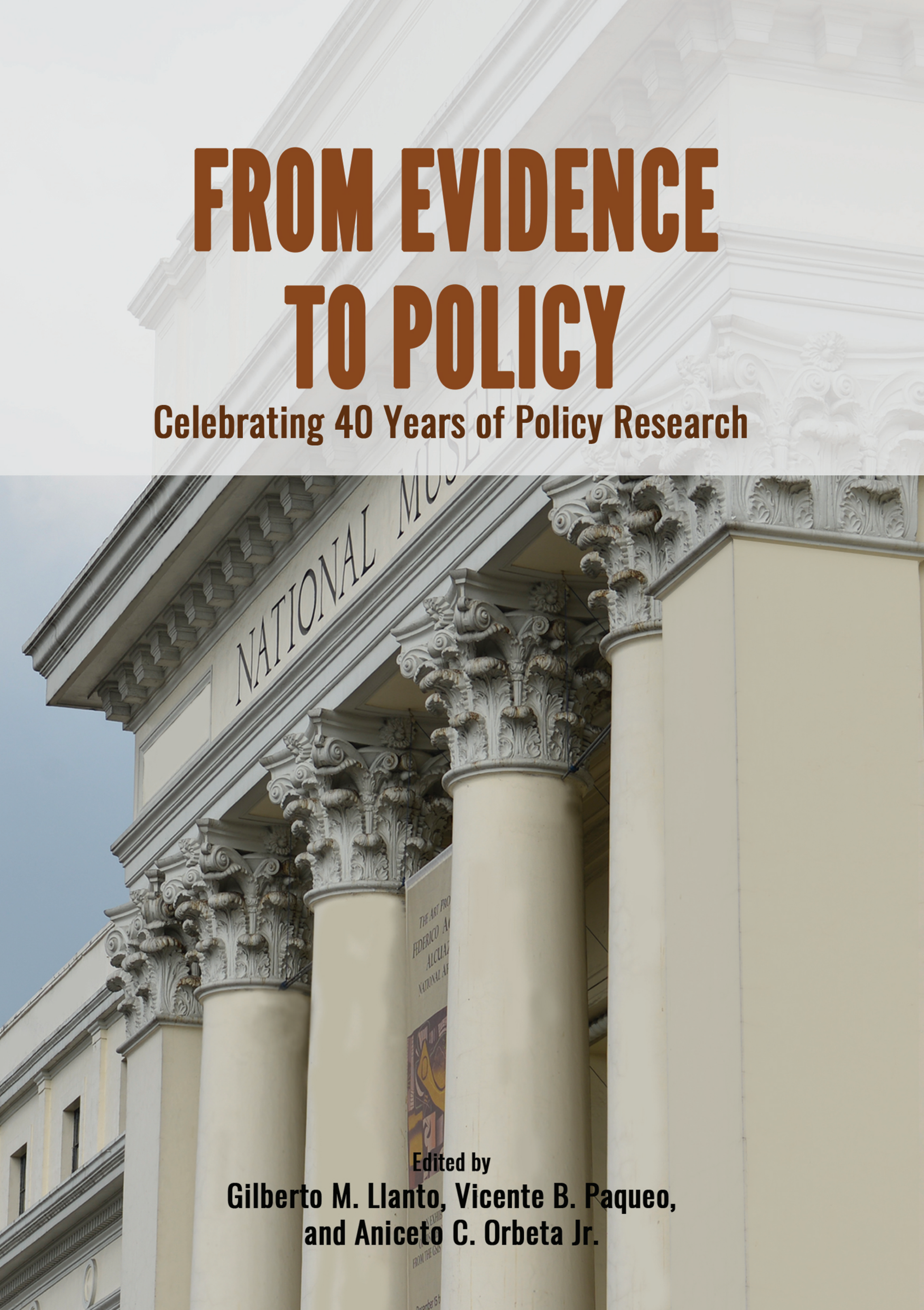
FROM EVIDENCE TO POLICY

Celebrating 40 Years of Policy Research



Edited by

Gilberto M. Llanto, Vicente B. Paqueo, and Aniceto C. Orbeta Jr.

There are no arguments against, and the evidences abound for the contributions and influences of the Philippine Institute for Development Studies (PIDS) on the socioeconomic leaders of our country in the creation of policies and decisions for nation building. The PIDS members have done this through its 40 years of dedicated research and analysis aimed at producing evidence-based studies that would lead to salutary policies.

