

News and Notes

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International Developments

New IMF Letter of Intent

The government submitted a 61-page letter of intent prescribing looser monetary and fiscal policies on September 18, in time for the IMF meeting on September 27. According to Prime Minister Cesar Virata, principal signatory of the letter of intent, the "new reflation program" contained in the document will stimulate business activities in the country. Sources at the Central Bank said that the new reserve money ceilings were set at ₱35.8 billion by the end of September and at ₱39 billion by the end of December, compared to the current ceiling of ₱33 billion. The government also requested to raise the country's budget deficit to 1.5-1.6 percent of the gross domestic product from the earlier ceiling of 0.9 percent.

Another important change which the letter batted for is the improvement of collection efficiency so as to obviate the need for imposing additional taxes. To implement this, the government committed to make major changes in tax policies and administration which include the simplification of the tax system by replacing several taxes like the 1% foreign exchange transaction tax and the 5% import surcharge with a turnover tax to be collected at the following rates: 10% for importers, 7% for manufacturers and producers and 3% for wholesalers and retailers. By computerizing the operations of the Bureau of Internal Revenue, the government also hopes to increase tax collection rates.

The revised economic adjustment program is described as a "reflation program" because it consists of economic policies that will increase money supply and government expenditures to fuel increases in employment and demand.

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RP-US Agreement

The Philippines and the United States government signed a contract on September, 1985 which will provide \$45-million in grant funds over and above the \$96-million Economic Support Fund (ESF) already appropriated for the Philippines for 1985. The new grant will provide balance of payments support to the Philippines and supplement the country's counterpart funding for foreign-assisted development projects.

The agreement was signed in Malacañang by Pres. Ferdinand E. Marcos and US Ambassador to the Philippines Stephen W. Bosworth. Amendments to project agreements for the Clark access road and rural energy development were also signed by the chairman of the Economic Support Fund Council, Mrs. Imelda R. Marcos and the director of the US Agency for International Development (USAID), Frederick W. Schiek. The \$45-million grant was appropriated by the US Congress in addition to the \$95-million already appropriated for the Philippines this year in recognition of the country's economic difficulties. Projects which are ongoing and are partly funded by the World Bank, the Asian Development Bank or the USAID are considered priorities for counterpart funding under the new grant. Among the high-priority development projects expected to be financed under the funds are the Fifth Highways Project, the Palawan Integrated Area Development Project and the Eastern Visayas Farming Systems Project.

US Military Aid to RP Reduced

On the opening day of the second session of the *Batasang Pambansa* (BP) on July 22, 1985, Pres. Ferdinand E. Marcos called on the opposition — both outside and within the legislative assembly — to be one in seeking the nation's welfare. In his speech, Pres. Marcos lambasted his critics in the US for their recent success in bringing about a slash in the compensation promised by US Pres. Ronald Reagan to the Philippines under the military bases agreement of 1983. The executive branch of the US had earlier committed itself on a "best effort" basis to a five-year payment of 900 million dollars for use of the bases. This meant a yearly allotment of 180 million dollars from 1985 to 1990, divided into 95 million dollars in economic support and 85 million dollars in military funding. However, the Reagan administration proposal for the 1986 fiscal year hit a snag in the Democrat-controlled House of Representatives. Congressman Stephen Solarz of New York led the assault on the aid formula in the House's subcommittee hearings, battling for a reduction in the military aid component with the aim of forcing the Philippine leadership to curb authoritarian excesses and implement announced reforms. Last July 9, the House following Solarz' recommendations, voted 279 to 125 to reduce the amounts of aid.

National Developments

SC Acts on Impeachment Issue

The Supreme Court (SC) summoned Nicanor Yñiguez, Batasang Pambansa speaker, and the committee on justice, human rights and good government chaired by Assistant Majority Floor Leader Manuel Garcia to comment on the petition filed by 52 members of the Batasan asking for the recall from the Batasan archives of the impeachment resolution against Pres. Marcos. This action revived the hope that the impeachment issue is still alive.

The SC will act on the resolution after receiving the comments. MP Alberto Romulo and assistant minority floor leader Marcelo B. Fernan, who filed the petition on behalf of the 52 opposition MPs, questioned the constitutionality of the Batasan rules of procedures on impeachment which require stringent voting requirements before the legislature can try the President.

