

The Role of PIDS and Its Contributions to Research and Policymaking in the Philippines*

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Introduction

Since its establishment in September 1977, the Philippine Institute for Development Studies (PIDS) has been an important research resource in the country. It has acted as an important catalyst for bringing to bear on the country's development agenda a wider stream of intellectual capacities from diverse public and private institutions. It has provided the government with critical development advice that would have otherwise been difficult to obtain within a constrained time frame. Its various outputs of studies, papers, focused seminars, and networks have expanded the development knowledge base that has enlightened policy decisionmaking. These are not mere rhetoric. In an evaluation of PIDS on its 10th year, Ranis (1987) describes its work as extremely responsive to felt needs of the government, establishing collaborative links with other academic and research institutions in the country,¹ and a highly satisfactory research. The External Review Committee (ERC), convened in 1996 on the Institute's second decade, similarly notes PIDS' track record of strong policy-oriented research in another report even if this might have been focused on the eco-

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¹ Ranis also observes the skewed collaborative links mainly with the University of the Philippines. This now appears to be moot with the former PIDS president, who is associated with De La Salle University whose economics faculty has actively been drawn into the research circuit of the Institute. This is apparent when one looks into the authorship of papers in the period after the change in PIDS leadership.

conomic aspects of development.² It recognizes the extensive output of the Institute in responding to government needs for inputs and analysis for planning and policymaking. The Committee met with a number of its clientele from government and the private sector to determine PIDS' impact, the results of which validated much of the objective assessment in terms of actual outputs and their quality. Nevertheless, in the same manner that Ranis had identified areas for further emphasis or strengthening, the ERC Report also suggested new directions for the Institute's consideration.

The two reports identify areas where PIDS is perceived to be weak or needing improvements. In the decade report, PIDS is seen as either too close to and influenced by academic institutions to be adequately relevant, or too close to government, especially the National Economic and Development Authority (NEDA) that would ensure that its outputs are sufficiently independent and distinct from the standard government line. The ERC reemphasizes this point saying that it is "...constrained from presenting a critical view of government policies and programs..."

The two reports also voice the need for PIDS to go beyond the economic dimensions of development. While it clearly has a comparative advantage in economic analysis given the expertise of its professional staff, "...the name of the Institute implies a broader research focus and strategy centered on development..." (ERC 1997). Ranis sees PIDS moving beyond economics into such areas as political science and political development (although these are in the context of recommending a full privatization of PIDS, which will mean moving into areas that private research institutions easily go into). But even then the research agenda is characterized as broad (and supply-driven).

This paper examines the role of PIDS and its contributions to research and policymaking in the Philippines. While it does not undertake a rigorous analysis of PIDS and policy formulation in the country (in a causal sense), it nonetheless provides some broad assessment. The ultimate purpose here is to suggest directions (in terms of substantive research and related work) that the Institute might consider in support of the development process. After a brief overview of some general and specific contributions of PIDS, the next section advances an analytical record of the growth track the country has implicitly followed. The Philippines has not been short of a thorough analysis of its

² External Review Committee (1997).

economic and social conditions and the reforms needed to address their problems, apart from the numerous contributions of PIDS itself. The peculiar nature and behavior of postwar Philippine development indicates that despite the volume of studies, technical monographs, and papers by foreign and Philippine scholars, comprehensive legislation and executive decrees, and popular treatises, sustained economic growth has eluded the country. Indeed growth has been marked by what may be termed "low-level equilibrium trap," to borrow a term used by Nelson (1956). More pointedly, it would seem that growth spurts have been associated with the start of new political regimes and crises have characterized the end of those regimes. Moreover, one could argue that new regimes have invariably reversed the policy thrusts of previous regimes. Thus even if policies appeared to be sensible (and would have achieved significance if consistently carried out) changing political cycles aborted them. Real structural change has not been rooted in the country while the economic and social problems of the past 30 years continue to hound the country, and with the continued increases in population, these problems have gained crisis proportions. All these suggest that more attention may have to be given to development *management* than just development *per se* (or, simply put, execution and enforcement of policies). On the other hand, the development agenda itself may have to be different from what has been followed in the past. Some of these are spelled out.

The third section takes stock of the range of research work that has been achieved by PIDS, situates them in the context of the growth track, and defines a taxonomy, which can be built upon. There is no doubt that in many substantive areas the Institute has pioneered in refining, if not developing, analytical frameworks, sharpening the associated techniques with precision, and deriving quantitative and qualitative conclusions, including their policy dimensions. However, one must distinguish between the pathbreaking work of measurement and their institutional use by the appropriate policy bodies of government. The former takes on a demonstration function while the latter assumes a routine function. Much of the work that PIDS has done can be "mainstreamed" and maintained in various policy institutions. This would free the Institute's intellectual capital without necessarily diminishing the value of its work.

In the fourth section, this paper explores some of the directions that PIDS may take ranging from its present course to other alternatives. The paper puts forth some criteria to define its appropriate niche,

given limited resources and the broader research environment in the country. Some thematic areas are elaborated on, indicating their priorities, the impact of paying attention to them, and their relevance to the growth track previously described.

The final section explains the underlying mechanics to move the Institute not only to the options laid out in this paper but to the potential overarching goals of its programs. The present infrastructure it uses continues to be a productive if not optimal arrangement for supporting the development process of the country over the long haul.