Founded 40 years ago on September 26, 1977 by the then director-general of the National Economic and Development Authority, the visionary Gerardo Sicat, PIDS was initially designed as a government-owned research institution that will provide independent advice to policymakers. Over the years, the Institute evolved into a reputable and respectable think tank that is ranked among the best think tanks in the world.

Indeed, there are valid and compelling reasons to celebrate the achievements of the Institute. And there is no better way of celebration than through a chronicle of its achievements with the publication of a book titled, *From Evidence to Policy: Celebrating 40 Years of Policy Research*. It will preserve and enshrine for posterity the 40 years of tedious research and analysis done by the members of PIDS who labored to produce data-driven, independent, and credible policy studies for the benefit of policymakers, and ultimately, for the well-being of our people.

As an economist and a socioeconomic-analyst-turned-lawmaker, I salute the members and leaders of PIDS for their credible contributions for the guidance of our nation builders. Rest assured of my continued support by way of legislations and other means. May God bless us all.

Joey Sarte Salceda
Representative
Second Congressional District
Province of Albay

This important book reminds us of how PIDS acted as the bridge builder connecting the academe with the government since its inception in 1977. It is clear that each chapter of PIDS' history is much intertwined with Philippine economic history and the various government institutions that have been guided by its mantra of evidence-based research.

Development policy think tanks like PIDS are in a unique position to take abstract theories and state-of-the-art research methodologies from the academia, apply these to the realities of policymaking, and make concrete recommendations informed by the rich experience in both academe and government of its key movers. The success story of PIDS in several policy fronts such as promoting microfinance and financial inclusion in place of directed credit programs and the creation of the very institution I now represent, the *Bangko Sentral ng Pilipinas*, are especially close to my heart.

For its next 40 years, PIDS must recognize that the current environment is an opportunity for think tanks to be more dynamic—offering practical, creative, and actionable policy solutions. The digital age allows researchers to share ideas and receive useful feedback, and affords easier access to massive sources of data and information invaluable for research.

Congratulations and more power to PIDS!

Nestor A. Espenilla Jr.
Governor
Bangko Sentral ng Pilipinas

Truth can stand on its own, but it needs truth-tellers to make it known. As the PIDS celebrates 40 fruitful years of producing quality research, we also laud their collective effort to engage implementors of social programs and their beneficiaries. Ultimately, PIDS provides the much-needed critical support as an independent body to those who sincerely wish to serve the needs of the basic sectors. On a more personal note, I wish to thank PIDS for its many in-depth studies on our learners as well as out-of-school children which reaffirmed the Department of Education’s reform agenda and has inspired us to work even more assiduously for K to 12 to succeed.

At this time when data and information are easily accessible, it is ironic that we have become even more vulnerable to false reports, alternate truths, and blatant lies. Today, well-established organizations that can provide objective and dependable findings are rare. PIDS provides the foundation for truth and objectivity that enables sectors and organizations to aspire for a more humane society with targets that can be quantified and metrics that can be monitored. The numbers that were crunched, the figures that were presented, and the graphs that were produced are not mere statistical reports but are components of a bigger journey of hope for our people.

Br. Armin A. Luistro FSC
Former Secretary
Department of Education

From Evidence to Policy: Celebrating 40 Years of Policy Research is a wonderful chronicle of the journey of PIDS from its inception to the present as seen from the eyes of the men and women who helped chart and take that journey. More importantly, it offers a glimpse into how that journey will continue to develop over the next 40 years.

The importance of solid research and analysis on policy formulation cannot be overstated. Empirical data, evidence, modeling, and scenario building are the tools of the trade for building relevant and effective policy. That PIDS has been able to provide this to the government and the country over a period which saw many shifts in our political climate is a testament to the independence of both the Institute and its people.

What will the future bring in terms of policy challenges? The immediate future will bring change at a pace and manner far faster and in unanticipated ways not even imagined 40 years ago. Breakthroughs in technology will provide many opportunities for society but will also require many societal adjustments which policymakers, politicians, and leaders will need to grapple with. It would be difficult to imagine writing new policy without the benefit of good, independent research.

The challenge for PIDS is to maintain its independence and relevance in a period where fast change is the constant. Strangely enough, PIDS' value to society and government may grow as more think tanks enter the market and as policy research becomes popularized and moves beyond the turf of policy wonks. When that happens, people will begin to appreciate what a trailblazer PIDS truly was, and will continue to be.

