



The Globalization of Food Security: Rice Policy Reforms in the Philippines

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ABSTRACT

This paper describes the forces that have come to bear on the shaping of food security policy in the Philippines in recent years, and the government's responses to the emerging challenges. It attempts a political economy and public administration insight into the effectiveness and efficiency of the government's efforts to boost rice production. Public goods and policy has greater significance in rice productivity and growth than in most other commodities and services. Research and analysis that intensifies attention to public sector governance as a crucial factor in the attainment of sustainable food security is thus appropriate.

INTRODUCTION

The forces of globalization, in tandem with domestic economic realities and politics, and the influence of international institutions such as the World Trade Organization (WTO), Association of South-east Asian Nations (ASEAN) and the Asian Development Bank (ADB) are reshaping food security policy and strategy of nations such as the Philippines.

Clearly the Philippine government is under great pressure to respond forcefully and effectively to what is increasingly a crisis situation in agricultural and food production. The task of ensuring food security is not only a domestic problem but an international challenge as well, given the country's significant dependence on

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imports for its rice staple. Governance of the Philippine economy is thus increasingly subject to the disciplines of multilateral agreements under the purview of the WTO.

The Philippine government's efforts to push domestic agricultural productivity are constrained by instability in its governance, exacerbated by inadequate financial resources for the critical public goods necessary for improved productivity. Thus the government needs international financing from institutions such as the ADB. Such development financing commonly requires the establishment of an agreed path of reforms, with the release of budget financing contingent on the implementation of the reforms. The Philippine government has been experiencing extreme difficulty in implementing such reforms.

This paper describes the forces that have come to bear on the shaping of food security policy in the Philippines in recent years, and the government's responses to the emerging challenges. It attempts a political economy and public administration insight into the effectiveness and efficiency of the government's efforts to boost rice production. Public goods and policy has greater significance in rice productivity and growth than in most other commodities and services. Research and analysis that intensifies attention to public sector governance as a crucial factor in the attainment of sustainable food security is thus appropriate.

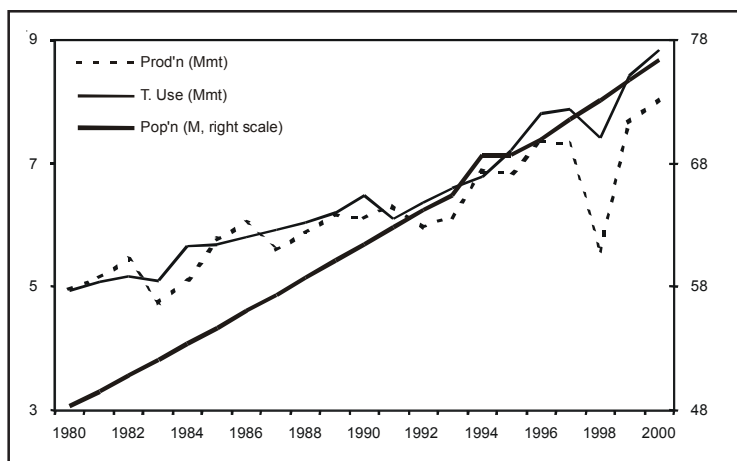
The next section of this paper provides a summary of the performance of the Philippine rice sector over the past two to three decades. Then, the section that follow its describes the food security reform program that the country has been attempting to implement – with great difficulty – since the 90s. Then, a section that briefly describes the country's institutional structure of governance for food security is given next. Following it is a discussion of the frequency with which Philippine government officials have been changed since the 1980s, and the negative impact of such changes on agricultural and food security programs. The penultimate section provides an outlook for the likely developments in grains sector reforms. The final section offers a scenario to strengthen and

stabilize governance for improved rice productivity and ultimately improved sustainability of food security in the Philippines.

THE PHILIPPINES' PERFORMANCE IN RICE PRODUCTION¹ AND POPULATION GROWTH

Growth in the total production of rice in the Philippines has averaged 2.44 percent per year over the period 1980-2000. This rate is quite slow, particularly in relation to the rapid growth of the Philippines' population over the same period—an average of over 2.3 percent (Figure 1).

Figure 1. Rice production, rice use and population, Philippines, 1980-2000

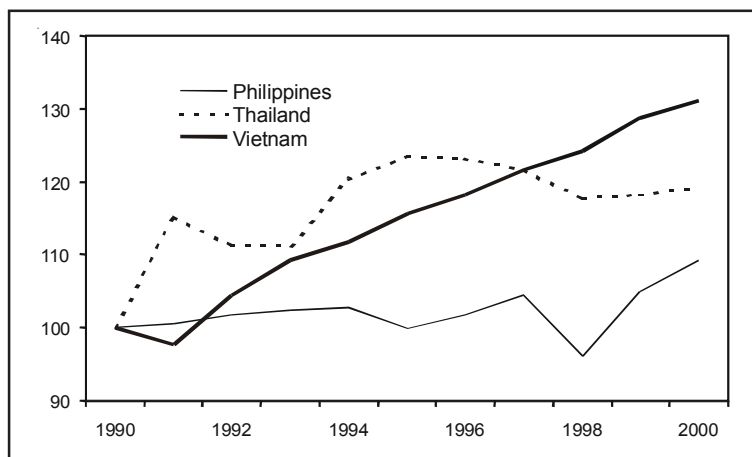


Total rice usage in the Philippines began to regularly outstrip domestic rice production in the 1990s. Since then the country has shifted from a state of marginal self-sufficiency to that of a regular and growing importer of rice—the largest importer of low-quality rice from Vietnam, and a regular importer of better-quality rice from the United States, particularly those obtained under soft loan terms provided by programs such as US Public Law 480.

¹ More details on the rice sector in the Philippines may be gleaned from V. Bruce J. Tolentino, et al., *101 Facts About Rice in the Philippines*, Department of Agriculture and Asian Development Bank, 2001.

Relative to its major rice-producing neighbors in the ASEAN region, the Philippines has been left behind in terms of productivity growth. During the 90s, the rice productivity growth of Vietnam literally spurted upwards while that of Thailand steadily rose. In contrast, Philippine rice productivity has remained stagnant (Figure 2).

Figure 2. Trends in paddy yields, Philippines, Thailand and Vietnam, 1990 = 100



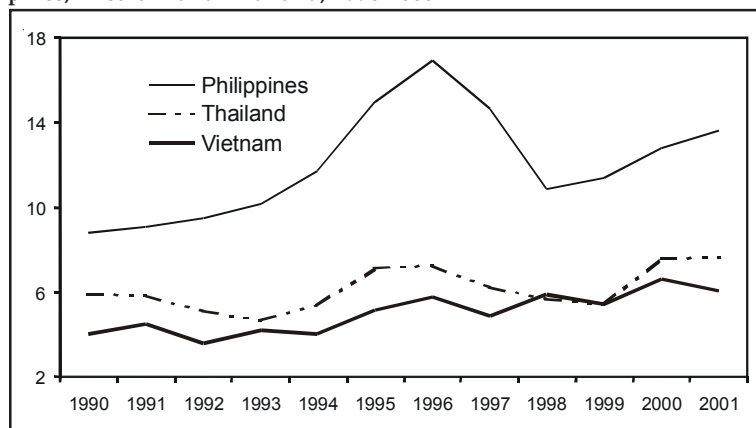
Equally worrisome in rice production volumes are the trends in prices. During the 90s, while world rice prices remained relatively low and stable, domestic consumer prices were two to three times those of Vietnam and Thailand, and more volatile (Figure 3).