In its 25 years in development research, PIDS has completed around 700 studies, covering a wide range of areas (mostly economics related),³ published about 50 books (including joint publications), around 40 issues of its inhouse publication, *Journal of Philippine Development*, and more than 100 issues of its *Development Research News*. Apart from these, the Institute has prepared more than 800 research-related outputs (*Policy Notes*, discussion and working papers, and executive memoranda), conducted almost 700 conferences, seminars, workshops, roundtable discussions, and other gatherings to disseminate its findings to a wider audience. The Institute has also hosted (or co-hosted) international conferences and seminars (e.g., Pacific Trade and Development Conference series), participated in research consortia with other research institutions in the Asian region, and developed networks around the world. The Asia Pacific Economic Cooperation (APEC) study centers are coordinated by PIDS.

Whether one looks at measurement or substance, PIDS outputs generally reach a policy audience through its own venues (conferences, workshops, media reports, etc.) or by direct briefing to policymakers. Its first long-term research output on economic and social indicators led to the institution of an indicator system published by the National Statistics Office (NSO).

The 1979 publication of the *Industrial Promotions Policy in the Philippines* was an important input to the country's first structural adjustment loan from the World Bank. The 1986 "Yellow Report" and the accompanying "Green Report" under PIDS aegis crafted a large part of the Aquino Administration (1986-1992) agenda for reforms for the economy in general and agriculture in particular, respectively. They

³ These broad areas are agriculture, industrial development and trade policy, employment, human resource development and technology, energy and infrastructure development, macroeconomic policy, natural resource and environment management, poverty, income and wealth distribution, regional, rural and urban development, and resource mobilization.

eventually became the major foundation of the *Medium-Term Philippine Development Plan 1987-1992* (MTPDP). PIDS put together an annual *Macroeconometric Model of the Philippines*, which has become the basis of the government's planning projections since 1987 and formed part of the MTPDPs. The Institute later also developed a *Population and Development Planning Model* used by other government agencies for planning and monitoring. Its equally indepth studies into the Micro Impacts of Macroeconomic Adjustment Policies covering several areas (macroeconomy, agriculture, natural resources and environment, industrial informal sectors, social services, government regulation) provided important clues for identifying household-level impacts of aggregate policies.

Other Institute activities are no less significant to Philippine development. The formulation of the Manila Action Plan (MAPA) for Asia Pacific Economic Cooperation (APEC) on the occasion of the 1996 APEC Leaders' Meeting in the Philippines relied mainly on the contributions by PIDS. MAPA was published by the Institute and regularly used in APEC's deliberations. PIDS' work in environment, rural finance, health care financing, and public finance, among others, sharpened the debate on issues in these areas. The advice of the Institute was instrumental in many pieces of legislation, including crucial ones such as changes in the central bank charter and the general banking acts.

In short, there are no economic problems of development for which PIDS has not provided intellectual resource, at the very least. In many instances, PIDS' work has included mobilizing the wider research industry to focus on problems, assembling stakeholders (across all sectors) to obtain their input, and disseminating the research results to the wider citizenry. The more important question is the impact of these contributions to decisionmaking and the direction of development. After focusing research on specific issues, deriving technical parameters, shaping the results for policy use, translating them into understandable formats, gathering the players to debate them, and laying out the policy options (and their consequences), what is there to show either in terms of carrying out reforms or their eventual effects on the country's development path? Unfortunately, previous reviews did not really go so far as measuring contributions according to the degree (and sustainability) of policy change, which is understandable. After all, PIDS is in the research business not policymaking; it is in knowledge generation not bureaucratic management; it is in enlightening debate about changes not changing situations. It would

therefore be unfair to measure impact by looking at the country's development track since there will be a myriad of influences where research results may not even be under consideration.

Yet, there may be clues about contributions by looking at certain aspects of these. For example, while the economic and social indicator system developed with PIDS support initially resulted in a dedicated NSO publication, this was discontinued either for budgetary reasons (which cut implies it was not a priority) or for having been integrated into regular statistical series (which has a deeper impact) has yet to be systematically determined. The comprehensive appendices to the PIDS publication *Industrial Promotions Policy in the Philippines* detail specific sectors and how trade and industrial policies have impinged on them. One of these comprehensively measures the economic costs of maintaining a motor vehicle manufacturing (assembly) industry. Yet more than two decades after this chapter (which unsurprisingly was a sequel to an earlier Council for Asian Manpower Studies-funded study), PIDS finds the country's motor vehicle industry metamorphosed into several incarnations as if economic knowledge about the industry never existed.

Finally, look at the agriculture sector of the economy. The collection of PIDS work in this area, including major projects on economic policies and agriculture, and rural development, not to mention the distilling of existing knowledge found in the "Green Report" for many agriculture and fisheries products, is probably unsurpassed as reference. Yet the agricultural sector (with the exception of few agri-based products) remains far from modernized as neighboring countries have succeeded in doing. It is not that these research results did not make sense because they do in compelling ways. Maybe stronger obstacles have stood in the way of the country's development track.