Guillermo M. Luz
Private Sector Co-Chairman
National Competitiveness Council

Congratulations to PIDS and all its staff, past and present, on its 40th birthday! And especially to its 'founding father', Professor Gerardo Sicat, for having the wisdom and foresight to establish it.

I have followed its progress carefully over the years and have always been enormously impressed with its achievements. PIDS has achieved what very few Asian policy think tanks have been able to do: to maintain analytical rigor, independence, intellectual credibility, wide accessibility, and policy relevance. Moreover, it has moved with the times: as past policy battles have been won, often on the basis of the PIDS' own work and advocacy, it has updated its agenda to always maintain its contemporary relevance. When I was involved in one of its external review exercises, the consistent feedback from stakeholders and others in the policymaking world was its unique **credibility**, a precious commodity that takes decades to build up.

An important feature of PIDS has been its ability to effectively make the transition from the earlier authoritarian era to the present lively democracy. In some respects, PIDS is unusual, as it functions as an independent agency inside government. Successive Philippine administrations also deserve credit for maintaining the integrity of PIDS.

I wish PIDS every success in the coming years. In an era of instant communication and even 'fake news', the considered and independent views of PIDS are as important as ever.

Mabuhay!

Hal Hill
HW Arndt Professor Emeritus of Southeast Asian Economies
Australian National University

In this global era of populist-propelled "post-truth" politics, the notion that policy should be based on evidence might seem a bit quaint. After all, of what value are facts if the discourse is dominated by trolls, bots, and social media influencers? This volume reminds us of not only the virtue but also the necessity of "separating grain from chaff in the policy issues bin". It surveys how PIDS has contributed valuable insights on a very broad range of development policy arenas, establishing itself as one of the leading policy think tanks in Southeast Asia. Even if readers may not agree with all the recommendations that the Institute produces, one cannot help but admire the way in which PIDS researchers so carefully marshal evidence to build the best-possible technical foundations for policy analysis. As PIDS marks its 40th anniversary, there is indeed much to celebrate. Looking to the future, it is clear that the work of PIDS is more important than ever.

Paul D. Hutchcroft
Professor of Political and Social Change
College of Asia and the Pacific, Australian National University

From Evidence to Policy: Celebrating 40 Years of Policy Research

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Edited by

Gilberto M. Llanto, Vicente B. Paqueo, and Aniceto C. Orbeta Jr.

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From policy research to nation building

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About the cover: Photo shows part of the Old Congress Building, which is now known as the National Museum of the Philippines. This structure with its massive columns symbolizes the message of this volume: that data and evidence from well-conceived and properly executed research are the foundation of good policies. They serve as pillars of effective policymaking.

Table of Contents

List of Tables, Figures, Illustrations, and Annexes

Table

Figure

Illustrations

Annexes

Foreword

Since 2012, the Philippine Institute for Development Studies (PIDS) has been recognized internationally as one of the top think tanks in the world by the Think Tanks and Civil Societies Program of the University of Pennsylvania. Considering the caliber of work delivered by the stalwart men and women of the Institute, this did not come as a surprise. That the Institute has maintained and improved its rankings in several categories in the succeeding years reflected the resounding vote of confidence that validated the credibility of the Institute as an independent and data-driven public policy think tank.

With my last tenure as president coinciding with the 40th anniversary of PIDS, I thought of initiating a project to commemorate the astounding achievements of the Institute. The volume is the result of a brainstorming session among the editors about the need to underscore the importance and contribution of PIDS to the country's policy process through the experiences of the men and women who silently toiled to produce policy studies for the benefit of policymakers. There was also a realization about the need to motivate the next generation of PIDS researchers to take up the gauntlet and do battle with ill-conceived policy ideas or proposals through evidence-based studies that will recommend salutary policies.

So I started writing to old mentors and colleagues. The challenge I put forth to them was simple: If you were to write to encourage people to start their careers in policy research, how would you do it? There was a lot of ribbing and joking about senility and memory gaps, but nonetheless, they responded to the call with minds as sharp as ever.

From Evidence to Policy: Celebrating 40 Years of Policy Research is the product of our sincere collaborative work at the Institute as evidenced by the remembrances and fond recollections written in each chapter. But more importantly, it also contains our hope for the future of policy research in the Philippines. The PIDS was more than just an office to build one's career. Through the years, it has become a family that nurtured its people—its biggest asset—and the mandate of the Institute has become everyone's passion to be pursued.