Unfinished Reforms

Philippine governance has been unable to substantially implement a broad range of policy and institutional reforms necessary for long-term, sustainable growth and development. From the early 80s onwards, a wide-ranging agenda of reforms have been set but left unfinished.²

² For a comprehensive enumeration of the unfinished reforms, see V. Bruce J. Tolentino, "Monopoly and Regulatory Constraints to Rapid Agricultural Growth and Sustainable Food Security in the Philippines," Foundation for Economic Freedom and the Trade and Investment Policy Analysis and Advocacy Support Project (USAID), May 1999.

Figure 3. Domestic consumer rice prices in Philippine peso terms, Philippines, Vietnam and Thailand, 1990-2000



The reforms left uncompleted include the (a) transfer of land ownership from large landowners to landless farmers under the comprehensive agrarian reform program, (b) cost-effective delivery of support services, including infrastructure and technology, to farmers; (c) productivity and competitiveness-enhancing policy reforms for grains, sugar and coconut; (d) revitalization of the food parastatal the National Food Authority (NFA); (e) quantum increases in public investments in irrigation, technology and other public goods, and (f) the full financing and implementation of Republic Act 8435, otherwise known as the Agriculture and Fisheries Modernization Law of 1997. Several of the above reform areas have direct bearing on rice productivity and food security. These are the provision of public goods that determine the pace of productivity growth: irrigation and transport infrastructure and market interventions, particularly constraints to international trade and domestic shipping.

National Food Authority

The NFA continues to exercise monopoly powers over the international trade of rice in the Philippines. Along with South Korea, the country remains one of only two countries in the World Trad-

ing Organization (WTO) that maintains quantitative restrictions (QRs) on rice imports. The monopoly power of the NFA and its tight implementation of these QRs have maintained high farmgate and thereby high consumer rice prices in the country. This has contributed to an over-reliance of policymakers on price intervention instruments rather than productivity increases to support farmers' incomes and ensure domestic food security.

As set by law, Presidential Decree 4 (1972), the mission of the NFA is praiseworthy: buy high (from farmers), sell low (to consumers), store long (to stabilize prices). However, its performance over the past three decades shows that its mission has been impossible to achieve (see Technical Assistance 3429, 2001).

THE GRAINS SECTOR DEVELOPMENT PROGRAM AND GSDP LOANS

The government has long recognized the major challenges to be faced in ensuring food security in the Philippines. The government, in fact, successfully met the food security challenge during the 1970s as the Philippines emerged as a leading implementor of the "Green Revolution." However, the country's gains then were dissipated under the dictatorship of President Ferdinand Marcos. By 1986, the country was again a significant importer of rice.

The Aquino government was acutely aware of the need for a more effective food security policy and thus instituted major reforms in food price and buffer stocking in the euphoric aftermath of Aquino's rise to power.

Under President Aquino's watch, the basic democratic institutions and freedoms were restored. Equality among the legislative, executive and judicial branches was recognized. The media was allowed full freedom and civil society groups blossomed. In this highly politicized environment, any attempts to reform food security policy became much more complex and difficult. Exacerbating the difficulties were the dissatisfactions that had emerged with the "structural adjustment" programs implemented in the context of the worldwide debt crisis of the early 1990s. Mrs. Aquino's gov-

ernment initiated further agricultural reforms but could not institutionalize them by the end of its term in 1992.

Grains Sector Development Program

The formulation of the Grains Sector Development Program (GSDP) and its associated loans were begun in 1990 under the administration of President Aquino. Further reformulation and development continued through the term of President Fidel Ramos from 1992 to 1998. The government and the ADB finally reached an agreement on the terms of the loans in 2000, which took effect in August 2000 under President Joseph Estrada and Agriculture Secretary Edgardo Angara. Note that from project identification to effectivity, the GSDP loans took ten years, three presidents and five secretaries of agriculture.

The Philippines obtained the GSDP loans from the ADB to finance important components of the country's programs in grains productivity, food security and poverty alleviation. As part of the agreement between the Philippines and the ADB, the GSDP was designed to help overcome the policy, institutional, and investment constraints resulting in low grains productivity and food insecurity in the country. This was to be done in a manner consistent with the medium-term Philippine development and agriculture development plans and RA 8435, or the Agriculture and Fisheries Modernization Act of 1997. These programs to be financed by the loans were those for rice and corn and the supporting ones of key departments such as the Department of Agriculture (DA) and its component agencies such as the Philippine Rice Research Institute (PhilRice), Agriculture Training Institute (ATI), Bureau of Agricultural Statistics (BAS), Bureau of Agricultural Research (BAR), Bureau of Plant Industry (BPI), Bureau of Soils and Water Management (BSWM), National Irrigation Administration (NIA) and the DA's Policy and Planning Group (PPG).

The GSDP is an integrated package of five components of policy and institutional reforms, sector investments and advisory Technical Assistance (TA) projects aimed at making the grains sec-

tor more productive and internationally competitive, while helping the country meet its food security objectives. The five components are (1) policy and institutional reforms to ensure increased private sector investments; (2) irrigation facilities and farm-to-market roads in key grains areas; (3) activities to strengthen generation and dissemination of grains technology; (4) improvement of the government's capacity in gathering, processing and managing grains statistics for appropriate policy analysis, formulation and advocacy; and (5) efficient GSDP management

The policy features of the GSDP policy matrix are consistent with the country's commitments as a signatory to the WTO Agriculture Agreement, and as a participant in the ASEAN AFTA.

The Loans

The GSDP is a package of two loans totaling \$175 million, to be disbursed from 2000 to 2005. The first loan of \$75 million will finance investments in irrigation, advanced rice and corn production technology, and improved capacity in policy and planning. The other loan of \$100 million is provided as general budget support, to be released in three tranches, contingent on policy and institutional reforms aimed at expanding private sector participation in rice marketing and improving the efficiency of the NFA, the implementation of key aspects of the food security program, and the targeting of food subsidies to the poor.

Investment loan. The investment project loan is for \$75 million, at an interest rate to be determined in accordance with the ADB's pool-based variable rate, a commitment charge of 0.75 percent per annum, to mature in 25 years, with a grace period of five years. Specifically, the investment project loan will finance (a) the rehabilitation and expansion of selected national and communal irrigation systems covering 18,000 hectares; (b) the expansion of hybrid rice research; (c) the support of rice biotechnology research; (d) the promotion of corn and corn substitutes research; (e) the improvement and expansion of the Integrated Crop Management program for 450,000 farmers (25 percent of whom are women); (f)

the upgrading of 20 regional and provincial soils laboratories; (g) upgrading 25 agricultural training centers; (h) the improvement of the capacity of the BAS; and (i) the improvement of the capacity of the DA's PPG. The investment loan will be implemented within 5 years, with completion expected by 31 December 2004.