A growth track

One of the recent publications of PIDS, aptly titled *Economic crisis...once more* (Lamberte 2001), observes that in the last quarter-century the Philippines has had a recurring economic crisis almost every seven years. In each of those crises, PIDS had contributed to enlightening their character as well as causal relationships (page 2, footnote 1). The list of references, however, missed one or two PIDS publications, which were relevant to the subject.⁴ Nonetheless, the observation is

⁴See De Dios and Associates (1993).

well taken. Yet, there is nothing sacred about looking at the last 25 years. Much earlier, Baldwin (1975) had a similar observation that Philippine economic crisis (especially of the foreign exchange kind) occurred every four years (the period of Philippine elections). Here's a parallel observation made more than 40 years ago:

The Philippine fiscal crises were clamorous and imperative, not because of their magnitude and difficulty of solution, but because of the refusal of the government to face up to minimum fiscal responsibilities.... The real crisis was the rapid decline in faith in the honesty and integrity of the government. This loss of faith was measured, not by the refusal of the well-to-do to pay taxes, but by the growing frustration of the middle and lower classes in the face of mounting evidence that the body politic was incapable of [protecting] the interests of all Filipinos... (Golay 1961).

How far back should one go into history to measure the recurrence of crisis and the subsequent "boom and bust"⁵ economic cycle is quite arbitrary. However, we can mark some policy decision that had an overarching effect on the behavior and adjustment of all economic agents.

Since the end of World War II, the Philippine economy has been oscillating around a growth rate that is far below its potentials and nearer its rate of population expansion. The country has never been able to move into a new orbit of higher economic growth. In part, this has been due to a penchant of opposing (political) regimes to reverse policies or their inability to withstand external and internal shocks. Contrast this with the Asian tigers (which we bested in the 60s) that doggedly pursued reforms without ever looking back. This does not mean the Philippines has not progressed. It has modern highways (though some are strewn with garbage). It has crowded malls (though many are on the brink of bankruptcy). It has highly educated people (though a good number of them leave and return only to retire). In short, there has been no real transformation of the economy.⁶

The first real and systematic structural reforms meant to also rid endemic corruption were radically and immediately carried out by the

⁵ One can argue that a description of "boom and bust" may not really be appropriate for the simple reason that the country has never experienced an economic boom in the sense of the performance of the Tiger economies or even of its second tier of countries.

late President Diosdado Macapagal. They were so immediate that within days of his inauguration, he was threatened with impeachment.⁷ The fears many expressed about their ill effects never happened. In fact, growth was quick and there has never been any other period in the country's history when there were five consecutive years of positive current account balance. Marcos refused to build on them and slowly but shrewdly reversed them. Within the year of his presidency, and practically every year thereafter, the country drew down its International Monetary Fund (IMF) standby arrangements (which Macapagal had set up for contingency but never used because there was never a need).⁸ Those who grudgingly argue that Marcos brought growth must realize that it was not a product of structural reforms and, apart from a spike, that growth was a (debt-driven) bubble that would ultimately burst. And it did, sparing those who made money from the character of that growth. The Aquino government had that rare opportunity to pursue a set of reforms but preferred to focus on restoring democracy. It half-heartedly carried out reforms, which, however, were not sustained mainly because of the military coups, which brought down the economy to the ground. The Ramos Administration started from zero and was on the right track. Yet, eventually, reforms became piecemeal and time ran out. But it left the succeeding administration a potful of reform measures and an initial foundation to stand on. President Joseph Estrada had a credible beginning, a worthy cause, and sensible pronouncements. His administration had *collectively* followed some reforms, but Estrada *personally* reversed them. Previous governments never really built on each other's accomplishments. Instead, they reversed each other even on specific policy directions even if these might have been sensible ones. All past governments never lacked plans, they just selectively chose what they liked, not what the country needed. Each began on a high note, full of hope, but almost each one ended with a crisis (and despair). If one previous government destroyed economic

⁶ This does not mean there has been no change in the country's policy outlook and direction and overall environment, for clearly there has been, which cannot be easily dismissed. For example, the switch from high protection to greater liberalization is a real improvement though not enough in a competitive global context. The same can be said of other policies e.g., wages (less focus on minimum wage), financial policies (more market orientation), and greater role for private sector participation in what were once restricted areas (e.g., utilities, telecommunications, etc.).

⁷ Three of these major reforms were: (a) de-control or complete liberalization of trade, (b) devaluation of the currency (from P 2/US\$ to P 3.90/US\$), and (c) changes in the tariff rates. Of course, there were other reform measures undertaken, if only on paper. But these three had the most profound impact on development.

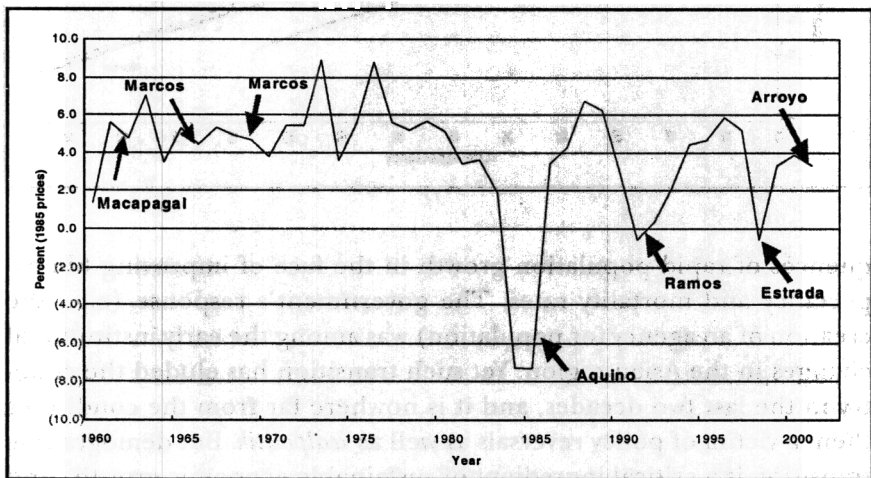
⁸ See Chapter 10 of Macapagal (1968) for an autobiographical account of the policy process surrounding these major reforms.

and political institutions, the succeeding ones never restored them to full functionality. A severe case of *wrong-sulong* (vacillation) took its toll on the economy. Figure 1 shows the growth path of the economy from 1960 through 2000 along with indications of political changes.

