.

Since 1988, the SSS had launched lending programs to respond to various funding needs. These lending programs not only strengthened the financial position of SSS, more importantly, they enabled the System to earn the funds needed for the payment and enhancement of benefits paid to its contributing members.

SSS New Lending Programs

Industrial Modernization and Expansion Lending Program (MELP) answered the demand for long-term fund for industrial expansion;

Small and Medium Industries Lending Program (SMILP) provided entrepreneurs the opportunity to expand and be more productive;

Stock Investment Loan Program (SILP) broadened public ownership of profitable corporations through a wider dispersal of stock ownership among SSS members;

Member Assistance for the Developments of Entrepreneurship (MADE) provided additional income for SSS members by promoting livelihood enterprises through community-based organizations such as cooperatives;

Kabalikat sa Pagpapaunlad ng Industriya (KASAPI) extended long-term financing to export-oriented and rural-based small- and medium-scale enterprises;

Power Generation Program (PGP) contributed to the national government's power development program.

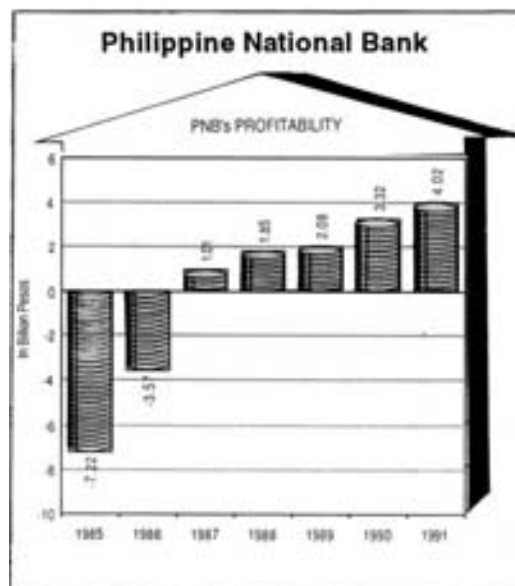
There were also programs launched by the System to meet special needs: the Hospital Financing Program provided loans for the improvement of hospitals and medical equipment; the Educational Institution Fund provided loans for the improvement of school facilities and equipment; and the Special Financing Program provided the needs of vocational and technical schools as well as of science education.

The SSS also helped fund infrastructure-related activities like the water optimization project of the Metropolitan Waterworks and Sewerage system which was aimed at ensuring the availability of potable water in more areas in Metro Manila. It also made available a P500 million fund for bus importation to help alleviate the public land transportation crisis.

Under a restored democracy, the SSS foresaw a period of intensive economic activities ahead. It anticipated the government's success in its program to create more jobs, mobilize capital markets, and ultimately achieve and sustain economic growth.

Philippine National Bank

The Philippine National Bank again posted significant gains in its operations during 1991 as it managed to sustain its record performance in profitability and other key operational areas. The financial results, among others, showed a record net income of P4.02 billion, a growth in total assets of almost 28 percent to reach P93.73 billion by yearend 1991 (P96.54 billion including all subsidiaries); increased volume of foreign exchange remittances by 23.1 percent to reach US\$1.14 billion, expansion in private deposits to reach P40.0 billion as of the end of 1991; and, declaration by the Bank of dividends totalling 35 percent in 1991 with an additional 10 percent in early 1992.



Meanwhile, the substantial expansion in private deposits had also enabled PNB to attain the number one position in private sector deposits.

In 1989, several major programs including the campaign to widen private deposit base were implemented to prepare the PNB towards eventual privatization and at the same time, provide the necessary operational support to directly compete with private banks. Among the more significant accomplishments in this regard were the following:

- Branch Expansion. The Bank opened 27 new domestic branches, relocated 31, and renovated 15 existing ones. It also acquired Republic Planters Bank with its network of 59 branches and extension offices. By the end of 1992, PNB's total network including new branches to be opened, would have reached 300 branches, definitely the biggest among Philippine banks.
- Foreign Exchange Operations. The Bank opened eight additional overseas offices: Brunei, Kuwait, Paris, Hamburg, Amsterdam, Vienna, Alkhobar, and Tokyo bringing the total number of overseas offices to 16. It also introduced the innovative foreign exchange mobile booths where people can convert their foreign exchange to pesos at very competitive rates. To date, 11 such vans had been fielded servicing transactions totaling US\$117 million since the first van was fielded in April 1991.
- Allied Undertakings complemented and widened the range of products which the PNB offered to its clients.

The second phase of the Bank's privatization program took place in March 1992 when an additional 13 percent of outstanding shares currently held by the government was offered in the local equities market. The open pricing mechanism and greenshoe option were first introduced in the Philippine capital market through this offering. This second public offering brought private ownership base in PNB to 43 percent, raised P2.6 billion for the government and brought in approximately 19,000 new stockholders to the Bank, a large number of which were small investors in the provinces who were being introduced for the first time to the equities market.

The Bank established four subsidiaries, namely: PNB Securities Inc.; PNB General Insurers; PNB Corporation Guam; and PNB Credit Card Corporation.

The PNB continued to provide credit support to small entrepreneurs and other sectors being promoted under the government's development programs. It expanded its lending to small-scale enterprises at preferential rates under its Pangkabuhayan ng Bayan Loan Program. During 1991, the P1.0 billion fund earmarked for this program was almost fully availed as total credits granted reached almost P835 million benefiting 2,813 small entrepreneurs all over the country.

Other similar socially-oriented programs of the Bank included the Small Market Vendors Loan, Cutflower Financing, the FXT Fund or International Trade Financing, and reconstruction loan for the typhoon-, volcano- and earthquake devastated areas which altogether had benefited 55,912 recipients with total loans granted of P1.35 billion since the inception of all these programs.

Development Bank of the Philippines (DBP)

Under the Aquino administration, the DBP's primary objective was to provide banking services principally to medium- and long-term financing needs of agricultural and industrial enterprises, particularly in the countryside with emphasis on small- and medium-scale industries.

DBP's achievements can be placed in a better perspective by starting with its status in 1986 when DBP was in a "dismal state". In order to strengthen the Bank and enable it to effectively perform its development role, the DBP Rehabilitation Plan was set in motion in 1986. The Plan focused on organizational, credit process, and values orientation reform measures. The tremendous success of DBP's Rehabilitation was reflected in the Bank's quality portfolio as indicated by its low 4.28 percent arrears rate.

In 1992, the DBP was among the leading developmental financing institutions in the Asia Pacific Region. It reorganized and strengthened its program on credit policies, financial controls, and development of a corporate culture based on the key values of integrity, competence, teamwork, and professionalism. Its book of accounts was also cleaned up with the transfer of nonperforming assets to the Asset Privatization Trust.

With these reforms, the DBP more than tripled the initial government equity investment and more than doubled its resources in five years. The DBP no longer enjoys government subsidies and special treatment, but instead contributes to government income through its remittance of dividends.

It was the first bank to increase interest rates on savings deposits in order to properly reward even small savers and mobilize resources in the countryside. It had pioneered the design and issuance of the CEBU Bonds which fostered the cooperation between local government and the private sector in mobilizing funds for community development.

Participating actively in the government's rehabilitation program for calamity stricken areas, the DBP was involved in the launching of the Reconstruction Bonds and the Tulong sa Bayan Bonds (TSB).

Part of the Bank's profits was used to support the social programs of the government for poverty alleviation through its Window III lending program, examples of which were the Boundary Hulog for jeepney drivers, the Asparagus Contract Growing Project in Mindanao, and the Capiz Irrigation Pump Project.