Policy loan. The policy loan is for \$100 million, at an interest rate to be determined in accordance with ADB's pool-based variable rate and a commitment charge of 0.75 percent per annum. It will mature in 15 years, with a grace period of three years. The approved policy matrix agreed focuses on (a) liberalized, more cost-effective grains pricing and import policies; (b) improved grains buffer stock administration; (c) restructuring of the NFA such that it focuses on grains trading, while the regulation of procurement levels is assigned to a separate government line agency; and (d) design and implementation of a targeted food subsidy safety net for the poor.

Other reforms focus on improved coordination, structure and implementing capacity of national and local agricultural agencies, and the creation of an overall policy environment conducive to both public and private investments. The policy goals of the GSDP are summed up in the approved GSDP policy matrix.

The policy loan was expected to be released to the government within 24 months from loan effectivity in three tranches: (a) \$30 million upon effectivity in August 2000; (b) \$30 million by May 2002; and (c) \$40 million by August 2002. Each release is subject to the fulfillment of agreed policy reforms. The DA and the Department of Finance are the joint executing agencies for the policy loan.

Complementary technical assistance. The GSDP loans are complemented by four advisory technical assistance projects in support of program implementation: (a) TA 3429, financed by the ADB and implemented from late 2000 to mid-2002, is the Grains Policy and Institutional Reforms Project which provided advocacy and policy analysis assistance to the DA and NFA in carrying out the reform agenda; (b) an assessment of the financial health of the NFA; (c) options for the restructuring of the NFA; and (d) design

of a food subsidy program targeted at the poor. The second and third projects were financed by the United States Agency for International Development (USAID) and completed in 2000. The last TA, while programmed for USAID financing, still has to be initiated.

Status of GSDP-Linked Policy Reforms

The government and ADB agreed that the attainment of the policy goals set by the GSDP policy matrix would serve as the triggers for release of financing under the GSDP program loan. Three tranches were agreed upon: the first upon loan effectivity and compliance with the first tranche release conditions. The terms linked to the first tranche were completed in August 2000. The second tranche conditions were programmed for completion by May 2001. As of May 2002, these conditions were yet to be fully met. The terms linked to the third and final tranche were programmed for completion within 24 months from loan effectivity, or by August 2002. As of July 2002, there is no expectation that this deadline will be met.

An assessment of the status of the implementation of the Tranche 2 terms, as embedded in the GSDP policy matrix indicates that of the large number of specific items listed as *Tranche 2* terms, some six items have not yet been complied with by the GOP. Table 1 lists these items, along with explanatory comments. Three of the six items not yet complied with are “release conditions,” deemed crucial in the reform process, and thus compliance with this is absolutely considered pre-requisite to the release of loan tranches.

Expectations of Compliance with GSDP Program Loan Agreements

As of May 2002, the fulfillment of agreements under Tranche 2 of the GSDP Policy Matrix is already at least one year behind the schedule envisioned by the government and ADB at the time of loan effectivity in August 2000. The key reason for the delay in the fulfillment of agreements has been the change in thinking on the part of the government with regard to key aspects of the policy matrix. The

Table 1. Terms remaining that have not been complied with under Tranche 2 of the GSDP Program Loan

Term Number and Text	Remarks
<p>1c. Study on the design and implementation of a targeted food subsidy safety net and/or food-for-work program for the poor completed.</p>	<p>The targeted program was to be based on a donor-financed study to assist the government in design and implementation. In 1999, USAID committed to providing TA grant for the design and implementation of a targeted rice distribution program (TRDP). However, USAID was uncertain about fund availability in 2000. In 2001, given uncertainties in the prognosis on grains policy reforms, it decided to hold its support in abeyance.</p> <p>With internal resources and design, the NFA implemented the TRDP starting January 2001. Starting in 2001, the DA sought assistance for the conduct of the TRDP design study from the UN Food and Agricultural Organization. DA's request has been positively endorsed by NEDA to the FAO.</p>
<p>3b. NFA Council resolution or other enabling government order issued and implemented, setting the domestic paddy procurement price of the government equal to the weighted average of:</p> <p>(i) prevailing unit production cost of paddy; and</p> <p>(ii) the world rice price ex-warehouse in Manila but not greater than P9.00/kg in the wet season and P10.00/kg in the dry season (inclusive of all incentive fees) (release condition).</p>	<p>The guiding estimate of unit production cost is to be based on the 1999 BAS surveys, adjusted for changes in input costs. Includes all cash and in-kind costs plus a 30 percent return on farmer's land, labor and capital. World rice price based on Thai 35 percent broken, CIF Manila, plus a maximum 50 percent tariff on C&F prices prevailing on 1 April (wet season) and 1 October (dry).</p> <p>Implementation of price-guiding estimate approved by the NFA Council, per Resolution No. 35-98.</p> <p>NFA pays to beneficiaries incentive fees on top of the procurement of price. These are (a) cooperative development - P0.25/kg; (b) Drying - P0.15/kg and (c) delivery - P0.10/kg. NFA says payment of incentives results in cost savings. Government has proposed the amendment of the phrase "inclusive of all incentive fees" to "exclusive of incentive fees." Procurement price estimates using current data indicate there is only a small difference between estimated and actual procurement prices.</p>
<p>5a. An NFA Council Resolution approved and implemented the following measures:</p> <p>(i) enable private sector to import the rice import quota required to stabilize supply and prices in a given year, which remains after setting aside the volume that the government requires to fill its 30-day strategic rice buffer stock, subject to the following:</p> <p>(a) Government will auction import volume to private sector in economic size lots to accredited rice traders; private sector importation is subject to prevailing customs duties; and</p>	<p>That NFA will no longer import rice varieties classified as special or <i>fancy</i> was approved for implementation per NFA Council Resolution No.145-99. Implementation started in 2001.</p> <p>In her July 2001 State of the Nation Address, President Arroyo said that NFA's monopoly of rice imports would be lifted. Guidelines to implement the lifting of the NFA monopoly on importation were presented to stakeholders in a series of consultations in 2002. NFA reports that general reaction to the lifting was negative.</p> <p>Draft guidelines for 2002-2003 imports still do not allow private sector participation and have limited imports in 2002 to only NFA and Philippine International Trading Corporation, a government-owned and controlled entity. The draft work program by the NFA for the preparation of farmers to undertake imports starting in 2003 is being discussed.</p>

Table 1 (continued)

Term Number and Text	Remarks
<p>(b) the auction is conducted in a transparent and equitable manner (release condition), and</p> <p>(ii) providing transparent procedures for accrediting private importers and for auctioning private sector imports (release condition)</p>	
<p>6a. Preparation and approval of a plan and initiation of actions, including divestment, transfer, rationalization, or liquidation of NFA activities, assets, and operations that are non-revenue generating, non-viable, duplicative, and/or do not involve mandate of stabilizing prices and supply of rice and corn.</p>	<p>Implementation of this item shall consider: (a) the results of the study on NFA financed by USAID; and (b) the priorities of the Commission on Privatization/Asset Privatization Trust.</p> <p>Studies and proposal to restructure the NFA were completed under the AGILE project, but the studies have yet to be officially heard and accepted by the NFA.</p>
<p>7a. Bill filed in the 11th Congress and certified by the President as urgent:</p> <p>(i) Replacing the rice import QR with a tariff measure no later than 31 December 2004 (release condition)</p>	<p>House Bill 3339 tariffing rice QRs filed in 12th Congress in October 2001 by House Speaker J. de Venecia. The Senate version, Senate Bill 1912, was filed in November 2001 by Senator M. Villar. The House has held one hearing on HB 3339. DA and NFA submitted formal positions supporting HB 3339.</p> <p>Government says that Presidential Certification is no longer necessary, given the SONA.</p> <p>The Philippines applied for and received an exemption from the tariffication requirements for rice under the WTO agreement. The exemption expires December 31, 2004. Also, the Philippines committed to tariffy rice imports under the ASEAN AFTA effective January 1, 2005.</p>
<p>16a. Program approved by the Bureau of Plant Industry, accrediting private firms to provide seed certification services at a reasonable cost to seed growers.</p>	<p>DA Administrative Orders 27 and 28 (2001) provide for the expansion of the supply of certified seeds. Efforts have been exerted to broaden seed certification services. However, the accreditation of private seed certification service providers is still under discussion.</p>