The oscillating character of the country's growth track over a long period may suggest underlying macroeconomic failures. But this is not necessarily so. It also does not mean that macroeconomic research results have not been adopted nor political regimes accounted for the oscillations. But the association is there and one can postulate determining factors (more on this later). Indeed, several of the crises the Philippines has suffered from were not homegrown but external shocks. However, the country's ability to withstand them or adjust to them must be a product of good policies.

In fact, because of these failures the Philippines has been missing economic opportunities to sustained economic growth. One stark example is achieving a demographic transition the way others have like Thailand, which had similar demographic parameters as the country in the 60s and early 70s have (Figures 2b and 2c).⁹ The country's demographers were among the early researchers to raise the conse-

Figure 1. Real GDP growth rate, 1960-2000



⁹ Figure 2a shows a comparison of the population levels of the Philippines and Thailand between 1965 and 2000. More prominent than this would be the patterns among Asian countries relating fertility rates and life expectancies.

Figure 2a. Population of Philippines and Thailand (1965-2000)

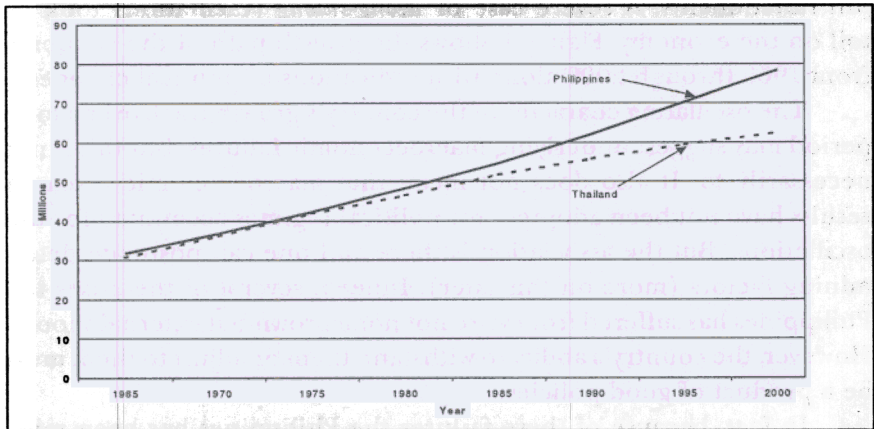
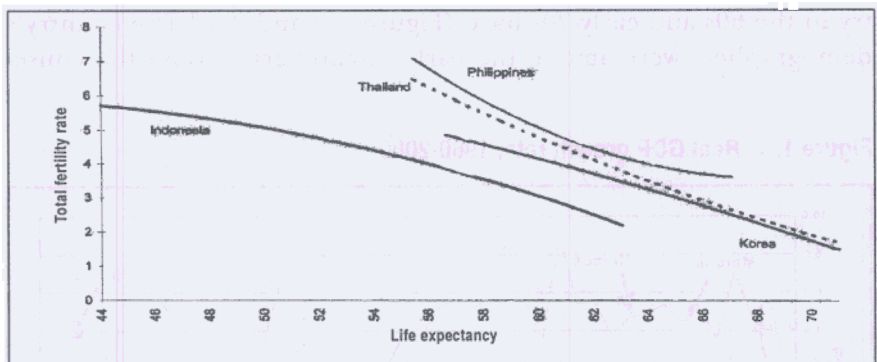
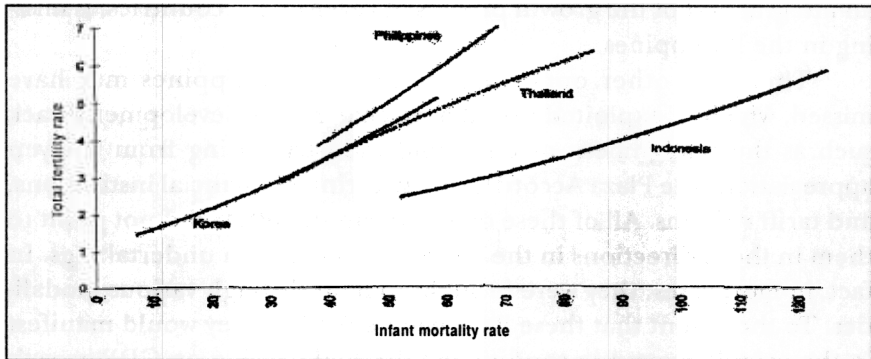


Figure 2b. Total fertility rates and life expectancy at birth (1965-93)



quences of rapid population growth in the face of improving life expectancy and mortality rates. The government's response (e.g., the creation of an agency for population) was among the early institutional changes in the Asian region. Yet such transition has eluded the country in the last two decades, and it is nowhere far from the conditions then, a victim of policy reversals as well as *realpolitik*. But demographic transition is a critical ingredient of sustainable economic growth. And without considering how this fits in the context of general development, one is bound to see any growth to be shortlived. PIDS has contributed significantly to the demographic transition debate through its many publications, forums, and advice.