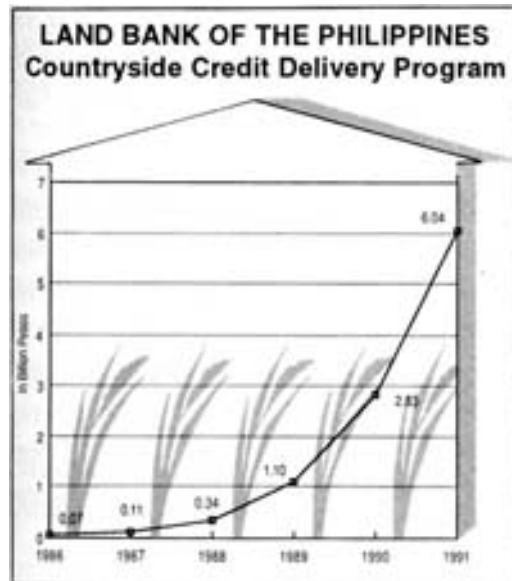
In addition, a Research and Development Special Fund was created to spur pre-operation activities that would enable industries, specifically agro-industrial and livestock enterprises, to take root and grow to animate the countryside.

The DBP was probably the only financial institution in the country which had set aside 30 percent of its annual income after taxes for countryside development. This was used to support projects with distinct development impact by which were not served by other banks mainly because of high risks, long gestation periods, or low yields for financing institutions.

Land Bank of the Philippines (LBP)

Steadfast to its commitment to channel resources and open wider opportunities for countryside development, the Land Bank vigorously pursued its countryside credit delivery program.

The program demonstrated the ability of the institution to accelerate the extension of the much needed credit in the countryside. It also validated the basic beliefs that the farmer is bankable and the he is capable in participating in a cooperative endeavor.



The bank's remarkable growth had created very substantial impact in the income of the small farmers when one considers that the cost of credit obtained from the bank (12 percent to cooperatives; 18 percent to individual farmers) was far less than the alternative financing offered by traders, middlemen, and usurers who charge them more than 200 percent annually.

In 1992, there was an increasing credit consciousness among farmers who had enabled the bank to maintain a collection rate of 91 percent despite the magnitude of growth in financial assistance extended.

As Land Bank expanded credit service delivery to the countryside, it had also intensified efforts at organizing farmers' groups and established credit relationships with them.

Loans to Farmers Cooperatives	
1987	P7.4 million to 20 cooperatives
1988	P81.7 million to 281 cooperatives
1989	P412.4 million to 841 cooperatives
1990	P1.8 billion to 2,893 cooperatives
1991	P4.87 billion to 6,360 cooperatives



The President awards an LBP check of P15M to Alay-Tangkilik Foundation, one of the most successful NGO partners of the government. Cabiao, Nueva Ecija, May 23, 1991.

Rural Banks

To strengthen the rural credit delivery system, a rehabilitation program for the country's rural banks was implemented in 1987 by the Central Bank. The program involved two schemes. One, a capital build-up and conversion scheme, where the arrearages were converted into paid-in-capital of the government in the form of shares of stock of a rural bank in the name of the Land Bank of the Philippines and/or a plan of payment of arrearages with the CB over a period not exceeding 10 years. As of December 31, 1991, a total of 489 rural banks out of 526 applications for rehabilitation had been approved.

To further strengthen the rural banking system, the CB issued Circular No. 1186, as amended, which required branches, extensions, and head offices of commercial and specialized banks outside the NCR to allocate for investments in their respective regions at least 75 percent of their total deposits (net of required reserves).

Rural banks were also allowed to set up branches nationwide, just like commercial banks, to increase the delivery of credit to the countryside. As of 1992, the system was composed of 784 head offices, 182 branches, and 101 extension offices. At the end of 1991, the system had combined resources of P15.5 billion compared to P3.9 billion in 1985. Loans amounting to P10.5 billion benefited 535,788 small farmers and entrepreneurs for the year 1991.

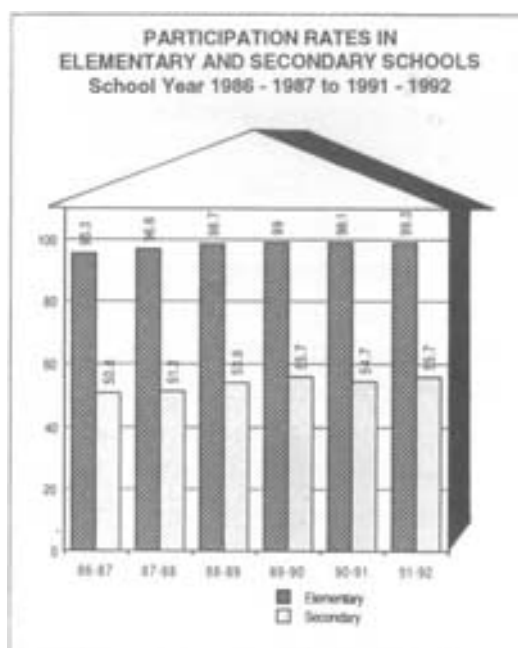
The network of rural banks was further strengthened with the implementation of the Countryside Financial Institution Enhancement Program (CFIEP). This program aimed to raise the capital base of countryside financial institutions by encouraging existing and new investors to infuse fresh equity into said institutions and thereby accelerate the government economic development effort. Secondly, it was meant to reduce the debt burden of eligible CFIs and the corresponding financial strain on the government by continually assisting them. And finally, such program improved the long-term viability of CFIs as an effective means to mobilize savings and credit.

Education and Human Resources Development: Molding The Young

In July 1989, a survey revealed that simple literacy rate had gone up to 89.9 percent. This represented an increase of 7.1 percent over its corresponding level in 1980. Same survey also revealed that 73.2 percent was considered functionally literate.

Higher transition rates indicated that a greater number of students was able to pursue higher studies in state colleges and universities. In 1985, the transition rate from high school to college was almost 57 percent. By 1990, this was estimated at 71 percent. The mean years of schooling was expected to double, from 6.6 years in 1980 to about 13 years by 1992.

In terms of cohort survival rate, 67 out of every 100 who entered grade 1 in the public schools finished grade 6 in SY 1991-92, a difference of only one student from the 1985 figure of 66, but the participation rate in public elementary schools had expanded to 99.3 percent, an increase of about 3 percent yearly. This meant 69 out of every 100 finished grade 4. Pupil performance in achievement tests also showed a 10 percent increase when comparing 1986 with 1988 figures.



To further enhance the educational performance in the country, the Education For All (EFA) was launched as a major social development policy and program. It set education efforts on a revolutionary course by forming a grand alliance among all sectors. The program spelled out the directions in four major program areas, namely: early childhood care and development, universalization of quality primary education, eradication of illiteracy, and continuing education.

Two major development accomplished in the last five years involved the implementation of two laws which increased access to education:

- R.A. 6655 or the Free Public Secondary Education Act of 1988 which nationalized all public high schools and opened the doors to free education up to the secondary levels; and
- R.A. 6728 which provided Government Assistance to Students and Teachers in Private Education (GASTPE). The program included the Educational Service Contracting Scheme, the Private Education Student Financial Assistance, and tuition fee supplement.

These schemes had increased enrolment in secondary schools from 3.40 million in SY 1986-87 to 4.21 million in SY 1991-92. Total beneficiaries from the GASTPE reached 3.5 million in SY 1991-92.

From SY 1986-87 to 1991-92, 44,148 scholars were admitted to the national scholarship programs such as the Study-Now-Pay-Later-Plan, the State Scholarship Program, the National Integration Study Grant, Program for Rebel Returnees, and the Selected Ethnic Educational Assistance Program.

Innovative approaches to education were also adopted to reach as many target clientele as possible and to improve the quality of education. These included:

- The Program of Decentralized Educational Development which aimed to reduce the disparity in allocation of educational resources and services. Through this program, the textbook-pupil ratio improved to 1:2 and the teacher-class ratio in the intermediate grades had moved from 5:3 to 4:3. A total of 13,500 depressed schools acquired basic furniture and classroom equipment. Also, 48,532 classrooms, 14 regional educational learning centers, and 2,608 multi-purpose workshops were constructed;
- The Mobile Text Schools which reached ethnic communities in the Cagayan Valley Region and contributed to reduced cohort survival rates through the Instructional Management by Parents, Community and Teachers (IMPACT) component;
- The Dropout Intervention Program in Regions IV, V, VI, VII, and XII which was expanded to CAR, and to the rest of the country;
- The Accelerated Learning Program for Elementary Schools (ALPS) which addressed the needs of the gifted and the disabled;
- Alternative educational schemes for children; and
- Region-specific projects like:
 - Mobile schools which responded to the needs of nomadic tribes and far-flung barangays in parts of Region X and expanded to cover the entire region with assistance from the LGUs and the Council of Tribal Leaders

- Educational services, co-designed by DECS and the Center for Innovative Education for Children caught in areas where there was high degree of armed conflict (e.g., insurgency-vulnerable areas) were formulated to redirect the educational effort as an integral endeavor for the whole community
- The Madaris School System, including the Madrasah curriculum, was strengthened and upgraded.