government's change in thinking came about because of changes of persons serving as the officials accountable for the grains sector reforms. These changes in officials took place subsequent to the replacement of Joseph Estrada by Gloria Macapagal-Arroyo as President of the Philippines in January 2001. With the change in President also came changes in other key officials, as indicated in Table 2.

Some delay in the full resolution of the policy matrix was due to the basic need for the new officials to understand the complex reforms envisioned under the GSDP. This required a period for briefings, study and consultation so they can form their own views.

Table 2. Officials in key posts relative to GSDP concerns, pre- and post-January 2001

Post	Incumbent, Pre-January 2001	Incumbent from January 2001
Secretary of Agriculture	Edgardo Angara (up to December 2000) Domingo Panganiban (December 2000 to January 2001)	Leonardo Q. Montemayor
Secretary of Finance	Jose Pardo	Jose Isidro Camacho
Administrator, NFA	Domingo Panganiban (Acting Administrator)	Antonio R. A. Abad

After study, the new Secretary of Agriculture, Leonardo Q. Montemayor, expressed weak to negative support for key aspects of the reforms. In particular, he (a) objected to the reduction of total procurement and incentive payments by the NFA to rice farmers enabled to sell their *palay* to NFA; and (b) expressed weak support for the replacement of QRs on rice imports by tariffs, including presidential certification as urgent of the legislation required to effect the replacement. Montemayor's weak support for the reforms can be traced back to (a) his background as representative in Congress, elected into office on the party-list system, representing the peasant sector – many of whom have opposed the reforms; (b) his not being the “owner” of the reforms – since he inherited the reform program from his predecessors at the DA and NFA; and (c) quite possible his unfamiliarity with the analysis underlying the reforms.

At the stage, it is quite clear that the reforms will take much more time to implement, if ever. To begin with, there is no urgency on the part of government to implement reforms. Moreover, the simple need for time and logistics will demand at least a few months for implementation. Furthermore, there is visible resistance to the

reforms from those who stand to lose from it: (a) the representatives of the few farmers who benefit from NFA procurement; (b) the NFA employees' association who fear the possibility of privatization under the reforms; and (c) those grains businessmen who have developed their enterprises around the fact that the NFA is a monopoly. Indeed, it is true that the interests represented by these groups are far more focused than the interests of all consumers and taxpayers who pay for the costs of the rice price distortions. However in the context of public debate and with the issues only appreciated through the selective lens of the media, these issues become political and dangerous.

The Pressures of 2004

The year 2004 is an election year for the presidency and other national posts. By 2003 the parties will be gearing up for the elections. Already, the potential candidates, many of whom are currently in office, are very wary of policy positions that may reduce support for them in the 2004 elections. Therefore, unless it is passed in 2002, the legislation to replace the rice import QR with tariffs may as well wait till 2005 and beyond. This expectation also applies to the restructuring of the NFA, which also requires legislation.

Another source of pressure as 31 December 2004 nears is the expiration of the WTO's exemption of the Philippines from the tariffication of rice QRs. The Philippines may soon negotiate with the world community to extend the exemption—but at some concession yet unknown, but expected to be substantial. Also, the Philippines committed to the ASEAN that rice will be covered under the ASEAN preferential trading scheme by 1 January 2005. This is eagerly awaited by the rice exporters Vietnam and Thailand, which have been leading the ASEAN's pressure on the Philippines to tariffy rice QRs.

THE INSTITUTIONS OF RICE SECTOR GOVERNANCE IN THE PHILIPPINES

Over the last two decades, while there has been not much growth and change in Philippine agriculture, there have been many and frequent changes in the institutional structures of governance, as well as in the officials of government responsible for the sector's governance. To what extent can such frequent changes in the agricultural bureaucracy and bureaucrats explain the poor performance of the sector?

The Basic Institutions of Government

The Philippine government is made up of three and independent branches: the executive, legislative and judiciary. The President is the Chief Executive. The President's Cabinet consists of secretaries who head key executive departments. Directly supporting the President is the Office of the President, composed of the Executive Secretary and the Presidential Management Staff (PMS). The Executive Secretary serves as the President's Chief Executive Officer and is thus referred to as the "little President" in everyday bureaucratic operations.

By law, the three key agencies of the Philippine government that are responsible for rural and agricultural development are the Departments of: (a) Agriculture (DA), (b) Environment and Natural Resources (DENR), and (c) Agrarian Reform (DAR). Prior to the early 1980s, the DA was also responsible for matters related to agrarian reform and environment and natural resources as the large, unified Department of Agriculture and Natural Resources (DANR). The DA, DENR and DAR are each headed by a department secretary who is a member of the President's Cabinet. Note that prior to 1972, the roles and functions now split among the three Departments belonged to the DANR.

Within each major department, the Office of the Secretary includes the undersecretaries and assistant secretaries. These senior officials are alter egos of the Secretary and serve to extend the

Secretary's authority into specific areas and assignments. In general, there are three undersecretaries and three assistant secretaries in each department. The rest of the departmental organization is made up of the bureaus, regional and other local offices, and Attached Agencies and Corporations. The bureaus are core units of the departments and are generally tasked to undertake or provide specialist and technical functions and services. As of 2001, the DA is composed of 53 offices, units, regional offices, bureaus, attached agencies and corporations, as listed in Table 3.

Frequent Changes in Bureaucrats Responsible for Rice Sector Governance in the Philippines

Over the past two decades, the DA has been subjected to several episodes of reorganization and devolution: 1983–1984 under Secretaries Tanco and Escudero, 1986–1987 under Secretaries Mitra and Dominguez, 1992–1994 under Secretaries Bacani and Sebastian, and 1998–2000 under Secretaries Angara and Panganiban.

Political appointments. Virtually all senior officials of the departments of the Government, from assistant director and upwards to the secretary, are political appointees and are appointed directly by the President of the Philippines (assistant directors are at the fifth level of the Philippine bureaucracy, with Cabinet Secretaries occupying the first level below the President). For example, at the DA about 180 posts are to be filled by Presidential appointment. Thus when Presidents change, the appointees to the top levels of government also change. Since there have been four changes of Presidents since the departure of Ferdinand Marcos in 1986, there have been at least four sets of changes of all political appointees.