Figure 2c. Total fertility rates and infant mortality rates (1965-93)



Another stark example would be the industrial transition as a developing country grows on a sustained basis. There is the larger national accounts way of measuring the shares of aggregate output, which indicates that the country has considerably moved (with industry and services sector increasingly accounting more for output). The transition that is perhaps most useful for developing economies (and is the one alluded to here) with a large labor pool is the transition from agriculture to nonagriculture where the latter is not necessarily the (formal) industrial sector.¹⁰ Indeed as Oshima and others have shown, the experiences of Japan, South Korea, and Taiwan indicate a large portion of household incomes were derived from nonfarm nonagricultural employment during their early transition to growth.¹¹ In the Philippines, and as late as 1997, while the share of rural households with income derived from entrepreneurial activities was 77 percent, only 8 percent of those activities came from manufacturing (most coming from crop farming and gardening and wholesale and retail trade).¹² It is clear that no such transition has consistently occurred in the country over the long haul. As Oshima later on declared, after doing volumes of work on agriculture, poverty, and rural development in the Philippines and Asia "...I haven't seen so much poverty as now...Even in UP I see more and more people who should be in factories but are selling candy and cigarets [sic]...You don't see (such a thing) as often

¹⁰ The literature on agricultural modernization with nonagricultural activities recognizes a transition in the kinds of (manufactured) goods that appear, the so-called Z-goods. S. Hymer and S. Resnick (1967).

¹¹ In Korea Choo (1982) documents that the percentage of off-farm income to agricultural income between 1965 and 1979 ranged from 18 to 31 percent.

¹² Family Income and Expenditure Survey (1997).

in Thailand, Malaysia, and Indonesia ...” (Lee 1990). This transition, an integral part of the growth process of (even) tiger countries, is missing in the Philippines.

There are other opportunities that the Philippines may have missed, which, if exploited would have changed its development track such as the realignment of trade and industry arising from the yen appreciation (the Plaza Accord), restructuring of financial institutions, and tariff reforms. All of these do not mean that PIDS did not point to them in those directions in the course of its research undertakings. In fact, in most cases, they were brought to light through various modalities. To the extent that these have been effective, they would manifest in the overall economic conditions (although relying on GDP growth rates is not sufficient) noted earlier. On the other hand, just because the work of the Institute has not adequately translated into a desirable growth path does not make it meaningless. What is essential is to consolidate forward in greater significance.

Building on PIDS contributions

There is no doubt that the research output of PIDS (expressed in the form of completed studies, discussion papers, newsletters, conference papers, or press releases) has significantly built up the country’s knowledge base regarding economic and development problems and approaches to their solution. The Institute’s inherent advantage is its proximity to the effective use of its knowledge on those in government who are in a position (or the private sector for that matter) to change policies. Contrast this with those researches externally driven but without the proximity or presence that PIDS has. Of course, some of these may have been commissioned by government itself to give advice on policy matters requiring the generation of knowledge. Indeed, this shelf of external studies on the country lends credence to the view that the Philippines may be “overstudied,” with more than a dozen major books on the economy, more than half authored (or coauthored) by foreign scholars.¹⁵ The difference lies in the ability of an institution to steer the entire research cycle (from conception to utilization) toward achieving its full potential. Even if an external study is commissioned, it is doubtful whether it can surmount regime and bureaucratic resistance

¹⁵ Among these are Golay (1961), Power and Sicut (1971), Ranis (1974), Baldwin (1975), World Bank (1975), Shepherd and Alburo (1991), and Krugman (1991). Edited books include Bautista, Power and Associates (1979) and Balisacan and Hill (2002).

and effect changes beyond initial briefings and presentations to the original sponsors and patrons no matter how well-intentioned.

If one looks at the broadest development track the Philippines has followed over the last half century, it is also possible to identify points on the spectrum on which economic and development knowledge has been brought to bear. Whether these points indicate some crisis or not, the Institute's capacities (since it was established 25 years ago) were never far behind. Foreign exchange crises, oil crisis, external debt crisis, fiscal crisis, financial crisis, energy crisis, and many other crises have stimulated research investigation and analysis. If these kinds of crises (homegrown and external shocks) have repeated themselves in some cyclical fashion, the studies about them would be doubly relevant. What this means is that it would make sense to build on PIDS contribution in illuminating critical issues within a development track.

Building on PIDS contribution means making its outputs the core foundation of policy knowledge from which adoption and implementation beyond the principles (or in the common language of government, "to consider for adoption") are carried out. This means translating the research results into associated instruments and language of policy. This does not mean PIDS drafting Implementing Rules and Regulations or pieces of legislation. What it does mean is that the Institute ensures that policy research (and the corresponding analyses) becomes internalized in the development processes.