In celebration of the 40th anniversary of the Institute and in the same generous tradition of the Filipino fiesta, this volume offers the reader a feast of policy ideas, analysis, and insights into the world of policy research and policymaking.

As authors, we frame this volume in the spirit of Sir Francis Bacon who said:

> "Read not to contradict and confute; nor to believe and take for granted; nor to find talk and discourse; but to weigh and consider. Some books are to be tasted, others to be swallowed, and some few to be chewed and digested; famous characterization of books."
>
> He said "some books should be tasted, some devoured, but only a few should be chewed and digested thoroughly."[1]

We fervently hope that the reader will find these pages to be worthy of rumination that will serve as incentive to support only policies that uphold the welfare of the Filipino.

GILBERTO M. LLANTO
President

[1] Francis Bacon (1561–1626), *Of studies* (http://www.authorama.com/essays-of-francis-bacon-50.html, accessed on February 5, 2018).

Preface

Forty years ago, the Philippines and the world was a much different place. Technology was largely analog, and the world was in the grips of the Cold War. In 1977, the Philippines was still under Martial Law. It was at this point in our history that the founding father of the Philippine Institute for Development Studies (PIDS) realized the importance of having policy advice grounded on independent and evidence-based studies. The presidential decree that established the PIDS planted a good seed. Today, it is a strong and credible institution that has yielded bountiful harvests—policy studies and recommendations that are all meant to uphold the good of the Filipino people.

In this volume, authors share personal experiences about working for an independent but state-funded think tank. Reading through this volume, one could sense a part of Philippine policymaking history unfolding and letting the reader get an inside view of the complex policy process in the country. In largely informal essays, the authors connect with the readers through erudite explanations, amusing anecdotes, and trivia to drive home the importance of policy research for good policies.

This book is a vehicle of celebration for the Institute, which grew and thrived through the years despite dramatic political upheavals, turbulent historical events, and meager budgets for policy research. Authors bear testament to the imperative of objective analysis in crafting policies independent of petty politics. Some of these stories do not have happy endings; in fact, frank discussions of frustrations and disappointments are cited in the volume. However, these moments of temporary defeat only served to motivate the Institute and its people to engage more forcefully against such pushbacks. This zeal and passion to continuously pursue quality research despite persistent challenges is analogous to an edifice with strong pillars just like the building on the cover photo. Now known as the National Museum of the Philippines, it used to be the old Congress Building for many years. This elegant structure with its massive columns is an apt representation of the message this volume wishes to send across: that data and evidence serve as pillars of effective policymaking.

Simply marking 40 years is only the passage of time. The true cause for celebration is the strong culture of credible, independent, and data-driven policy research that the PIDS has become known for. The cause for celebration is the validation of effective policies that delivered and sustained inclusive economic growth. The cause for celebration is the passing of the torch, so to speak, to the next generation of PIDS researchers whom we fervently hope will pursue with great zeal and passion the conduct of evidenced-based policy studies.

Ever the pragmatists, the authors talk about the challenges that the Institute will continue to face. First and foremost is its ability to nurture and develop a new generation of researchers who will continue this legacy in the years to come. Second is how to draw from the policy tool set appropriate recommendations to address the policy challenges of the future. Last, but not the least, is how to better improve the communication of research findings to the public and policymakers in order to better influence the policy process.

Looking back at the accomplishments of the past 40 years, the Institute rightfully celebrates its hard-won victories despite the formidable challenge of navigating through the complex policy process in the Philippines.

GILBERTO M. LLANTO
President

VICENTE B. PAQUEO
Distinguished Visiting
Research Fellow

ANICETO C. ORBETA JR.
Senior Research Fellow

Acknowledgment

First and foremost, sincere gratitude and recognition are offered to the contributors to this volume. For any single volume to “house” the men and women who contributed to making the Institute what it is today, these pages become invaluable. Without their work, these pages would not contain history and the memories of some of the movers and shakers in the Philippine policy process would not be documented.

Conceptualizing and producing a book is not a natural process, neither is it brought about by a miracle. Dr. Sheila Siar provided firm leadership with steadfast, incisive, and disciplined support from Jane Alcantara, Rejinel Valencia, and Gizelle Manuel of the Research Information Department. Excellent editorial assistance from Sophie Cuevas, project consultant, enhanced the readability of the individual chapters.