There are ongoing efforts to create a permanent civil service through the Career Executive Service Officer (CESO) system. However, the process of institutionalizing the CESO system has been slow due to its nature as a system of accreditation and qualification. In order to be recognized as a CESO and thereby protected from capricious removal from office, individual civil servants have to gain the qualities required for appointment to a "permanent"

Table 3. Component units of the Department of Agriculture [Per EOs 116 (1987) and 272 (1987), GAAs since 1990, RAs 8435, 8550, DA AO6 (1998)]

Group	Unit
The Secretary of Agriculture	Secretary of Agriculture Three (3) Undersecretaries Three (3) Assistant Secretaries Head Executive Assistant
Office of the Secretary of Agriculture	1. Administrative Service (AS) 2. Agribusiness and Marketing Assistance Service (AMAS) 3. Agriculture and Fisheries Information Service (AFIS) 4. Field Operations Service (FOS) 5. Financial and Management Service (FMS) 6. Information Technology Center for Agriculture and Fisheries (ITCAF) 7. Legal Service (LS) 8. Planning Service (PS) 9. Policy Analysis Service (PAS) 10. Project Development Service (PDS)
Regional Offices	One per region, Regions 1 through 12, plus the Cordillera Administrative Region (CAR) and CARAGA, but not including the Autonomous Region of Muslim Mindanao (ARMM)
Bureaus	1. Agricultural Research (BAR) 2. Agricultural Statistics (BAS) 3. Agricultural Training Institute (ATI) 4. Agriculture and Fisheries Product Standards (BAFPS) 5. Animal Industry (BAI) 6. Fisheries and Aquatic Resources (BFAR) 7. Plant Industry (BPI) 8. Post Harvest Research and Extension (BPHRE) 9. Soils and Water Management (BSWM)
Attached Agencies	1. Agricultural Credit Policy Council (ACPC) 2. Cotton Development Administration (CODA) 3. Fertilizer and Pesticide Authority (FPA) 4. Fiber Industry Development Authority (FIDA) 5. Livestock Development Council (LDC) 6. National Agriculture and Fisheries Council (NAFC) 7. National Fisheries Research and Development Institute (NFRDI) 8. National Meat Inspection Council (NMIC) 9. National Nutrition Council (NNC) 10. National Stud Farm (NSF) 11. Philippine Carabao Center (PCC) 12. Southeast Asian Fisheries Development Center, Aquaculture Department (SEAFDEC-AQD) 13. Sugar Regulatory Administration (SRA)
Attached Corporations	1. Food Development Center (FDC), subsidiary of National Food Authority 2. Food Terminal, Inc. (FTI), subsidiary of National Food Authority 3. Guarantee Fund for Small and Medium Enterprises (GFSME) 4. National Dairy Authority (NDA) 5. National Food Authority (NFA) 6. National Irrigation Administration (NIA) 7. National Tobacco Administration (NTA) 8. Philippine Coconut Authority (PCA) 9. Philippine Fisheries Development Authority (PFDA) 10. Philippine Genetics, Inc. 11. Philippine Rice Research Center (PhilRice) 12. Planters Foundation, Inc., (PFI)/ Planters Products, Inc. (PPI) 13. Quedan Guarantee and Credit Corporation (QuedanCorp) 14. National Agribusiness Corporation (NABCOR) plus subsidiaries 15. Sacobia Development Authority (SDA)

or tenured post through examination and experience. However, despite the existence of the CESO system, appointing authorities have chosen to override the system or ignore its controls.

Five presidents in 35 Years. Over the last 35 years the Philippines has been led by a succession of five presidents. Ferdinand Marcos held on to the office for 20 of the 35 years. Presidents Corazon Aquino and Fidel Ramos served six years each. Since Marcos and under the Philippine constitution of 1987, Ramos has been the only President to serve out his full term of office—six years. President Estrada's service was cut short, while President Macapagal-Arroyo may possibly serve up to nine years. President Macapagal-Arroyo is currently serving the unexpired period of service of President Estrada, and she is eligible to stand for election and possibly win a full term of office from 2004 to 2010.

Eleven agriculture secretaries in 31 years. Eleven men have served as Secretary of Agriculture since 1971, averaging periods in service of 33 months (Table 4).

However, there is great variability in the length of service among the agriculture secretaries. Secretary Arturo Tanco served for 162 months, while Secretary Domingo Panganiban served for barely a month. Both Tanco and Escudero were no strangers to the Agriculture Department. Tanco was assistant secretary for several years prior to being appointed Secretary. Escudero had been director of the Bureau of Animal Industry (BAI) for several years before being promoted to the agriculture portfolio in 1984.

Thus prior to 1986 the top leadership of the DA was quite stable, with the secretary and his team being in place for at least five and a half years. In contrast, the periods of service of the Agriculture Secretaries from the EDSA Revolution of February 1986 up to the present have been quite short. Since 1986 nine men have been appointed in quick succession to the post, each serving an average of only about 20 months. The longest period was 44 months—that of Secretary Sebastian in mid-1992 to early 1996. The shortest was that of Secretary Panganiban—barely a month in December 2000–January 2001 just before the EDSA Revolution 2.

Table 4. Department of Agriculture leadership, 1971-2002 (as of June 2002)

From - To	Secretary of Agriculture	Months of Service
January 1971 - June 1984	Arturo M. Tanco*	162
July 1984 - February 1986	Salvaor H. Escudero	20
March 1986 -February 1987	Ramo V. Mitra	12
March 1987 - December 1989	Carlos G. Dominguez	34
January 1990 - June 1992	Senen C. Bacani	30
July 1992 - February 1996	Roberto S. Sebastian	44
March 1996 - June 1998	Salvador H. Escudero	25
July 1998 - April 1999	William D. Dar**	9
May 1999 - December 2000	Edgardo J. Angara	19
January 6 - February 15, 2001	Domingo F. Panganiban	1
February 16 - (present, June 2002)	Leonardo Q. Montemayor	17

* Including Environment, Natural Resources and Agrarian Reform.

**Acting Secretary.

It should be noted that since 1986, *none* of the agriculture secretaries have been able to serve their full terms as provided by law – six years. With the exception of the transition from Mr. Senen Bacani to Mr. Roberto Sebastian after the elections in 1992, all these secretaries came into office, and rather soon after left, during a state of political turmoil.

Changing Leaders, Changing Styles, Changing Programs

With each changing of the guard at the departments came changes in sectoral and departmental goals, objectives, strategies, timetables, programs, projects and activities. Such changes were unavoidable, first because there were new people in top positions in each of the departments, and new people at the very least meant changes in leadership styles and work arrangements. The changes instituted immediately after the Marcos regime in 1986 were truly substantial. In the first place there was a new openness and a return to democratic institutions, a clear differentiation between the very strong Presidency (or in some views – dictatorship) of President Marcos, and that of Aquino which was much more consultative and balanced by a re-empowered Legislature and Judiciary. The Aquino government came into power in 1986 with very broad, very ambitious ideas of reforms, initiatives and programs. Most of these ideas still had to be translated into implementable form. Fur-

thermore, many of President Aquino's appointees to the Cabinet were also new to government service.

The combination of new initiatives and people new to government service meant that some time was necessary to "learn the job." This necessitated a very steep learning curve over a short period—and not a few birthing pains and mistakes. The task of learning the job is also complicated by the need for visibility and impact soon after assumption of office. This pressure results in two major initial preoccupation upon entry: (a) the need to erase the programs of the previous appointee, and (b) the need to announce programs labeled as one's own—no matter if the difference is only the label.