This decision of the high court was unexpected because the court already dismissed a similar petition filed by two lawyers—Arturo de Castro and Perfecto Gagampang Sr. The SC justified its earlier decision by saying that the two petitioners are not the right parties to complain because they have no personal or substantial interest in the case and that the Batasan falls outside the SC's sphere of responsibility.

National Service Law: What's Wrong?

The National Service Law (NSL), which is embodied in P.D. 1706, was signed by President Ferdinand E. Marcos on August 8, 1985. It obliges all citizens of the Philippines to render "national services." This national service can take any of three forms: civic welfare service, law enforcement service and military service. The decree thus amends the National Defense Act which requires only basic military training for all citizens, or Citizens Army Training (CAT) in high school and Citizens Military Training (CMT) in college. Under the NSL the minister of national defense, in coordination with the ministers of human settlements, education and culture, and local government and community development will be responsible for the issuance of rules and regulations for the implementation of the decree. According to Defense Minister Juan Ponce Enrile, civic welfare service means any program or activity which is contributory to the general welfare and the betterment of life for members of the community, or the enhancement of its facilities, especially those devoted to improving health education and the safety, recreation and morale of the citizenry.

Enrile told those who opposed the NSL to petition the Supreme Court for a ruling on the interpretation of the constitutional provision re-

garding the authority of the state to demand loyalty and service from its citizens and the right of parents to rear their children. He also ordered a nationwide information campaign on the NSL "to avoid public misunderstanding of some of its provisions." But the Minister of Education, Culture and Sports believes that there is no need to amend the NSL because the military has never interfered with the educational functions of MECS and the schools.

PNB, DBP and Land Bank Merger

A government reorganization plan calls for the merger of the Philippine National Bank (PNB), Development Bank of the Philippines (DBP) and Land Bank under the umbrella of the PNB. Merger proponents argued that such action was necessary in view of the heavy losses incurred by PNB and DBP due to their extensive holdings of non-performing assets. Since both banks are practically bankrupt as reported by the Asian Development Bank, the government will have to bear the cost of writing off the inevitable loss. Policy makers anticipate that the merger will improve and strengthen the banking system as a whole through greater efficiency in the form of increased competition, economies of scale and more accessible medium and long-term loans. Moreover, the merger is expected to make the country self-reliant in its financial needs and would provide a better system of intermediation. The PNB will hence be transformed into a giant universal bank which will be engaged in financing agriculture, agrarian reform, and commercial activities, including small-scale industries.

Prospects for improved collection, however, are dim, given the high default rate of the bank's loan portfolio. PNB's intermediation and allocative performance appears to be somewhat better from that of DBP, but worse than that of the private unibanks.

Central Bank Requirements Delay Masagana 99 Credit Program

The Central Bank decided to restructure its Agricultural Guarantee Fund (AGF) which supports the Masagana 99 Credit Program into Special Revolving Trust Fund (SRTF). This decision was made in view of the low availment of special guarantee payments for M-99 Credit Program by participating banks, notably the Philippine National Bank and the rural banks. Letter of Instruction No. 1242 which was issued in May 1982 provided for an AGF amounting to ₱450 million for special guarantee payments for M-99 loans to be shared by PNB with ₱300 million and rural banks with ₱150 million.

With the SRTF, the PNB and the rural banks participating in the M-99 Credit Program can now avail of special guarantee payments for loans which have three years or over maturity period. It should be noted that this loan

category was not covered by advances or payments from the AGF, the predecessor of SRTF. Despite the expanded coverage of SRTF, its implementation is derailed because of stringent requirements such as obtaining signatures of original loan guarantors imposed by the Central Bank. As of September, availment of rural banks from SRTF (then AGF) amounted to P44.15 million only out of their P150 million allotment. On the other hand, the PNB has used up only 4.2% or equivalent to P70.15 million out of the PNB's P300 million allotment from the SRTF.

Solar Energy Project Gaining Ground

The village of Pulong Sampaloc in the municipality of Doña Remedios Trinidad in Bulacan can lay claim to being the only community in the nation to obtain its electricity directly from the sun. This is made possible by a pilot solar power plant, the country's first solar energy installation, set up in Pulong Sampaloc nearly two years ago. This plant is a joint research and development project of the German Agency for Technical Cooperation (GTC) of the Federal Republic of Germany and the government of the Philippines with the Philippine National Oil Company — Energy Research and Development Center (PNOC-ERDC) as lead implementing agency. On an ideal sunny day, it is capable of generating approximately 60 kilowatt-hours (KWH) of electricity for Pulong Sampaloc. It operates on the principle of the photovoltaic effect, in which a semi-conductor material like silicon transforms light directly into electricity. About 400 residents of the village or about 62 households benefit from the electricity produced by the solar plant. Solar energy has given them greater access to the electronic medium of information and entertainment — television, radio and stereo sets and other appliances.