This publication would not have the financial, technical, and institutional support without the direction of Dr. Gilberto Llanto. As an added bonus, Dr. Llanto involved himself personally throughout the various production stages of the book—brainstorming the chapter themes, calling up former PIDS presidents to contribute to the volume, reviewing the manuscript, and constructing the cover art—despite the slew of obligations incumbent upon the president of the Institute.

Ultimately, for all persons involved in this project, this book is a labor of passion in the service of the Filipino people. However, this book—no matter how valuable—would be pointless without its readers. Deepest appreciation is given to those who will pick up and peruse this volume. In reading it, you celebrate with us the 40-year legacy of the Institute.

List of Acronyms

ACPC	– Agricultural Credit Policy Council
AEC	– ASEAN Economic Community
AFAS	– ASEAN Framework Agreement on Services
AFMA	– Agriculture and Fisheries Modernization Act
AFR	– Annual Financial Report
AIIB	– Asian Infrastructure Investment Bank
AMCFP	– Agriculture Modernization Credit and Financing Program
APEC	– Asia-Pacific Economic Cooperation
APPEND	– Alliance of Philippine Partners in Enterprise Development
ARMM	– Autonomous Region in Muslim Mindanao
ARTNeT	– Asia-Pacific Research and Training Network on Trade
ASC	– APEC Study Center
ASCC	– APEC Study Centers Consortium
ASEAN	– Association of Southeast Asian Nations
ASec	– Assistant Secretary
BAP	– Bankers Association of the Philippines
BBC	– British Broadcasting Corporation
BIR	– Bureau of Internal Revenue
BOI	– Board of Investments
BOT	– build-operate-transfer
BP	– *Batas Pambansa*
BSP	– Bangko Sentral ng Pilipinas
BTr	– Bureau of the Treasury
CALABARZON	– Cavite, Laguna, Batangas, Rizal, and Quezon
CALF	– Comprehensive Agricultural Loan Fund
CAR	– Cordillera Administrative Region
CB-BOL	– Central Bank Board of Liquidators
CBP	– Central Bank of the Philippines
CBU	– completely built unit
CII	– Concepcion Industries Incorporated
CKD	– completely knocked down
CMDC	– Capital Market Development Council

COA	–	Commission on Audit
Comm.	–	Commissioner
COR	–	Cash Operation Report
CPBRD	–	Congressional Policy and Budget Research Department
CPIP	–	Credit Policy Improvement Program
DBM	–	Department of Budget and Management
DCP	–	directed credit program
DG	–	Director-General
Dir.	–	Director
DOF	–	Department of Finance
DPRM	–	Development Policy Research Month
DPS	–	Discussion Paper Series
DRC	–	domestic resource cost
DRN	–	*Development Research News*
DTI	–	Department of Trade and Industry
EA	–	executing agency
EADN	–	East Asian Development Network
EAIF	–	East Asian Institutes Forum
EDF	–	Economic Development Foundation
EID	–	Economic Issue of the Day
EIU	–	Economist Intelligence Unit
ENR	–	environment and natural resources
EO	–	Executive Order
EPM	–	*Economic Policy Monitor*
ERIA	–	Economic Research Institute for ASEAN and East Asia
ESIA/WID	–	Economic and Social Impact Analysis/Women in Development
EU	–	European Union
Exec.	–	Executive
FDI	–	foreign direct investment
FI	–	financial institution
FTA	–	free trade agreement
FTAAP	–	Free Trade Area of the Asia-Pacific
GATT	–	General Agreement on Tariffs and Trade
GBL	–	General Banking Law

GDN – Global Development Network
GDP – gross domestic product
GFI – government financial institution
GNFA – government nonfinancial agency
GOCC – government-owned and -controlled corporation
HOR – House of Representatives
HS – Harmonized System
ICT – information and communication technology
IE – impact evaluation
IEDR – Institute of Economic Development and Research
IPPP – *Industrial Promotion Policies in the Philippines*
IRA – internal revenue allotment
JLETC – Joint Legislative–Executive Tax Commission
JPD – *Journal of Philippine Development*
KDI – Korea Development Institute
LGC – Local Government Code
LGU – local government unit
MB – megabyte
MBO – microbanking office
MDF – Municipal Development Fund
MDG – Millennium Development Goal
MFI – microfinance institution
MFN – most favored nation
MIMAROPA – Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon, and Palawan
MIS – Management Information Staff
MOU – Memorandum of Understanding
NBER – National Bureau of Economic Research
NBFI – nonbank financial institution
NCC – National Credit Council
NCR – National Capital Region
NEAT – Network of East Asian Think-Tanks
NEC – National Economic Council
NEDA – National Economic and Development Authority
NGO – nongovernment organization