There are at least two important contributions of PIDS to the development track that can be built upon. The first is *technique*. This is simply the series of quantitative measures, parameter estimates, various indicators, and objective gauges pertaining to a particular problem or issue. In research lingo, this is "methodology." In many ways, the Institute has pioneered in technique, principally in its adoption in the Philippines of applications developed elsewhere, not in deriving new proofs or axioms. And this technique spans the widest development track—public finance (e.g., tax incidence and burden, revenue elasticities, buoyancies, etc.), international trade (e.g., effective protection rates, domestic resource costs, revealed comparative advantage, etc.), and natural resources (e.g., net economic measure, depletion rates, resource conditions, etc.), among others. PIDS has also broken ground in building the backbone of technique through an extensive and comprehensive database that has been the basis of its extensive quantitative work. The Institute's contribution to technique came even before the emergence of software applications that now cut down com-

putation time, reduce calculation errors, and expand measurement combinations. While there are important underlying conceptual frameworks in technique, the work that the Institute has pioneered, the availability of ready software applications, and their inherent importance constitute a compelling reason to insure that these are integrated into the development track of the country.

The second PIDS contribution is analysis. This is the array of research studies that PIDS' technical staff and external collaborators have undertaken to address problems and issues along the development track. The actual substance of the analysis basically rests with the formulation of the research by the Institute and its view of the world, so to speak. In many instances, the formulation becomes an iterative process between government policymakers and the researchers. But for the most part, it starts with the researcher. There is, however, a "demand-driven" type of analysis, that is, driven by the priorities of independent donors and financiers (which may include other government agencies, including the legislature). Often there is convergence between their interests and those of the Institute, though perhaps not in terms of priorities. The analysis then is not necessarily geared to critical points in a development track, more so if one recognizes the diversity of the substance of the analysis the Institute is working on, all of which may of course be equally important.

There are other PIDS contributions to build on. These include its research dissemination, public affairs, seminars, conferences, workshops, networks, among others. But for the most part, technique and analysis are core contributions that need to be built upon. Once the initial hurdle (e.g., correct definitions, robust numbers, stable estimates, etc.) with technique is overcome, the process of quantitative generation almost becomes routine. This is more so with the availability of software applications or tested algorithms. The marginal benefit therefore from the point of view of the Institute continuing to undertake this function diminishes rapidly relative to the (opportunity) costs of its intellectual resources. More importantly, the quantitative results coming from the application of technique has immediate relevance to government agencies responsible for them. In fact, if the appropriate agencies carry out the technique as part of its regular policy, implementation, and regulatory functions, they acquire a stake in having a more rigorous understanding and knowledge through research. What appears to be sophisticated measures and quantitative procedures are

demystified as bureaucrats appreciate their import and relevance to their work. Policy institutions, on the other hand, become more educated in developments in technique. The Department of Finance for the most part generates and maintains finance indicators that have been initially developed and tested by PIDS. The Department of Trade and Industry keeps track of protection in different industries based on the calculations started by the Institute. The Department of Environment and Natural Resources adopts resource indicators that have been developed out of PIDS studies. The same can be said of many other government agencies. In other words, technique is internalized and institutionalized among those with high stakes and interest in sustaining it. PIDS contribution is thus "mainstreamed" in government.¹⁴

On the other hand, some (if not a large part) of the analysis can also be institutionalized to the extent that capacities are raised among agencies. There is no reason why over time, analysis cannot be absorbed by government agencies that have a stake in the substance of the analysis. The nature of the Institute's contribution is that it has a wide spread across many areas and therefore potentially yields a significant impact among many policy institutions. However, between this and the technique mentioned above, the latter may be more immediately transferable.

Once the contribution of technique is built upon through "mainstreaming" in government, there remains the question of what to build upon in analysis. Here the choice is vast, given the areas that the Institute has been working on in the last 25 years. What is implied here is selecting policy issues in which the cumulative analysis of PIDS can be brought to bear on and lead to concrete changes, which can eventually be evident in the country's development track. In a real sense, there must be some kind of a policy momentum manifested by the Institute's persistence in a specific advocacy of reforms and redirection. There must be a reflection therefore of the growth track of the country, as described previously, and within that context the location of existing studies and researches of the Institute. Indeed the importance of the analysis contribution is not only the substance but

¹ There is always the danger that numbers can be altered and they would therefore not reveal real conditions as they are supposed to. But that would be to the detriment and reduced credibility of the institutions concerned. Neither can third parties continue to be generating numbers which could be used for more worthwhile pursuits.

the building of a research-based audience who can take up stakes in any policy decision government makes. The country's policy establishment (be it the executive, legislative, judiciary) has very little tradition of appreciating the importance of research and its results in carrying out decisions. Oftentimes research is viewed (especially by politicians) as academic, confined to the universities and removed from the daily grinds of governance.

Some research-based policy momentum is essential if a country's development direction is to change. One is reminded of Taiwan's experience in achieving growth take-off and how a specific policy decision was critical. S.C. Tsiang, former president of the Chung-Hua Institute for Economic Research, recounts how he and Professor T.C. Liu persisted in advocating a devaluation policy during a span of four years:

In the summer of 1954...[we] were called upon by the government of Taiwan to [give] advice on economic policy. We immediately seized upon the opportunity to persuade the government to adopt a policy of devaluation...At that time, we were admonished by a well-informed cabinet minister [of opposition to their advice]...devaluation would only worsen the terms of trade, drive up domestic prices of imported goods and fuel domestic inflation...Nevertheless we persisted in arguing...Fortunately, our argument slowly and gradually won the approval of government...In April 1958...the principle of devaluation...was finally adopted as a conscious policy goal to be achieved gradually...(Tsiang 1987).