Solar electricity produced by the installation is no different from power generated by a diesel generator, hydroelectric power plant — or a nuclear power installation, for that matter. However, the solar energy installation relies only on the sun's energy, which is renewable while the others rely on non-renewable sources. A solar powered pump now provides irrigation to an average-sized farm in farming area. Other applications such as a solar powered incubator, jack pump, refrigerator and a community television set are being considered.

University and College Developments

BOR Creates CIDS

The Board of Regents established the Center for Integrative and Development Studies (CIDS) in its 977th and 980th meetings held on June 13, 1985 and August 29, 1985, respectively. Executive Order No. 9, which was signed by Pres. Edgardo Angara on September 24, 1985, provided for the

Center's organizational structure and staffing pattern. Created mainly out of the resources of the now-defunct Philippine Executive Academy, the Center has been given the responsibility of undertaking a new systematic program of collaborative research in strategic areas of national concern such as science and technology policies, development strategies, socio-cultural development, political dynamics, and regional and international studies.

The primary functions of CIDS are: (1) to develop, organize and manage through a system of fellows research on critical issues of national priority which, because of inherent complexity, require a multi-disciplinary and collaborative approach as well as research methods and skills of greater sophistication; (2) to endeavor at all times to encourage and support research and study on these issues undertaken by various units of the University, and (3) to support and facilitate efforts to secure research funding from public and private sectors and to manage such funds. The Center will also conduct workshops, conferences, colloquia and training activities related to its functions.

To ensure University-wide involvement and participation in the Center's program and activities, the Center has been placed within the Office of the President. The President also acts as Chairman of its Advisory Council and the Executive Board. He also appoints the Director of the Center.

Acting Dean Named

Dr. Gabriel U. Iglesias was appointed dean of the College of Public Administration starting October 1, 1985. Prior to his appointment, Dr. Iglesias was the Director of the Policy Studies Program from October 1981 to May 1985 and earlier of the Administrative Development Center. This appointment ended the system of rotating deanship among the senior faculty members and the unit heads of the College which started since May 1984 when former Dean Ledivina Cariño vacated her post.

In a related development, Dr. Raul P. de Guzman was designated as chancellor of UP Los Baños starting November 1985. Dr. de Guzman was the Dean of the College from April 1, 1973 to 1982 and Vice-President for Planning and Finance of the UP system from November 1, 1982 until his appointment as chancellor.

Conferences Abroad

Dr. Victoria A. Bautista and Ms. Josie H. de Leon presented their papers on primary health care in an international workshop sponsored by the Eastern Regional Organization for Public Administration which was held in Pattaya, Thailand on July 1-5, 1985. Three faculty members of the College, namely, Dr. Manuel A. Caoili, Dr. Ma. Aurora C. Catilo and Prof. Jose

N. Endriga, participated in the XIIIth World Congress of the International Political Science Association held in Paris, France from July 13 to 20, 1985.

Another workshop on fiscal systems of ASEAN member countries was held at the Institute of Southeast Asian Studies, Singapore on August 10-14, 1985. The workshop was attended by Dr. Agustin L. Kintanar, Jr. who also presented a paper. During the same month, Prof. Romeo B. Ocampo presented a paper in the International Seminar on Asian Metro Policies held on August 26-29 in Tokyo, Japan.

Dr. Nestor N. Pilar attended and presented a paper in the 6th General Conference of the AASSREC, Denpasar, Indonesia held on September 2-7, 1985. Prof. Perfecto L. Padilla also served as a speaker in a working group that tackled central services for strengthening local authorities in the 27th World Congress of IULA which was held in Rio de Janeiro, Brazil on September 21-28, 1985.

In-House Seminars

Two seminars were held during the third quarter of this year. Dr. Jose V. Abueva talked on "The Concept of 'Public' in Public Administration on August 15. Last September 17, Dr. Ledivina V. Cariño delivered a paper on the "Politicization of the Bureaucracy" while Prof. Luzviminda G. Tangcango tackled "The Principle of Political Neutrality of the Civil Service."