Nonformal education, continuing education programs, and extension services of state colleges and universities, the National Manpower and Youth Council (NMYC), DA, DSWD, DTI, DOLE, DOST, DOH, and DECS continued to provide learning opportunities to out-of-school youth, women, and unemployed/underemployed adults. The NMYC for instance trained 217,010 persons in various skills. Under the DOLE's Apprenticeship and Learnership Program, about 10,290 participants were trained representing 77.9 percent of the target. Meanwhile, DECS trained 61.7 percent of 179,300 persons targeted for functional literacy and 78.5 percent of the 490,800 target beneficiaries for livelihood development.



President Aquino receives from public high school students a Certificate of Honor for her role in restoring democracy in the country and for the implementation of the free secondary education program.

Other key ongoing projects are:

- Science for the Masses Program aimed at attaining a scientific and cultural literacy among Filipinos, particularly the out-of-school youth and adults in blue-collar occupations. This involves a network of science and technology museums and centers, intensified science broadcasts, publications, competitions, and training
- Productivity Enhancement of Education Project (PEEP) for rural barangay folk, through the dissemination of gabay (modules) on various life skills including self-developmental decision making and appropriate technology

- Farm-Youth Training Camps in Region I and possible replication in other regions. The camp covers training in values reorientation, community organizing, leadership development, production-mix technology, handicrafts skills, cooperatives management, entrepreneurship, and sharing of skills with peers
- Balik Pamayanan Project to fill the educational needs of returning probationers, parolees, and pardonees and include both a livelihood and a values component
- Learn and Earn Project whose beneficiaries are estimated to be 50,000 residents in Central Visayas, integrates literacy with livelihood training as well as capital assistance
- Magbasa Kita, a successful literacy-livelihood project for ODYs in Eastern Visayas, for expansion to other regions through an NGO-GO network
- DELSILIFE for marginalized and rural women, provides training in basic administrative and leadership skills in DELSILIFE community councils, including organization of learning groups on literacy and livelihood skills
- Barangay Legal Education and Training aims to remedy and reduce instances of denial of justice to marginalized sectors - women, children, workers, farmers, urban poor - as a result of ignorance of their legal rights, inability to secure sufficient legal assistance and the like
- Project INA (Integrated Nanays Association) pilot-tested in San Francisco, Agusan del Sur, for expansion to other communities to become an integrated educational package for mothers includes basic literacy, responsible parenthood, health and nutrition education, values education, and entrepreneurial skills training. The approach is to organize and utilize Nanays associations (mothers' clubs) as for a for learning sessions
- Tawi-Tawi pilot project provides basic education and social services for the deprived families of seaweed farmers in floating villages and islets. This scheme involves the establishment, development, and support of a 50-hectare food production farm in a CARP area for beneficiaries from Marang-Marang, Manguyan, and Tawi-Tawi along with support infrastructure like a mini warehouse, cassava mill and postharvest facilities. It also involves the teaching of livelihood skills and the Arabic language; founded on the theme "Bayan Muna Bago Sarili", such as the publication of instructional materials on great Filipino heroes and the country's diverse traditions, customs, culture and arts; revival of old Filipino practices; and the return of "Good Manners and Right Conduct" to the school curriculum.

These are only some of the many educational programs which respond to the need to learn and earn. They provide an insight into the broad reach of the country's HRD initiatives.

Capability Building for the Youth

A milestone in government's effort to encourage the full, relevant, and genuine participation and involvement of the youth in nation building was the creation of the Presidential Council for Youth Affairs by virtue of E.O. 274. Mandated to function as a staff office for the President on youth matters, the Council had undertaken a number of programs/projects in pursuit of said mandate. Among these were:

- Coordination of the Summer Youth Program which was launched in 1989 to encourage the youth to engage in more productive endeavors during the summer vacation. The annual program which was implemented nationwide from March to May had five components namely: Government Internship Program, Summer Work Appreciation Program, Program on Culture and Arts, the Summer Youth Sports Program, and the Immersion and Outreach Program. From 1989-90 some 100,550 young Filipinos had participated in the program,
- Coordination of activities for the annual Ship for Southeast Asian Youth Program, a program sponsored by the Japanese government which seek to promote and strengthen friendship and goodwill among ASEAN and Japanese youth.

Perhaps even more significant than the creation of the PCYA was the provision in the Local Government Code calling for the creation of the Sangguniang Kabataan in every barangay. Among others, the Sanggunian was mandated to promulgate resolutions necessary to carry out the objectives of the youth in the barangay and to initiate programs designed to enhance the social, cultural, economic, political, physical, spiritual, and moral development of the members. The body was also mandated to coordinate with other agencies in the implementation of youth development programs.

The Code also provided for the Katipunan ng Kabataan to be composed of young people aged 15-21 years in a barangay. The Katipunan may be convened as necessary to decide on important issues affecting the youth of the barangay.



The Philippine contingent for the SEA Games. Through Aquino's vigorous support, the Philippines became a force to reckon with in sports in the region, missing the top honor by only a medal to perennial champion Indonesia.

The Spirit of Sportsmanship

To provide unified and coordinated direction to the country's sports program, the Philippine Sports Commission (PSC) was created in 1989 by virtue of R.A. 6847. Its creation provided a big boost to the local sporting world.

Through the efforts of the Council, the country hosted and placed second in the overall gold standing in the 16th Southeast Asian Games in 1991. Such feat revived local interest and enthusiasm even in the less popular sports such as fencing and rowing. More important, the country's outstanding performance in the Games had helped revive the confidence in the Filipino athlete and had, in a way, given back to the Philippines its proper place in the world of sports.

The country also hosted the 30th Chess Olympiad participated in by 112 countries, so far the biggest participation in history. The Olympiad was also held in Asia for the first time.

Health: Ensuring a Strong Base

Throughout its term, the Aquino administration gave much emphasis on the health needs of the people through increased accessibility to health facilities and services. In 1986, there were only about 445 hospitals, or a total of 38,195 hospital beds nationwide. As of December 1991, there were 646 hospitals or an increase of 45.1 percent, translated to a total of 41,338 hospital beds.



The President cheers up TB patients after inaugurating the newly renovated charity wards of the Quezon Institute.

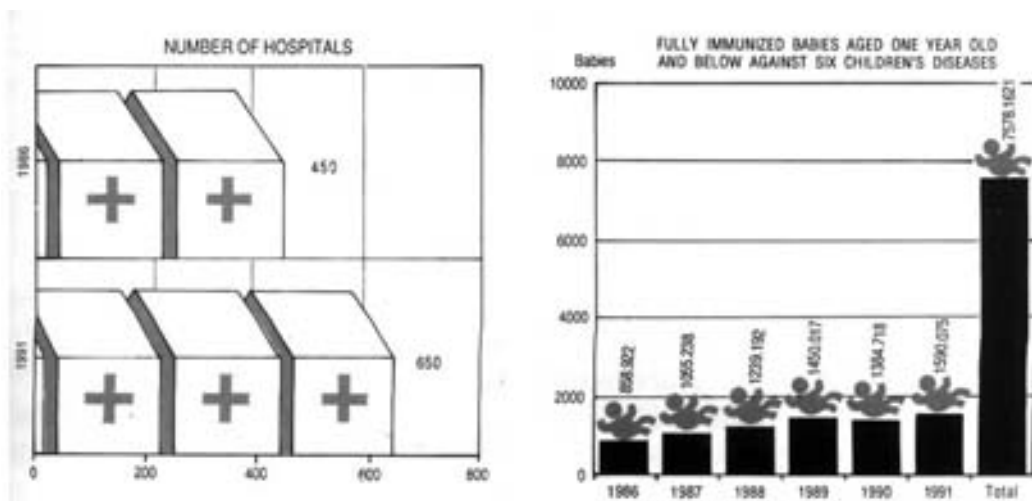
In addition, health care delivery services was expanded through the construction of new health centers and barangay health stations (BHS). Aside from the 42 health centers and 25 BHS constructed in 1987, an additional 57 health centers and 57 BHS had been put up nationwide as of December 1991. Also, a total of 49 hospitals, 75 main health centers, and 207 BHS in the earthquake-affected areas were rehabilitated, while nine hospitals, 37 main health centers, and 103 BHS were reconstructed.