FREQUENT CHANGES IN PROGRAMS

A clear example of the need for immediate impact and visibility is the series of re-invented programs for rice production and food security announced and implemented by successive administrations since 1972 (Table 5).

The landmark program Masagana 99 (Productive 99) implemented during the tenure of President Marcos and agriculture secretaries Tanco and Escudero is credited for bringing the country from the brink of starvation in the early 1970s to self-sufficiency and some exports by 1979. The M99 program ran for 15 years and at least 14 phases, with refinements made with each phase. The initial phases were wracked with design errors and inefficiencies. Given that the country was under martial law, the implementers of M99 were allowed room to learn from their mistakes and improve the program with each succeeding cycle.

All the rice and food security programs since 1986 have been short-lived, at least in name. In 1986 the key features of the Masagana 99 program were abandoned in favor of a much more market-oriented approach based less on irrigation infrastructure and directed credit support and more on seed and fertilizer distribution and farm procurement. The program was named the Rice Productivity Enhancement Program (RPEP), and lasted for 2 ½ years – through the administration of Secretary Carlos Dominguez.

Table 5. Chronology of rice production and food security programs, 1972-2001 (as of December 2001)

From - To	Program Name/Title	Secretaries of Agriculture	Years Implemented
1972 - 1986	<i>Masagana 99</i> (M99)	Arturo R. Tanco/ Salvador H. Escudero III	15.0
1987 - 1989	Rice Productivity Enhancement Program (RPEP)	Carlos G. Dominguez	2.5
1990 - 1992	Rice Action Program (RAP)	Senen C. Bacani	2.5
1993 - 1995	Key Production Areas (for rice and other priority commodities)	Roberto S. Sebastian	3.0
1996 - 1998	Gintong Ani Programs (for rice, corn, livestock, fisheries, high-value crops and marginal areas)	Salvador H. Escudero III	2.5
1998 - 2000	President Erap's MakaMASA Programs (for rice, corn, livestock, fisheries, coconut, sugar, tobacco and high-value crops)	William D. Dar*/ Edgardo J. Angara Domingo F. Panganiban	2.5
Since May 2001	GMA CARES (for credit, "rolling stores," rice, corn, irrigation, livestock, fisheries, coconut, sugar, tobacco and high-value crops)	Leonardo Q. Montemayor	1.0

*Acting Secretary.

Since 1989, the RPEP has been revived and relabeled at least five times through the administrations of at least five replacement secretaries of agriculture. The replacement of Secretary Roberto Sebastian in 1996 can be directly traced to the performance of the rice sector, where his "Key Production Areas" approach was perceived to be not delivering desired results, as manifested in a jump in rice prices in 1995 – the so-called "1995 rice crisis."

It should be noted that analysis of the blip in rice prices in 1995 were fundamentally due to rice procurement, import and inventory policy and not to production support. NFA, attached to the DA and chaired by the secretary of agriculture, maintains the monopoly on rice imports. The policy to hold NFA inventories and imports down led to the rise in domestic rice prices in 1995.

Finally, it should be noted that in terms of design, the rice production and food security programs in the post-1986 period differed only in labeling but not in substance. Each focused on priority

production areas—usually irrigated areas. Each was highlighted by programs for access to and subsidies for seeds and fertilizers. Each was in the end dependent on the NFA for procurement support. Given the frequent changes in leadership, there were, however, many changes in timing, implementation calendars, and learning and re-learning of the management and administration of the programs.

FREQUENT RE-ORGANIZATION AND RESTRUCTURING

With each new secretary there usually followed a period of restructuring and re-organization. These were all explained as part of a process of “streamlining the bloated bureaucracy.” Offices were moved around, abolished, created or re-created in the process. However, because legislation is required to make any substantial changes permanent, many of these actions usually ended up as uncompleted initiatives.

Successive administrations, of course, had different ideas about how institutions should be structured. One of the actions that could be implemented under the President’s executive authority is the attachment of agencies. An example of the changes in attachment is the case of the NFA, which, since the 70s, has been shifted in attachment back and forth from the DA to the Office of the President (Table 6).

FALLOUT FROM FREQUENT CHANGES IN SECTORAL LEADERSHIP

By any measure, the management of the agriculture and rural sector for sustainable growth is complex and difficult. In the Philippines, the task of sector management has become even more difficult and complex due to the intensely political atmosphere that has come to envelop the bureaucracy. Therefore it is no surprise that particularly in more recent years the men appointed as secretaries of DA, DAR and DENR partake more of the qualities of politicians rather than sectoral experts. Politicians are rewarded for political support, and Cabinet seats and other top jobs in bu-

Table 6. Discontinuous structures – attachment of the NFA

Issuance	Date	President/ Secretary/ NFA Administrator	Structural Purpose
Presidential Decree (PD) 4 (as amended by PDs 699, 1485) PD 1770	26 September 1972 14 January 1981	President Ferdinand Marcos/ Secretary Arturo Tanco/ Administrator Jesus Tanchanco Prime Minister Marcos/ Secretary Imelda Marcos/ Administrator Tanchanco	Abolishes Rice and Corn Administration (RCA), creates National Grains Authority (NGA), attached to the DA. Expands NGA to National FOOD Authority (NFA), places Minister of Human Settlements (MHS) as Chair of NFA Council
Executive Order (EO) 292	March 1987	President Corazon Aquino/ Minister Ramon Mitra/ Administrator Emil Ong	Attaches NFA to the DA, with DA Secretary as chair
EO 2	July 1998	President Joseph Estrada/ Acting Secretary William Dar/ Administrator Edgardo Nonato Joson	Attaches NFA to the OP, with administrator as concurrent chair
EO 315	December 2000	President Estrada/ Secretary Domingo Panganiban/ -vacant-	Attaches NFA to DA, with DA Secretary as Chair
EO 41	15 October 2001	President Gloria Macapagal Arroyo/ Secretary Leonardo Montemayor/ Administrator R. Anthony R. Abad	Attaches NFA to the Office of the President
EO	March 2002	President Arroyo/ Secretary Montemayor/ Administrator Abad	Returns NFA to the DA.

reaucracy have become more as rewards to be savored for tasks already accomplished, rather than tasks that require to be performed for future benefit not to oneself—but for the sector and population at large.

The political nature of cabinet and other senior posts in government has emphasized the need for visibility and impact as soon as possible after taking office. This pressure results in two major initial preoccupations upon entry into office: (a) the demolition of previous programs, and (b) the announcement, as soon as possible

after taking office, of “new and better” programs carrying one’s own identity and label—no matter if the difference is only the label. Thus Cabinet members often find themselves rushed to announce half-baked goals, agendas and programs of government even before they have had an opportunity to thoroughly review the challenges they need to face and the options available to them.

Each of the administrations since 1986 has had so much to accomplish in so little time without much experience on how to get the job done. This combination, in a context with a hungry political opposition anxious to capitalize on mistakes, has helped foster an atmosphere where cabinet members are replaced at the first mistake—however unavoidable, whether in perception or in actuality. A culture of “cabinet revamps” and replacements of one official or the other has emerged, where one of the first reactions to a perceived inadequacy in leadership, capacity or political skill is the replacement of the erring or inadequate cabinet member. In turn, such an atmosphere has emphasized political expediency and a focus on short-term gains, often at the expense of sustainable, long-term effectiveness.