The kind of policy momentum illustrated by this policy advocacy on a basic principle is characterized by several features. One is focus, a concentration on fundamental issues that surrounds a development track. Another is a decision not to be diverted by attention to irrelevant details (e.g., in the above case, specifying what products Taiwan would be competitive in). Finally, there is persistence in pursuing the policy advice. The rest is what we now know of Taiwan's economic performance. This is not meant to suggest that a policy of devaluation is what the Philippines should follow. The point of this illustration from Taiwan is the dogged pursuit of a strong policy direction appropriate at that time, which had widespread development impacts.

Directions: in the eye of the development storm

At the outset, there is no intention here of giving specific suggestions as to where the Institute's research should be. That has to be formulated by PIDS itself, which knows more about its environment and its own competence than any other group or institution. What this paper proffers are key points in building on the Institute's contribution to development knowledge to enhance its policy influence. The previous section introduced the notion of policy momentum and illustrated with a case that had a clear focus.

The breadth of the Institute's research areas does not lend itself (given limited intellectual resources) to a policy momentum of the kind illustrated in the previous section. Its research agenda spelled out for 2000-2004 identifies eight thematic areas following the recommendations of the ERC, although the latter appears to have been more of a "shopping list" than systematically drawn up research directions. But the Institute diligently translated this into a coherent program based on extensive consultations with various interest groups, including many from the private sector. Consequently, its agenda is fairly well-defined, including a delineation of what should be conducted inhouse and contracted elsewhere in the research community. If the *2001 PIDS Annual Report* is any indication, the agenda is now a going concern.

The overarching theme and context in which the agenda is seen is obviously the country's MTPDP. Here poverty alleviation is declared as the "single greatest challenge facing the nation." Indeed, one can alternatively declare that several MTPDPs back, poverty in fact worsened partly reflecting a development failure. It is therefore possible to consider poverty alleviation as the theme and thrust of a research program that eventually aims to influence policies so that absolute poverty and poverty incidence are drastically reduced. The matter is one of decomposing its facets, the short- and long-run concerns, and the trade-off between direct assault (e.g., social safety nets) and policy instruments. In fact, poverty has already captured not only multilateral institutions and bilateral agencies but larger research enterprises aside from government itself (e.g., the Philippines has an Anti-Poverty Commission). The central question when it comes to poverty as an overarching theme is how enlightening poverty research has been to the policy establishment. Even with the increasing sophistication of poverty research, the elegant application of computable general equilibrium models, and numerical techniques, serious reviews of the field

have not been generally upbeat about policy malleability other than obvious conclusions that more growth is needed to alleviate poverty. Srinivasan (2001) has even gone further, after a review of poverty research, to say that these [poverty researches] have more propagandistic than analytical values, especially in the context of cross-country comparisons.

A more fruitful direction may be toward micro-level analysis and case studies. If this is so, there is an implication that poverty is a more subjective than an objective phenomenon. There is no reason why research cannot be undertaken to understand why those who say they are poor say so. But this is far from the notion that calculating income thresholds and declaring those below them as poor is enlightening. What is really happening is classifying individuals (or families) as not having enough income.¹⁵ More pointedly, poverty—whether it is defined and measured as perception by individuals or families according to some threshold or some objective indicator of income threshold below which individuals or families are considered poor—is really a multidimensional concept. It is in fact a symptom and manifestation of an underlying structural condition. In economic terms and in the Philippine context, a large part of poverty may be due to lack of employment opportunities. High unemployment or underemployment rates are associated with high poverty (subjective perception or objective thresholds) rates.¹⁶ Unemployment is a more objective *research theme* than poverty and becomes more amenable to a policy focus and program instruments. This does not mean that other dimensions of poverty are irrelevant.¹⁷ But unemployment as a research theme may prove to have a clearer policy direction. As a policy-based direction, this is not of course new, having been detailed in the Ranis Report (Ranis 1974).

There are themes in the stable of the PIDS research agenda which lend themselves to a momentum. Under the theme “Competitiveness

¹⁵ A recent paper suggests that it may be more fruitful to consider measuring well-being than poverty. This would avoid the political color of poverty research and at the same time yield more interesting and relevant results (Golkany 2002).

¹⁶ For some countries and situations, high unemployment rates may have very little to do with poverty rate. For example, the poor in Japan (perceived or threshold) could be those unable to adjust to *new employment opportunities* because of lack of training, age, disability, etc., rather than lack of employment *per se*. This kind of poverty requires a different set of policy instruments than the absence of employment relative to the number of labor entrants.

¹⁷ One can argue that employment and income become the enabling (though not sufficient) mechanisms for an individual or a family to improve their social conditions in terms of infant mortality, fertility behavior, sanitation as well as access to electricity connection, potable water and housing.

and Competition Policies," a slew of interrelated concerns can be combined toward a policy thrust beyond the confines of antitrust and anti-competitive policies, regional groupings, and productivity issues into the very core of a narrowing Philippine global competitiveness and the relevant instruments. These instruments must be used to exploit the country's core competencies, adjust to realities, and work to regain some of them without jeopardizing inherent comparative advantages in a regional and global context.