On disease control, the Aquino administration likewise expanded coverage and provided better services. Innovations and breakthroughs such as the introduction of the Multi-Drug Therapy (MDT) for leprosy control and the adoption of the Short-Course Chemotherapy (SCC) for tuberculosis (TB) control resulted in the reduction of the prevalence of leprosy from 7.2 per 10,000 population in 1986 to 3.3 per 10,000 in 1991. Likewise, through the government's Immunization Program, the rate of fully immunized children (FIC) against six diseases before the age of one rose dramatically from 25.0 percent 1985 to 86.3 percent in 1991. This translates in the full immunization of 7.6 million children against TB, diphtheria, polio, measles, pertussis, and tetanus. In addition, the treatment duration for TB had been reduced from 18 months to six months. Furthermore, the prevalence of malaria incidence in endemic areas was lowered from 9.3 per 1,000 population in 1985 to 7.5 per 1,000 in 1991 through increased case findings and treatment.

With regard to environmental health, coverage of safe water supply had improved from 66.9 percent of households in 1986 to 71.7 percent in 1991 through water inspection and disinfection. Sanitary toilet coverage was also expanded from 69.1 percent of households in 1986 to 82.2 percent in 1991 through health education and community mobilization.

To combat the spread of the dreaded disease - Acquired Immune Deficiency Syndrome (AIDS) - the National AIDS Control and Prevention Program was institutionalized within the DOH to monitor the high risk population and to conduct active public education and advocacy. A vigorous information campaign on AIDS using print and electronic media, as well as the establishment of an AIDS Telephone Hotline Center, had contributed much in increasing public awareness regarding AIDS.

To ensure the availability and affordability of safe, effective, and quality medicines, the human resources and technology capabilities of the Bureau of Food and Drugs were upgraded and the Gamot sa Presyong DOH Program was established. Likewise, four herbal processing plants were put into operation, vaccine and biological production was expanded, and the Botica sa Barangay Proejct was vigorously pursued.



The administration formulated the Philippine National Drug Policy and Program, and allowed the passage of the Generics Act, a landmark legislation which guaranteed generic prescription and dispensing, and the right of informed choice for consumers. The adoption of generic labeling, along with a package of initiatives designed to provide the right information to physicians and patients, had ensured the rational use of drugs by focusing scarce resources on the most essential drugs. It had also contributed to control in the proliferation of brands in the market as well as greater awareness and use of therapeutic preparations.

Children had a special place in the Aquino government. It showed special concern for them through various efforts. Building on the gains from the Early Childhood Enrichment Program (ECEP) I, the UNICEF-assisted Country Program for Children I (CPC I), the government's ECEP II reached three million disadvantaged Filipino children by 1987 through the following program components:

- Early childhood malnutrition prevention through community infrastructures, such as DSWD's day care services and DA's home-based malnutrition prevention program services; and
- The systematic integration of early childhood principles and methodologies into existing government programs such as the training curriculum programs of DOH, DECS, the NNC, and the Commission on Population.

As a result, these interventions had benefited:

- 5,460 day care workers and 6,000 parents on proper child-rearing principles, techniques, and practices;
- 3,000 direct service workers on home-based health and nutrition services; and
- 167 day-care officers, including 150 deployed to provinces and cities.

The Area-Based Child Survival and Development Program (ABCSDP) under CPC III had already served 53 percent of its target children and 67 percent of its target parents. The Urban Basic Service Program (UBSP), on the other hand, had reached all its target children and parents as of 1990. For its part, Early Childhood Care and Development Program (ECCDP), a program aimed to ensure healthy development through day care service and other forms of stimulating creative experiences or preschoolage (3 to 6 yrs. Old) children, was also expanded to capture regional needs in: 1) enhancing parent's capability, especially in child-rearing; 2) increasing the number of trained preschool teachers, day care and health personnel; and 3) emphasizing the provision of childhood care in a manner that will promote physical, psychological, intellectual, cognitive, adaptive, and values development among those 6 years old and below. The total program package had reached 19.5 percent of 12 million children in 1989 and 25.9 percent by 1991.

Compared to other ASEAN countries, the country's health services were at par if not better. For instance, in 1986, the country's daily calorie supply per capita was estimated at 2,370 calories while it was 2,330 for Thailand, 2,850 for Indonesia, and 2,730 for Malaysia. In 1989, 82 percent of one-year olds were immunized in the Philippines while it was only 76 percent in Indonesia and 83 percent in Thailand. Births attended to by health personnel in the 1986-88 period was estimated at 57 percent, higher than Thailand's 40 percent and Indonesia's 31 percent. An estimated 85 percent of the nation's rural population as early as 1988 had access

to sanitation services, compared to Malaysia's 15 percent, Thailand's 76 percent, and Indonesia's 38 percent.



The Choral group of the White Cross Children's Home sings to President Aquino. With her are PMS Head Chito Sobrepena, DSWD Secretary Mita Pardo de Tavera, White Cross Director Consuelo Lopez, PCSO General Manager Fernando Carrascoso, San Juan Mayor Adolfo Sto. Domingo and DECS Secretary Isidro Cariño.

In urban areas, sanitation services were accessible to 85 percent in the Philippines, 39 percent in Malaysia, 84 percent in Thailand, and 40 percent in Indonesia. As of 1990, only 9.9 million Filipinos did not have access to sanitation, compared to 13.4 million in Malaysia, 12.4 million in Thailand, and 113.1 million in Indonesia.

Child Survival, Protection, and Development

The concern of government for the protection and development of children was manifested in the number of landmark legislations enacted. Among these were:

- RA 6927 or the Day Care Law, which mandated the establishment of Day Care Centers in every barangay for the total development and protection of a child through immunization, growth monitoring, and other services. AS of 1991, there were 13,700 centers serving 500,420 preschoolchildren.
- Proclamation No. 13 dated June 3, 1986 proclaimed June 1986-May 1987 as the Year for the Protection of Exploited Filipino Children and mandated the formulation of a national plan of action. The objectives of the program were to develop a sense of national awareness of the problem of child abuse and exploitation and to generate a sense of national motivation, responsibility, and commitment for its prevention.

- E.O. 56 authorized the DSWD to take protective custody of sexually-abused children.



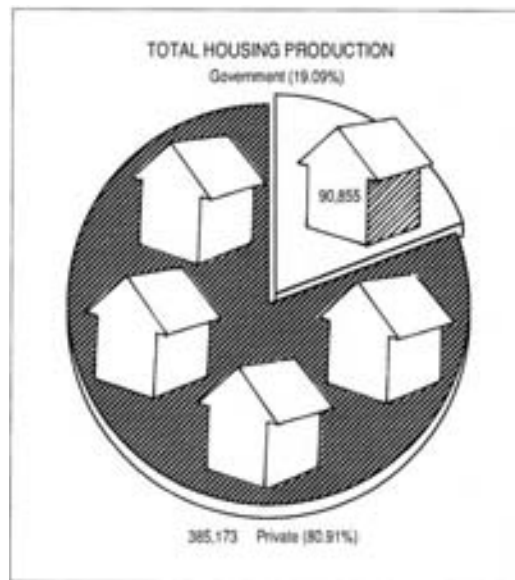
Presidential eldest grandson Jiggy Cruz assists grandma in distributing milk in tetra packs to streetchildren under the care of the Daughters of Mary, Help of Christians Laura Vicuña Foundation Inc. in Sta. Mesa on her 59th birthday celebration.