OUTLOOK FOR GRAINS SECTOR REFORMS IN THE PHILIPPINES

As designed by the government and the ADB, the Grains Sector Development Program had a policy advocacy component. This signaled clear recognition of the politically controversial nature of the reforms programmed under the GSDP. With the effectivity of the GSDP loans, grains sector reforms were aggressively and intensively advocated to the full extent of the resources provided under the technical assistance component of the GSDP. As a result, and over a relatively short period, grains sector issues, facts and information relevant to decisionmaking were “put on the table” for policy dialogue and decision. It can be fairly said that at this juncture, there are no significant policy discussions on grains sector issues in the country that take place without some input—directly or indirectly—that has been provided under the GSDP.

Yet at this stage it is clear that progress in grains sector reforms in the Philippines was not achieved as speedily nor intensively expected under the GSDP. Much yet needs to be done and accomplished. That the policy reforms covered in the GSDP policy matrix have not progressed as expected at the time the GSDP was formulated can be attributed to the combined effect of three factors. First, the outlook and strategy on grains sector reforms at the Department of Agriculture has changed. Second, the time and resources required for the advocacy and completion of the envisioned reforms in the face of the sheer size and diversity of the stakeholders, had been underestimated. Third, the resistance to the reforms mounted by selected stakeholder groups – notably those farmer-leaders who have directly benefited from NFA’s operations, and the NFA Employees Association – had been intense.

At this stage, moving the grains sector reforms forward is much less a challenge of policy analysis, as it is one of political management. The fact that “rice is a political commodity” must be fully accepted and its operational implications recognized and factored into any strategy of reforms. Therefore the operational goal of the political administration concerned with the positive contributions of the grains sector toward sustainable development is the building and deployment of political coalitions in support of the key grains sector reforms.

Furthermore, the international literature offers a “stylized fact” on the success or failure of policy reforms involving food or agricultural subsidies:³ *In general, reforms that reduce food subsidies are successful in the context of fiscal crises.*

In a fiscal crisis, it becomes painfully obvious that the government can no longer afford to continue providing subsidies. Such is

³ The international literature on reforms of food subsidies includes, among others, Richard Adams Jr., “The Politics of Economic Policy Reform in Developing Countries,” Policy Research Working Paper 2443, World Bank, 2000; Alain de Janvry, et al., “The Political Feasibility of Adjustment in Ecuador and Venezuela,” OECD, 1994. Gerald Meier (ed.), *Politics and Policymaking in Developing Countries*, ICS Press, 1991; J. Nelson (ed.) *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, Princeton University Press, 1990.

not the case at this juncture in the Philippines, since it is still possible for the current government to shift to future administrations the fiscal burden of the food price subsidies channeled through the NFA. These subsidies are so channeled by providing the NFA with sovereign guarantees and authority to borrow from the commercial banks for its operations and even debt service, despite the very precarious state of the NFA's finances. Such borrowing enables the government to avoid having to appropriate, from its very limited revenues, funds to support the subsidies. However, as a result, the NFA has come to accumulate outstanding obligations to the commercial banks that consequently require growing debt service flows. This, in turn, increases the government's overall burden of contingent liabilities. Clearly, this pattern cannot continue indefinitely.

The National Context of Grains Sector Policy Reforms

As in many other countries, grains sector issues are very politically sensitive in the Philippines. However, in the Philippines, the political sensitivity of rice in particular is due not only to the fact that changes in staple food prices significantly affect the welfare of farmers and consumers, albeit in opposite directions, but also because popular notions of national pride are at least partly based on the achievement of national self-sufficiency in the production of rice.

Furthermore, the grains sector comprises a very large number of stakeholders, not only on the supply side but also on the multi-layered demand side, as well as on the processing and distribution chains for various related products in between. The interests of these stakeholders diverge as well as change, depending on changing economic conditions and opportunities.

The management of the sector is therefore a very complex challenge. Decisionmaking in modern Philippine society is influenced by an unfettered press, a dynamic and interventionist legislature and a citizenry that often exercises its rights to freely assemble and act. These features of openness and participatory ac-

tion make media a very important tool as well as participant in the decision making process. In turn, the decisionmaking hierarchy is particularly sensitive to media, since media helps shape the political implications of policy decisions.

All in all, the combination of a free press and an open society dictates that policy reform initiatives and processes must be very carefully managed and executed – with deliberate consideration of any adverse political consequences – particularly to the ruling political administration. This is the context for reforms in the grains sector of the Philippines.

The Stage for Decisions

Certainly, the government and ADB share the aspiration of sustainable agricultural development and food security for the Philippines. Both are continuously engaged in dialogue aimed at mapping out a collaborative path toward shared goals. Such dialogue sets the stage for the government's formulation and execution of its development programs and actions – particularly with technical assistance and financing provided by ADB.

The development dialogue applies to the GSDP. At this point in the process of grains sector reforms in the Philippines, there are several options that may be considered in pushing the reforms forward. The options are defined by (a) shared development vision; (b) fiscal pressures and public expenditure requirements; and (c) timing, particularly the pressures of 2004.

- a) *Shared development vision.* It is crucial that there is continuing agreement between the government (particularly the key players, including the Departments of Agriculture and Finance, NFA, and Office of the President) and the ADB that the grains sector reforms enfolded into the GSDP policy matrix are economically correct. Such agreement is the basis for any further action on the GSDP. The two key, inter-related elements of a shared development vision embedded in the GSDP are (a) tariffs instead of QRs for the protection of farmers and the

generation of revenues to finance sector development; and (b) a streamlined subsidy strategy with the NFA providing more efficient food price subsidies for consumers at much lower cost. The success of the entire reform thrust of the GSDP hangs on these two key policy elements. By comparison, the economic effect of all the rest of the numerous items in the policy matrix is minor. *If there is no agreement between the government and the ADB on the key elements of tariffication and streamlining of food subsidies, then the parties would be better off by restarting the dialogue on grains sector reforms.*

- b) ***Fiscal pressures and public expenditure requirements.*** Does the government need—and if so, when—the financing made available under the GSDP? Of the \$100 million arising from the program loan component, only \$30 million has been released. The second tranche of \$30 million has been pending since May 2001. Of the \$75 million investment loan, less than \$1 million has been released, fully two years after loan effectivity. While many of the specific investment projects programmed under the investment loan component are physically ready for implementation, problems in appropriations, peso counterpart, expenditure programming, and more recently, the hiatus in the program loan have prevented any significant drawdowns on the investment loan. The government has already incurred obligations arising from commitment fees on the unwithdrawn balances. *To resolve this and related issues, the Department of Finance should come up with a definitive position on the GSDP loan's role in the government's overall fiscal position, particularly over the short run.*
- c) ***Timing: 2004.*** National elections will take place in mid-2004 and action on the country's self-imposed commitments on rice QR reform must be done by December 31, 2004. By mid-2003, the identified contenders for national

positions will already be campaigning in earnest. Given the political sensitivity of the grains sector reforms, any action that may be considered as unpopular should thus be undertaken as soon as possible – within 2002, at the latest. Any such initiative not completed by late 2002 can only be taken up again after the 2004 elections. The key measure requiring immediate action is the law replacing rice QRs with tariffs. By enacting this law in 2002, populist backlash in the 2004 elections may be avoided, while ensuring that the country's international tariffication commitments are met. *Should the rice tariff reform measure not be passed into law before, say, February 2003, then the parties should re-program reform actions to re-start in late 2004, at the earliest.*

Immediate Options on the GSDP Policy Matrix and Loans

Given the above considerations, a number of options for the implementation of the GSDP policy reform measures are open in the immediate term – within the rest of 2002. By mid-2003 and up to mid-2004, any decisions or actions by the government will be shaped according to the exigencies imposed by the national elections of 2004. The options for decision on the GSDP loans in the immediate term are as follows: (1) no definitive action in 2002, either by the government nor by the ADB; (2) completion by government of the terms of the current policy matrix in 2002; (3) immediate re-negotiation of the policy matrix and implementation of the amended policy matrix in 2002; and finally (4) agreement to immediately cancel the GSDP loans and embark on a fresh start on new development assistance to become effective in 2004.