NGP	–	National Greening Program
NTB	–	nontariff barrier
NTRC	–	National Tax Research Center
OFS	–	Operations and Finance Staff
OSU	–	Ohio State University
PAFTAD	–	Pacific Trade and Development Conference
PASCN	–	Philippine APEC Study Center Network
PCED	–	Philippine Center for Economic Development
PCFC	–	People's Credit and Finance Corporation
PD	–	Presidential Decree
PER	–	public expenditure review
PES	–	Presidential Economic Staff
PFI	–	private financial institution
PIA	–	Philippine Information Agency
PIDS	–	Philippine Institute for Development Studies
PJEPA	–	Philippines-Japan Economic Partnership Agreement
PL	–	Public Law
PSCC	–	Philippine Standard Commodity Classification
PSD	–	Project Services Department
PTTAF	–	Policy, Training and Technical Assistance Facility
RA	–	Republic Act
RAC	–	Research Advisory Committee
RCEP	–	Regional Comprehensive Economic Partnership
RIDD	–	Research Information Dissemination Department
RIN	–	Research Institutes Network
RIS	–	Research Information Staff
ROOs	–	rules of origin
RPN	–	regional production network
RPS	–	Research Paper Series
SCC	–	savings and credit cooperative
SEC	–	Securities and Exchange Commission
Sec.	–	Secretary
SEPO	–	Senate Economic Planning Office
SER	–	shadow exchange rate

SERP-P	–	Socioeconomic Research Portal for the Philippines
SIP	–	Small Investors Instrument
SME	–	small and medium enterprise
SOCCSKSARGEN	–	South Cotabato, Cotabato, Suldan Kudarat, Sarangani, and General Santos City
SSI	–	small savers instrument
SUCs	–	state universities and colleges
TBAC	–	Technical Board of Agricultural Credit
TPP	–	Trans-Pacific Partnership
TRP	–	Tariff Reform Program
TTCSP	–	Think Tanks and Civil Societies Program
TWG	–	technical working group
UNDP	–	United Nations Development Programme
UP	–	University of the Philippines
UPLB	–	University of the Philippines Los Baños
UPSE	–	University of the Philippines School of Economics
US	–	United States
USAID	–	United States Agency for International Development
USec	–	Undersecretary
WTO	–	World Trade Organization

Chapter 1

From Evidence to Policy

Gilberto M. Llanto, Vicente B. Paqueo,
and Aniceto C. Orbeta Jr.

Celebrating 40 years of policy research

The Philippine Institute for Development Studies (PIDS) was founded 40 years ago on September 26, 1977. At that time, its visionary founder, National Economic and Development Authority (NEDA) Director-General Gerardo Sicat (Chapter 2) designed it as a government-owned research institution that would provide independent policy advice to policymakers. The Institute needed to be distanced from day-to-day bureaucratic functions but remain embedded in the governmental structure. PIDS was attached to NEDA to give it a good vantage point for understanding and doing research on the country's critical development challenges and policies.

The organizational philosophy and operational guidelines, established by its founder (Gerry Sicat) and first president (Filologo Pante), were assiduously followed by succeeding presidents and these became strong foundations for the PIDS to function as a policy research institution that gives independent policy advice. Intal (Chapter 4) describes its uniqueness of being a government institution that is independent from, and not a mouthpiece of, the national government.

With the ultimate mission of informing policymakers, PIDS fellows have been successful in giving evidence-based policy recommendations generated from skillful study and research through the years. These policy studies have been a source of learning and knowledge for policymakers regardless of their politics. This uniqueness strikes astonishment among some of our foreign colleagues (counterpart researchers) in the regional (Association of Southeast Asian Nations or ASEAN) policy research community. They were confounded with how a government-owned and -controlled corporation such as the PIDS can speak openly and independently on policy issues regardless of the stance taken by an incumbent administration. Some of them confided that, in their own countries, they would find it extremely difficult to cross government with independent views on policies. We simply retort that PIDS will cease to be useful to the Filipino people and the government if it is unable to produce independent policy studies guided by the cardinal principle of making policy recommendations that uphold public welfare or the common good. From a certain perspective, the Benthamite utilitarian principle[1] informs these studies by judging the appropriateness of policies based on the consequences, that is, whether they address the welfare of the greatest number. What the Filipino people need of PIDS are policy studies that promote the common welfare and eschew any view, opinion, or recommendations meant to promote the vested interests of a few.