To further respond to the problems caused by poverty, urbanization, and unstable political situations, among others, the following policies and programs for children and youth were implemented:

- National Project on Streetchildren where inter-agency bodies led by the DSWD work together to identify solutions to the problems of streetchildren and their families. The project is now being implemented in 17 cities. One of the major activities of the IACs is the development of street-based, center-based, and community-based strategies in meeting the needs of streetchildren. There are now 14 day care centers located in key cities which provide alternative education to streetchildren in preparation to their return or entering the formal education system. Seventy percent of the children served are now back in school.
- In 1989, President Aquino allocated P50 million from PSF as a special fund for the streetchildren. The Streetchildren Fund was managed directly by the Presidential Management Staff (PMS). Total approvals for this program amounted to P40.4 million, of which P30.9 million was released to 73 NGOs implementing 81 projects. Total number of beneficiaries was 34,704 individuals.
- Bantay Bata Hotline, in collaboration with some radio and TV stations, aims to encourage the public to report any case of child abuse, neglect, and exploitation by providing a 24-hour hotline.
- Establishment of Reception and Study Centers for abandoned, dependent, and neglected children. There are now 12 such centers.

Housing: Providing More Shelter For More People

As for the housing sector, the five-year (1987-92) National Shelter Program (NSP), was launched which aimed to provide affordable housing financing packages. Total housing production under the program was estimated at 476,000 units of which 81 percent were produced by the private sector and 19 percent by the government. In terms of number of families assisted, 374,668 families representing 100.2 percent of Plan targets benefited from the program.



The four major programs under the NSP were:

- Individual mortgages consisting mainly of housing loans under the Unified Home Lending Program (UHLP). This was a long-term buyers financing scheme executed by the National Home Mortgage and Finance Corporation (MHMFC) servicing both members and non-members of the funding institution. Since 1987, total mortgage takeout had reached 147,468.
- The Community Mortgage Program (CMP) was an innovative concept of low-income home financing whereby an individual tract of land was acquired by several beneficiaries through community ownership. This program had benefited some 200,000 families since 1987.
- The NHMFC extended development loan assistance to private developers and landowners who were in need of fund augmentation enabling them to mobilize their land and other production resources for shelter delivery. Assistance extended since 1986 produced a total of 66,133 housing units.
- The National Housing Authority directly undertook the delivery and actual construction of low-income housing units to the lower 50 percent of the population. A total of 90,855 housing units were build all over the country.

Other supplemental programs such as the Apartment and Dormitory Program of the SSS, the Individual and Mass Housing Program of the GSIS, the Group Land Acquisition and Development Program of the Pag-IBIG Fund, and the Cooperative Housing Program and Interim CMP Funding Facility of the HIGC were also implemented.



President Aquino views a model of the 'Kaligan' housing project in Metro Manila, which is under the auspices of the United Architects of the Philippines. The government tapped the NGO for its record-breaking shelter program. With her is UAP head Froilan Hong.

Social Welfare and Community Development: Giving Assistance and Dignity

The damages brought about by the calamities that battered the country from 1987 to 1991 prompted the Office of the President to orchestrate and to serve as the central coordinating point to consolidate the rehabilitation efforts of the different government agencies involved in providing assistance to the victims.

Typhoon Sisang, 1988

The government's capability to respond to calamities was initially tested when Typhoon Sisang battered the country in December 1987. Immediately, the National Disaster Coordinating Council was convened to orchestrate the rehabilitation program for Region V.

Initial activities included the reactivation of local disaster councils in the affected provinces and municipalities. A P3.0 billion comprehensive rehabilitation program called the Bicol Rehabilitation Program was also immediately launched. One of the major projects implemented under the program was the Comprehensive Abaca Rehabilitation Program.

Earthquake, July 1990

The devastation brought about by Typhoon Sisang was still fresh in the minds of the Filipinos when another calamity battered the country in 1990. The economy was slowly peaking when the July 1990 earthquake occurred bringing with it widespread infrastructure, social and human costs to Regions I, II, III, and CAR.

A four-pronged rehabilitation program was quickly put in place. These involved: 1) activation and institutionalization of operating mechanisms; 2) solicitation, sourcing, and funding of the P10 billion Rehabilitation and Reconstruction Fund (RRF); 3) integration of the rehabilitation program; and 4) implementation and monitoring of the reconstruction plan.

Prior to all these activities, the government operated an immediate relief program involving the provision of financial assistance to the dead and injured victims.

On August 1, 1990, pursuant to Memorandum Order No. 311, the President created the Presidential Task Force on the Rehabilitation of Earthquake-Affected Areas. The Task Force was entrusted to speed up the implementation of the rehabilitation program and to undertake the coordination of all rehabilitation activities of the government at the national and local levels. About 20 provinces and nine cities, representatives from some national line agencies, as well as NGOs participated in the rehabilitation efforts.

As a result of all these efforts, a total of 13,589 projects was approved by the President for funding under the RRF. Out of this total, around 8,518 projects were completed, a total amount of P10 billion was obligated, and a total of 226,782 affected individuals received financial, medical, and livelihood assistance.

Eruption of Mt. Pinatubo, 1991

After 611 years of dormancy, Mt. Pinatubo unleashed a series of eruption episodes between June 12 and 17, 1991, resulting in the ejection of massive volcanic debris. The resulting reconstruction needed was greater in scope, magnitude, and time span than the earthquake.

Immediately, the President created the Presidential Task Force on the Rehabilitation of Areas Affected by the Eruption of Mt. Pinatubo. It was tasked to undertake, among others, the coordination of all rehabilitation activities of the national government, prioritization of projects, and the monitoring of government relief and rebuilding efforts. The program required some P28.75 billion.

A New Resettlement Program was the most critical activity undertaken by the Task Force which addressed both the needs of the Aeta and the lowlanders. There are now 21 official settlement sites located in Tarlac, Zambales, and Pampanga. Of these, 10 are upland and 11 are lowland sites. A total of 4,500 Aeta families had been resettled.

The accomplishments under the Mt. Pinatubo Rehabilitation Program were the following:

- DSWD spent P149.755 million from its internal sources in its relief operations benefiting 974,203 persons;

- DOLE provided emergency employment to 1,170 affected workers through 55 community works and employment projects amounting to P1.678 million;
- Road clearing activities were conducted in some 652 km. of road proper. All major roads had been made passable, Road sections prone to traffic disruption during floods notably the Lubao-and-Bacolor stretches along the Gapan-San Fernando-Olongapo Road, were elevated;
- 2,401 L.M. of national bridges were reconstructed and 750 L.M. of foot bridges were 50 percent complete as of June 1992;
- 34 sabo/check dams had either been completed or programmed for construction; and
- Of the 4,665 classrooms destroyed, 2,593 had been reconstructed as of June 1992.



Presidential Management Staff Head Aniceto Sobrepeña presents to the President a proposal for the Integrated Livelihood Reconstruction Project for Earthquake Damaged Areas for her review.

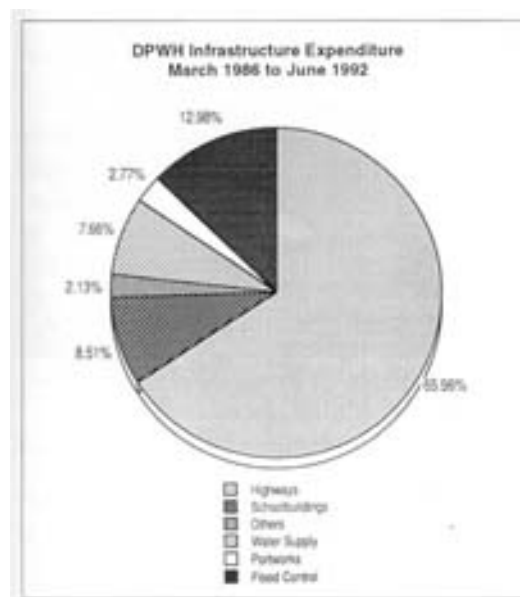
Emergency housing assistance in the form of temporary shelter and housing materials for onsite repair for victims of calamities were also provided. Since an average of 22 typhoons visit the country each year, the DSWD initiated a program of providing typhoon-resistant housing for those families living in the most typhoon-prone areas. The houses designed for the Core Shelter Project can withstand windspeeds of P180 kph. They are made of inexpensive local materials and, with technical guidance, can be built by the beneficiaries themselves. As of 1991, 16,000 such core shelters had been build throughout the country and more were expected to be build. The houses had so far resisted all the severe typhoons that visited the country.