- a) ***Option: No definitive action in 2002, neither by the Government nor by the ADB.*** This mode has prevailed since January 2001. The continuation of this state through the rest of 2002 will preclude any further actions in grains sector reforms until after the 2004 elections, at the earliest. In the meantime, the country will

continue to experience the continued non-absorption of available development financing, further payment of commitment fees and ever-larger welfare and opportunity losses suffered by both farmers and consumers due to policy inefficiencies in the grains sector.

- b) *Option: Within 2002, completion by the Government of at least the Tranche 2 terms of the current policy matrix.* The government may choose to take speedy action before the end of 2002 to complete at least the Tranche 2 terms of the policy matrix. Such action will spell definite progress in grains sector reforms, since the actions will focus on tariffication and NFA subsidy streamlining. Fiscal benefits can also be derived by the government with the release of the second tranche of the program loan, the reopened flows from the investment loan, and the cessation of the need to incur further commitment fees. Moreover, the completion of the Tranche 2 terms will allow action, including renegotiation, on the terms of the third tranche.
- c) *Option: Immediate re-negotiation of the policy matrix and the implementation of the amended policy matrix in 2002.* In fact, the Government officially initiated movement along this path in September 2001. However, progress in discussions between the government and the ADB has been very slow due to other pressures faced by the former and the reorganization of the latter in late 2002 to early 2002. Immediate re-negotiation and completion of the discussions in short order between the parties, and subsequently the completion by the government of all terms of the amended policy matrix will represent definite progress in grains sector reforms, as well as some fiscal relief for the Government with the release of Tranche 2 and possibly even Tranche 3 by August 2003, and the cessation of the need to pay commitment fees. However, this

option demands resolute and focused action to ensure completion within 2002. Experience indicates such action may not be forthcoming. The failure to complete the renegotiations within 2002 will bring the parties back to the current state of sector inefficiencies.

- d) *Option: Agreement to immediately cancel the GSDP loans and embark on a fresh start toward new development assistance to become effective by 2004.* The government has changed its thinking with regard to grains sector reforms. The parties can agree that the government's revised views are not compatible with the existing structure and policy matrix of the GSDP loans, and thus the GSDP loans are cancelled. The obligations set up under the GSDP loans are set aside, including the aspects of financing absorption, commitment fees and an unwieldy policy matrix. However, a fresh start on development dialogue and assistance is required, since the inefficiencies and welfare losses in the grains sector continue.

PHILIPPINE FOOD SECURITY POLICY AND STRATEGY IN FLUX: SOME RECOMMENDATIONS

It may be said that the agriculture, rural development and natural resources management sectors of the Philippine economy and government has been **in transition** since 1986. This is true particularly in reference to the very frequent changes in sector leadership and governance that have been made in the Departments of Agriculture, Agrarian Reform and Environment and Natural Resources since 1986. Since 1986 all Secretaries of the DA, DAR and DENR have, with only a single exception, been unable to serve their full six-year terms as provided by law. Yet prior to 1986 the ministers/secretaries of agriculture and agrarian reform served for 13 to 20 years—in the process learning from both their mistakes and victories.

At the very least, the frequent changes have caused the programs and projects in each department to be halted then re-started with each episode of replacement of the secretary and other senior officials. There have been at least six periods of transition between outgoing and incoming secretaries of agriculture since 1986. These transition periods have each lasted, nominally, at least a few months. Yet the task of agriculture sector management must go with the seasons. Crops cannot be hurried through their growth cycles. Yet the sector grows all the more complex and long-term in nature with rapid population growth, increased food requirements, intensified domestic resource scarcity and global openness.

Given that the DA is a very complex organization and the task of governance for agricultural growth is by itself a complex undertaking, the period of administrative transition is merely a sub-period of the overall learning period required to achieve a level of understanding and expertise sufficient for effective sector governance.

Whither Rice Sector Reforms?

Considering the political and controversial nature of the rice sector policy, reforms cannot be avoided and that the feasible policy direction is ultimately toward pragmatic liberalization of rice trade. Liberalization is inevitable given the substantial potentials of improved productivity that remains untapped. Thus the government would do well to begin, as early as possible, to build coalitions in support of the reforms.

As the government acts on the reforms, ADB may also take a proactive role in facilitating such action, while determining, together with the former, the "operational indicators" of full compliance with the terms of the policy matrix. In this scenario, the GSDP becomes a collaborative program where the government takes steps to resolve national development issues with financing assistance from ADB. Given credible action, definitive progress mutually acceptable to the government and the ADB will be achieved toward a more viable grains sector and further financing for government is released.

Fostering Stability in Sector Governance

It is crucial that some stability and long-term vision is institutionalized into sector management. Quite clearly the level of the President and perhaps even cabinet secretaries will remain political and thus subject to political pressure. At the very least, however, a professional, long-term technical core group of managers, administrators and technical experts must be installed in each of the departments. Even these key posts must not become spoils to be distributed as rewards in the aftermath of political contests.

A beginning point is to have a majority of undersecretaries, assistant secretaries and agency heads not subject to political appointment. This can be achieved quickly by Presidential Order that may later be confirmed by legislation. Another measure to induce more stability in the service is to accelerate the conferment of Career Executive Service Officer status on qualified officials. This is easily accomplished as part of the management powers of the President and the Civil Service Commission. Another easily-accomplished step is to have all senior officials be subject to fixed terms of office—say, at least three or four years, with the possibility of renewal (perhaps limited) given some minimum acceptable level of performance.

The experience of the last two decades indicates that any period of service beyond two years is already a major achievement. A minimum of one year is required to thoroughly “learn the job.” Thus the appointees can focus the rest of their terms on accomplishing results toward sustainable benefit.

Consider these domestic challenges: poor growth in agriculture, weak rural development, fragile food security, worsening poverty and hunger. Add to these the imperative of managing the country’s unavoidable participation in international relations and trade. The relatively poor performance of the Philippines in sector management over the last two decades is at least partly traceable to discontinuous, disjointed attention to the management of the agriculture sector—highlighted by politicking. Unless strong measures are immediately taken to stabilize sector leadership on a de-

finitive and sustainable growth path cognizant of globalization, the agriculture and rural sector will continue to be mired in stagnation while poverty and hunger continue to deepen.

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