Under "Governance," the Institute can very well push for research into public responsibility and accountability and how they impinge across government policies and programs. The same can be said of the remaining themes, but ultimately the question is whether PIDS by itself, or in combination with others, can marshal enough research mass to make a dent in sustained policy reforms. It can always pursue all themes in equal fashion, but then it would risk falling short of a policy momentum needed to make a difference in the country's development track (the sort of "many priorities" or a "shotgun approach"). Consequently it may subject its limited concerns to more rigorous criteria, such as 1) relative impacts on the development path of the country; 2) relative Institute capacities in addressing them if not taking a leadership and coordinative role; 3) relative abilities of other institutions to assume leadership roles (which prompts the question: Would the concerns be addressed adequately even without PIDS?); 4) relative proximity to policy apparatus or ease with which the Institute can work and influence the policy establishment on adopting research-based changes; and 5) relative Institute strength to mount a potentially protracted and persistent struggle to maintain a strong analytically based development agenda. The intention behind considering a thrust is really to attain a policy momentum.

Setting aside the current Institute agenda, the growth tracking described in an earlier section suggests a different analytical direction. First of all, the existence of policy breaks, if not reversals at political junctures, indicates weak policy sustainability, the reasons for which have not been analytically understood or explored in terms, for example, of vested interest groups or political and coalition forces.¹⁸ The lack of embedding mechanisms for economic policies has neither

¹⁸ Studies on vested interest groups and how these have shaped policies are difficult to find. More so when these are analyzed in the context of political conditions. See, for example, Gochoco-Bautista and Faustino (1994).

been researched in the sense of analyzing the underlying political economy.¹⁹

Secondly, the 1987 Constitution declares the prohibition of political dynasties, but unless there is concrete legislation translating this principle, it has no meaning for the country's development path. Yet political dynasties may have been instrumental in inhibiting "policy dynasties" to take hold in the Philippines policy milieu. In both retrospective and prospective senses, studying the evolution of political dynasties and their dynamics with policymaking would have significant social payoffs and will define important parameters in legislating alternative antipolitical dynasty bills.

Thirdly, the unique archipelagic character of the country needs to be taken into consideration in defining appropriate forms of government rather than wholesale adoption of foreign systems. Indeed, strengthening local governments and decentralization has to be extended further as central means for changing the economic policy framework. In all of these (and more), the intersection between economic and political dimensions of policy is clearly wide. And very little of the latter is known systematically.

Whether it is useful or relevant for PIDS to consider research engagement into the issues that arise from looking at the country's development track this way is another matter. The prior question relates to the shape of the development track itself and the Institute's role in it. There are several reasons why the Institute should consider deliberating on a development track, limited and focused issue or issues, and a policy momentum. For one, many economic solutions are fairly known, have been applied elsewhere along with their lessons and pitfalls, or have been advanced in the Philippines along with its history—most with strong analytical foundations. Contrast this with the political-economic and social dimensions of development for which standardized solutions are quite inappropriate, applications elsewhere are often meaningless, and no been research-based applications in contemporary Philippine history exist. For another, the Institute has had a track record of building interdisciplinary research collaboration to address specific issues of national concern. This bodes well for some unique competence and advantage in a research industry easily

¹⁹ The notion that economic policies are incapable of being embedded as law or legislated is refuted by the policy of "measured capacity" incorporated in Republic Act 5186 of 1967 effectively mandating the entry and exit of firms in industries deemed to be "overcrowded."

compartmentalized by fields and disciplines (a mark of academic research institutions). Indeed this may be inherent in PIDS and encompasses its name as noted by the ERC's report. Finally, there is the proximity of the Institute to the policy machinery of the government not easily found among other institutions and which is critical to greater effectiveness in attaining a policy momentum.

Mechanics

This paper has suggested that after 25 years in the service of policy research in the country, PIDS considers building on its extensive and comprehensive record. This pertains to two specific contributions. Some detailed work is cut out to institutionalize technique in the appropriate bureaucracies and agencies that have permanent stakes in the substance and issues that the Institute has concerned itself with. These agencies are the natural stakeholders of the development dimensions be they industry or the broader macroeconomic parameters. A transition can be designed to allow many of the Institute's quantitative work to be mainstreamed into the relevant agencies of government. This design will have to include measured advice and support as they absorb the process, including continuous interactions, conferences and workshops, and training. This insures that ownership can take hold among the institutions concerned without significantly diminishing the quality of the work that has been started by the Institute. It will also have to include a realistic timetable with provisions for midterm reviews and possible midcourse corrections that recognize capacity changes as the institutionalization takes hold. Because of the diversity of the work that PIDS has undertaken across the development spectrum, it may have to phase in the design according to different institutions. On the other hand, some of the analysis can equally be considered for building on depending on the institutional preparedness.

It is in the analysis contribution that there may be issues for consideration, not only in terms of content and direction. To the extent that there may be changes in the agenda the Institute may want to consider pursuing, there would be implications on how its existing analysis contribution can be institutionalized, or how new ones can be carried out without totally abandoning its traditional concerns. But much would depend, in the end, on how the Institute sees itself in the context of past development track and the discernible development track in the next 25 years.

The Institute's ability and flexibility to modify its agenda and direction is a function of its existing infrastructure. This is composed of its professional research staff and associates, its affiliates and collaborators, and institutional networks. While it could quickly respond to redirections in terms of all these, it is not likely to gear its regular fellows as quickly. More so if the tracking it wants to pursue proposes an institutional stamp. There may therefore be a need for developing a mix of existing infrastructure and drawing in other capacities to launch an institutional direction.

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