Resettlement sites were also identified for the individuals and communities permanently displaced by the floods. A total of 11,142 families displaced by the various disasters were assisted.

Infrastructure: Timely Public Works In Record Time

The Aquino government provided vital infrastructure facilities needed to support national development goals.

For the period March 1986 to June 1992, a total of 47.11 billion was expended by the DPWH for various infrastructure projects. Of this amount, P31 billion (65.8 percent) went to the construction of 53,425 km. of roads and bridges; P1.32 billion (2.8 percent) for 2,272 portworks; P6.09 billion (12.9 percent) for 8,169 flood control and drainage projects; P4.05 billion (8.6 percent) for 63,722 classrooms and 5,409 buildings; and P1.01 billion (2.2 percent) for other infrastructure projects such as national buildings and preliminary engineering.



Insofar as the road infrastructure program was concerned, the thrust was three-pronged. First, the nationwide arterial road network was improved and maintained; second, complementing arterial highways, secondary, and feeder roads had been developed; third, in major urban centers, such as Metro Manila, the focus was to remove critical traffic bottlenecks, through a combination of road construction and traffic management measures.

In this context, DPWH implemented the following impact road projects in Metro Manila:

- the six-lane Araneta Avenue;
- the four-lane Makati-Mandaluyong Road from Coronado/San Francisco St.;
- the five-lane EDSA Extension to Roxas Blvd.;
- the widening of Parañaque-Sucac Road;
- the improvement of Ortigas Avenue Extension;
- the construction of Circumferential Road 5;
- the construction of Radial Road 10; and

- the construction of interchanges/flyovers along main arteries of Metro Manila.

In other regions, arterial road projects that would provide better access to rural and agricultural areas were implemented.

The damage wrought by calamities such as the July 1990 killer quake and Mt. Pinatubo eruption in 1991 was extensive especially to infrastructures. For the regions affected by the killer quake, a total of P5.323 billion had been extended for the implementation of 4,566 projects. This consisted of 1,672 road projects, 378 flood control structures, 365 water supply systems, 70 portworks, 2,059 schoolbuildings, and 72 other kinds of infrastructure.



FAST TRACK. The President views scale models of three interchange projects of DPWH. Secretary Jose de Jesus explains details.

All damaged roads, such as the Kennon, Naguilian, and Marcos Roads leading to Baguio and the Dalton Pass had been rehabilitated and reopened to traffic. The Teofilo Sison (Carmen) Bridge in Rosales, Pangasinan and the Magsaysay Bridge in Dagupan had likewise been reconstructed and opened to traffic.

For the areas affected by the Mt. Pinatubo eruption, the following rehabilitation and reconstruction projects were undertaken:

- For the protection of lives, properties, and infrastructures, the construction of 34 sabo/check dams had been started of which 15 had already been completed. Also, desiltation and dredging of river channels/outlets were also undertaken;
- To keep transport systems open, about 489 km. of national roads and 163 km. of municipal roads were cleared of ashfall deposits. Also, reconstruction and rehabilitation of damaged bridges were started; and

- A total of 2,660 classrooms were rehabilitated while 98 hospitals and health centers, 18 public markets, 13 municipal buildings, and 70 other public buildings were reconstructed.

Energy and Rural Electrification

Through the effective implementation of the revitalized rural electrification program, 56.0 percent of the rural areas were energized, a significant increase compared to the 45.0 percent in 1985. The generating capacity for electricity of 5,549 megawatts (MW) in 1985 was increased to 6,521 MW in 1991, or a difference of 17.5 percent.

An increase of 3.9 percent in the number of municipalities with electric connections was achieved, from 1,255 in 1985 to 1,304 in 1991. A 26.9 percent increase in the number of households with electric connections was also accomplished, from 2.6 million in 1985 to 3.3 million households in 1991. Both NEA and MERALCO brightened up 5.8 million households nationwide.

President Aquino turns on a symbolic switch signifying the start of regular 24-hour power service for Tawi-Tawi households during her visit to the province on May 15, 1989. Behind the President is Tawi-Tawi Governor Hadjiril D. Matba.



In line with the rural development thrusts of the government, the National Power Corporation (NAPOCOR) took over small island electric facilities from cooperatives in far-flung areas and effectively reduced cost of electricity from P4 per kilowatt-hour (kw-hr) to P2.50 per kw-hr.

The energy sector managed to achieve an energy self-reliance rate of close to 35.0 percent in 1991.

However, the significant achievements during the six-year administration of President Aquino which will generate long-term and far-reaching benefits were:

- Active oil exploration program which yielded positive oil and gas discoveries. The country's largest oil discovery was the West Linapacan in north-western Palawan. Once fully developed, it will give the country 50,000 barrels of oil per day.
- Policy reforms which were undertaken aimed at improving the overall efficiency in the provision of electricity such as:
 - Restructuring of NAPOCOR power rates based on the principle of long-run marginal cost or LRMC;
 - Discontinuation of direct industrial connection to NAPOCOR in areas which were served by franchise utilities;
 - Restructuring of MERALCO rates through gradual reduction of subsidy to small electric consumers;
 - Participation of the private sector in power generation schemes such as the Build-Operate-Transfer (BOT); and
 - Reduction on systems losses of utility firms to improve efficiency and stability of power distribution.
- The full-scale hydro-electric program undertaken during the Aquino administration which had succeeded in harnessing 2,155 MW of hydropower out of its potential 8,867 MW. Two hydro-electric plants were also completed, the 225-MW Pulangui VI in 1986 and the 80-MW Agus I in 1990.
- Ongoing projects for the utilization of the geothermal steam which include: Bacon Manito I and II in Albay with a resource potential of 230 MW; the Palinpinon II in Negros; and the Leyte A in the Visayas with a potential capacity of 440 MW for commissioning in 1996.

Various non-conventional energy technologies had also been successfully tested. The most significant of these were the photovoltaic systems applied for small village electrification in the islands of Burias in Masbate and Verde island in Batangas. The other photovoltaic applications demonstrated to be economically feasible were the battery charging (installed in Bulacan, Batangas, and Masbate), domestic water pumping (Cebu), remote telecommunication power supply (PT&T Zambales Station and RCPI Marinduque Station), egg incubation (Quezon), vaccine refrigeration (Bohol), and to some extent, irrigation pumps (Masbate).

Transportation and Communications

The accomplishments of the Aquino administration on the transportation and communications sector were in the new policy directions pursued such as deregulation, privatization, and decentralization.

From 1986 to 1992, the transportation and communications industries experienced various forms of deregulation and liberalization. PLDT's monopoly in the international communications traffic was broken with the entry of Eastern Telecoms and Philippine Global Communications. As a result, overseas telecommunication charges had dropped by 40 percent despite inflation.

The revenue-sharing among local telephone companies on the telephone charges was also altered in favor of the 50 or so small telephone operators.

Also, DOTC mandated the interconnection of all telephone companies in order to provide more efficient communication networks.

In order to provide better telecommunication services, two Very Small Aperture Telecom (VSAT) operators and two nationwide cellular operators were authorized to operate.

The administration also abolished the monopoly in Cable Television (CATV) which was nurtured before 1986. As of May 1992, there were several entities operating CATV in various parts of the country.

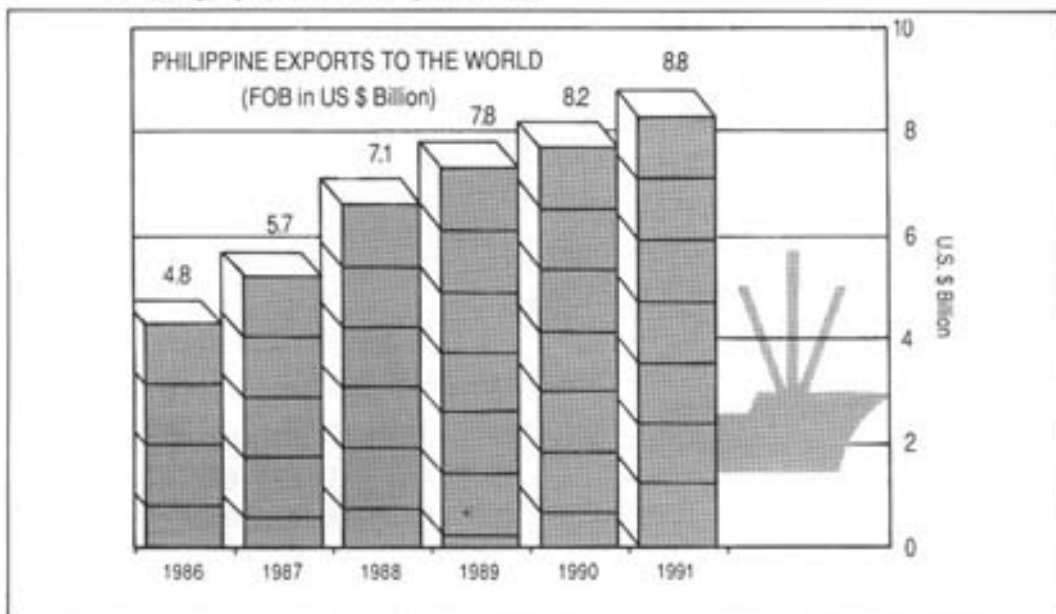
The doors for deregulation had also been opened at the ports. Before, the policy was one port cargo handling operator for every port in the country. The government allowed at least two cargo operators to compete on the basis of service in several major ports. The thrust toward more competition in the maritime industry was also implemented in the case of ships servicing particular routes. No single operator had been allowed to monopolize passenger service between two seaports.

In aviation, the one domestic airline policy favoring the Philippine Airlines was rescinded in 1988. As such, other carriers were allowed to operate with or without legislative franchises.

Privatization efforts were also vigorously pursued. The most significant of these were the disposal of Philippine National Lines, awarding of the Manila International Container Terminal to the International Container Terminal Services Inc. for a 25-year service contract, tender on 60 percent ownership of the Philippine Airlines, and the public tender for the National Telecommunications Development Program.

Also, the Postal Service Act of 1992 (R.A. 7354) was enacted. It provided for the incorporation of the postal service and its eventual privatization to the extent of 55 percent.

Increased volumes in trade as shown by Philippine exports (below) to the world came at an opportune time when deregulation of cargo handling operation was pursued.



Under the Countryside Telephone Program, at least one public calling station will be installed in every municipality. As of 1991, public calling stations had been installed in 126 municipalities. By the end of 1992, about 300 more municipalities were targeted to be served.

The Philippine Postal System was expanded and modernized. The commitment to fast mail deliveries had been sustained - 24 hours within Metro Manila and three days to other regions. For international links, express mail was expanded from four to 27 countries and money order service from four to 12 countries. Also, 63 additional post offices, eight mail distribution centers, and 127 post office buildings were opened.

The acquisition of 1,040 buses under the Bus Installment Procurement Program (BIPP) responded to the growing need of commuters, particularly those in Metro Manila, for transportation. The Zonal Fare Scheme was adopted by the Light Rail Transit Authority where a flat rate was charged for the last three stations.

The President puts to test the municipal telephone system when she receives a call from DOTC Secretary Nicomedes Prado from a call station in Ormoc, Leyte on April 20, 1992.



Likewise, telegram delivery service improved. Telegram posting from delivery to receiving decreased to an average of 13 hours compared to the target time of 16 hours.

The National Telecommunications Commission and the Land Transportation Franchising and Regulatory Board (LTFRB) had reduced their processing time for certificate of public conveyance, from several months to an average of 30 days. The LTFRB, through its regional offices, introduced the mobile franchising system to bring the Board closer to operators by extending their services to far-flung areas.

Science and Technology (S&T) Development Programs

As an indication of the recognition of the crucial role of S&T in national development, budget for the sector almost tripled by the end of the Aquino administration. From P464 million in 1986, its allocation reached P1.7 billion in 1992.

Furthermore, in order to provide clear signals to both the public and private sectors on the desired direction of S&T in the country's drive to become a new industrialized country (NIC), S&T Master Plan (STMP) was formulated. Its key strategies to attain said goal were: 1) modernization of the production sector; 2) upgrading of research activities; and 3) the development of S&T infrastructure.

Modernization of the Production Sector

To implement the first strategy, a massive technology transfer and commercialization program was pursued. Research results were transformed into technologies that reached the countryside and assisted the rural people.

In 1991 alone, seven new and 68 existing technologies were commercialized while 114 new and 400 existing technologies were diffused to 17,158 companies and technology adaptors.

Among the most noted technologies successfully infused nationwide were:

- In Agriculture and Aquaculture
 - Rapid composting using *Trichoderma* created impact in the countryside and reduced our dependence on imported fertilizer. As of February 1992, 253 mass production centers had been established nationwide covering 4,980 hectares and benefiting 7,895 farmer adoptors; and
 - Development of the sex reversal technology which transforms female tilapia to male. As of May 1992, there were 26 pilot cooperators for tilapia production in 23 municipalities and 19 provinces. A dispersal unit at the DOST main building pool was also set up where more than 5,000 fingerlings had so far been sold at nominal prices, thus, promoting backyard tilapia culture in Metro Manila.
- In Textile Industry and Development
 - Breakthrough in the breeding of semi-temperate silkworm varieties led to commercial production of hybrid eggs with the establishment of multiplication centers in Misamis Oriental, La Trinidad, and Benguet.
- In Nutrition
 - Preparation of nutritious snacks and baby foods helped ease malnutrition in depressed areas with the introduction of cereal-legume based food products; and
 - Integrated production of coco products such as cheese, nata de coco, coconut oil, coco vinegar, and coconut shell.

- In Construction
 - Construction of bricks and tiles from low-cost indigenous clay materials, Each of the 30 production plants established provided employment opportunities with gross sales of P1.2 million annually; and
 - Production of coconut lumber broadened the raw material base for house construction, furniture-making, and other wood products-based ventures.
- In Chemicals and Pharmaceuticals
 - Manufacture of industrial grade salt saved the country \$4.6 million of imports in 1989 and \$3.1 million in 1990;
 - The local manufacture and commercial production of drugs from medicinal plants for the treatment of cough (*sambong*); urine excretion (*sambong*); for pain relief (*yerba buena*); for diarrhea (*tsaang gubat*) and many other ailments; and
 - Local production of antibiotic susceptibility disks helped physicians in prescribing the appropriate antibiotic against a particular infection or disease. This project benefited over 2,000 hospitals and clinics in the country. Aside from saving the Philippine General Hospital P50,000 a year with a bench scale price rate of 68 percent lower, this technology ensured rational drug use through the prescription of the right antibiotics.
- In High Technology
 - Development of A-scribe technology, a computer-based system of transcribing stenographic notes which will be very helpful in the judicial and legislative systems in the country; and
 - Development of a 256-line Private Automatic Branch Exchange (PABX) Prototype which used Time Division Multiplexing (TDM) instead of the traditional crossbar technology. This technology will help to improve the telecom infrastructure by providing a low-cost but equally efficient PABX system in small offices and rural communities.
- In Mt. Pinatubo-Affected Areas
 - A special techno-transfer project for the recovery and rehabilitation of areas affected by Mt. Pinatubo was carried out utilizing volcanic ash as raw materials for the manufacture of floor and wall tiles, low and high temperature glaze and ceramic artware, resin bonded ash souvenir items, and glass blowing which generated 532 livelihood projects employing five to six employees in each production center. Mushroom growing and laundry soap making were also introduced generating 200 livelihood projects for the people.

The Research and Development Plan was formulated to indicate preferred areas of research and development under the 15 leading edges. The R&D was developed by identifying program areas based on the following criteria: 1) focus on development of local materials; 2) high probability of success; 3) potentials of developed products/processes in the export market; and 4) basically strategic in nature.

President Aquino inspects the processing area of the Cotabato Herbal Pharmaceutical Processing Facility in Cotabato City with DOH Secretary Alfredo Bengzon, November 15, 1988.



Some of the R&D breakthroughs from 1986 to 1992 were as follows:

- In Agriculture, Aquaculture, Forestry, and Natural Resources
 - A technology on the use of vesicular-arbuscular mychorizza (VAM) which involved the use of crops in a symbiotic relationship called mychorizza (fungus and plant roots association) led to a natural way of raising crops in sites with low fertility;
 - The bio-assay technique used in determining unsafe "red tide"; this technique is cheaper and faster compared to the one using white mouse in measuring the toxicity of shellfish extracts; and
 - A solar lumber dryer which used blasting sheet as glazing material for the heat collected with charcoal inside. It can dry 25 m (1-inch) thick lumber at a rate 50 percent faster than drying in the shed.
- In Industry and Energy
 - The technology on the extraction of essential oil from local plants will minimize the country's dependence on imported essential oil valued at P43.9 million per year;
 - The rice hull gasifier-combustor which used agricultural waste as source of fuel. The combustor is economically feasible to use for food and grain drying and also as heat source of a boiler for power generation; and
 - Garbage as a vital source of fuel in the form of methane and compost fertilizer was fully recognized. Five landfills were constructed to supply a biogas system. The technology on methane generation from controlled landfill would

enable foreign savings of approximately P30 million per year in terms of imported oil if 50 percent of the solid waste generated annually is converted to biogas.

- In Health, Food and Nutrition
 - The DOST food dehydration technique was developed in response to the problem identified in a postharvest study that 42 percent of the vegetable produced locally are wasted due to improper handling, absence of processing technology, poor distribution, and over supply in some areas; and
 - The development of the Electrocardiogram (ECG) Monitor, an inexpensive monitor in place of the costly XY monitors usually attached to the ECG apparatus. A related technology was the PC-based Electromyogram (EMG) which was used for nerve stimulation tests, nerve conduction studies, and evoked potential analysis.
- In Advanced Technology
 - A digital/microprocessor-based generic software/hardware system was designed and developed using an IBM PC as a host computer. The design and fabrication of the 32-bit Graphic System Processor (GSP) prototype was completed, including programming of the GSP software drier; and
 - Porcelain and aluminum grinding balls have been developed as substitute for imported flint balls. This has reduced the cost of importation and production of porcelain chemical crucibles by about 20 percent and of varistors by 50 percent.

The grant of incentives to R&D activities was included in the Omnibus Investment Law and guidelines were formulated to ensure smooth implementation.

Grants-in-aid for research were also made available from various agencies, state colleges, and universities. In DOST alone, P234 million had been made available in 1992 compared to P33 million in 1991.

Through the grants-in-aid program, a dextrose plant which will commercially manufacture cassava starch for dextrose was inaugurated in Guimaras, Iloilo. Similarly, a P2.5 million Aga Production Plant was set up in Zamboanga City which produced 110 kgs. of agar-agar per month.



FOR THE RECORD. The Aquino administration may well be known to have started fast track infrastructures, not only in the city but in the disaster-stricken areas. It also built more barangay roads each year than the previous administration. In photo above,

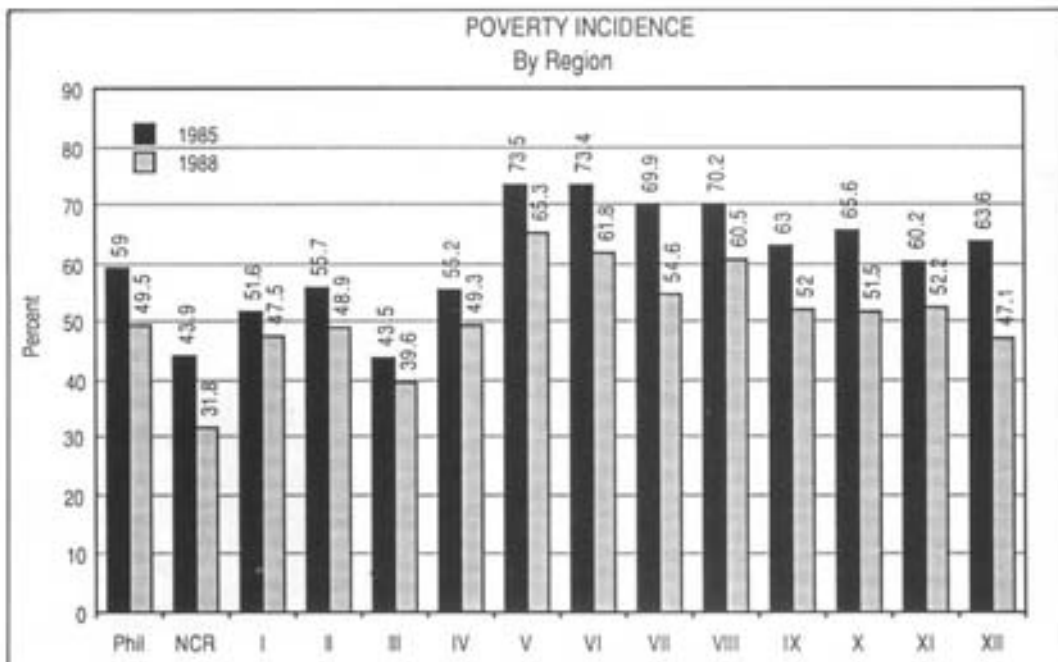
President Aquino gives good views and hope to people of Quezon province with the construction of the Lopez – Catanauan Road. On her last year in office, President Aquino focused her attention on Metro Manila. Below, she inspects EDSA flyover.





SOCIAL EQUITY. President Aquino always touched base with the people in the provinces, the labor sector, and the businessmen. Above, the President prods leaders and members of the Na-

tional Conference of Employers to push for more economic reforms. Below, is a graphic illustration of how President Aquino fared in fighting poverty with her personal touch.





The President inspects fresh sea produce during her visit to the Fishermen's Wharf in Parañaque. Her administration loaned billions of pesos to small farmers and fishermen.

PERSONAL TOUCH. President Aquino was chided by some sectors of the press for being a glamorized 'promo-girl' when, during her state visit to the United States, she personally met with American businessmen to ask them to take a second look at the Philippines. Below, she meets with a group of US retailer JC Penny buyers who responded to her appeal.





RICH DISCOVERY. President Aquino inspects oil sample from the West Linapacan presented to her by Alcorn and Presidential Adviser on Energy Wenceslao dela Paz. With the successful tapping of high-grade quality oil deposits during Aquino's term, hope runs high that the Philippines may end its heavy reliance on imported oil by the turn of the century.





DIRECT-LINE. Aquino effected the blossoming of NGOs through legislation and actual financial support. Above, the President with PMS Head Chito Sobrepeña in a brief respite after awarding checks to Kaunlaran ng Manggagawang Pilipino, Inc. and the

Evelio Javier Foundation on December 11, 1991. Below, the President at the Agro-Food Processing Corporation, owned and operated by the Federation of Farmers' Cooperatives in Bulacan.





ABOVE THE ASHES. The President passes through a trellis of ampalaya (bitter melon) which grew abundantly over a field of lahar in Basa Air Base, left.

In another demonstration of Filipino kabisig spirit, heirs of Don Pepe Henson of Pampanga donate a parcel of land to the Pinatubo Livelihood Center. Josie Henson Suarez, repre-

senting the family, signs a deed of donation. There were seven others who donated a total of 38.1 hectares of land to help their kababayan start anew.





Left, President Aquino greets young gymnasts who participated in the SEA Games in 91. Her unqualified support to sports made the SEA Games an outstanding success. This was followed by the 'near perfect' chess Olympiad in Manila.

The President pays tribute to the Filipino gold medalists of the 16th South-east Asian Games on December 6, 1991. In photo are (from left): Emerito Concepcion (Shooting); Jenifer Yeo (Wushu); Akiko Thomson and Eric Buhain (Swimming); Lydia de Vega-Mercado (Track and Field); Felix Barrientos (Tennis); Elma Muros (Track and Field); and Samson Co (Wushu).



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