Reviewing the past 40 years of PIDS' existence, its first president (Chapter 3) underscored the Institute's crowning achievement of attaining national and international recognition as a top policy-oriented research institution. The Think Tanks and Civil Societies Program (TTCSP) of the University of Pennsylvania ranked PIDS as one of the top policy think tanks in Southeast Asia, and one of the best international development policy think tanks in the world for the fifth consecutive year in 2016.[2] In the *2016 Go To Think Tank Index Report* released by TTCSP, PIDS ranked 38th among the 100 top think tanks in Southeast Asia and the Pacific. It has also retained its rank as number one social policy think tank in Southeast Asia and 37th among the top 100 in the world under this category. PIDS also performed well in five other categories. It maintained its rankings as among the top international development think tanks (70th among the top 130) and among the top education policy think tanks (33rd among the top 65). PIDS also made it to the list of best government-affiliated think tanks and think tanks with the best external relations/public engagement program.[3]

The Institute has certainly gone a long way from the fledgling policy research institution in 1977 (Chapters 2 and 3). Beginning with its domestic focus, PIDS expanded its horizon to conduct policy research with regional and global orientation. The achievement of PIDS as an influential research institution

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[1] To paraphrase the English philosopher and jurist, Jeremy Bentham, the greatest good for the greatest number.

[2] We note the marked ascent of PIDS in this global ranking with Gilberto Llanto at the helm (July 1, 2013–February 28, 2018).

[3] https://www.pids.gov.ph/press-releases/296. The *2016 Go To Think Tank Index Report* marks the 10th anniversary of the report. A total of 6,846 think tanks, including 21 from the Philippines, were assessed in this round. Meanwhile, over 4,750 journalists, policymakers, public and private donors, and functional and regional area specialists from all over the world participated in the ranking process. The Go To Think Tank Index is the only comprehensive ranking of its kind of the world's top think tanks and has been described as the premier database and measure of world think tanks.

at the national and regional policy level is even more remarkable considering the complex policymaking environment in a democracy with a strong legislative branch (Intal, Chapter 4). A democratic society, by definition, always values the will of its people. This multiplies the complexity of policy discourse and policymaking when people in society have different, and sometimes discordant, voices—even so far as to give weight to the opinion of even the least stakeholder. Democratic governments generally adhere to policies and practices sanctioned by the majority of the population while respecting minority views. On the other hand, paraphrasing ter Haar (2015), autocratic regimes do not tolerate independent thinking; they pretend to hold a monopoly of truth.

This volume chronicles the contribution that PIDS has made in promoting data-driven policy discourse and assisting policymakers in formulating and enacting policies, laws, and regulations. From a public welfare perspective, some policy discourses, and sometimes decisions, have no basis in fact or evidence. Unfortunately, these absurdities result in obtuse and nonsensical policies that tend to promote narrow vested interests instead of the common good. Through the years, PIDS inserted itself in intelligent public policy discourse to emphasize the importance of objective analysis based on available (even if sometimes limited) data or other relevant information. More importantly, PIDS engaged directly with policymakers and got them to listen to evidence-based policy recommendations. For example, the PIDS study on *Industrial Promotion Policies in the Philippines* provided important inputs to policy reforms in trade and industry in the 1980s when the first structural adjustment program loan from the World Bank was being prepared (Pante, Chapter 3). PIDS provided the technical support to the Senate during its deliberations for the ratification of the Uruguay Round agreement. In the process, PIDS was able to combine robust technical analysis with intense internal discussions, but also got into an objective and supportive engagement with the policymakers (Intal, Chapter 4).

The PIDS spearheaded policy research on trade and industry, taxation and the national government budget, and competition policy that influenced public discourse on these topics (Medalla, Chapter 8; Manasan, Chapter 9). The Institute also undertook the dissemination of its research results to reach various stakeholders and the greater public through conferences, workshops, seminars, social media, and online portal of socioeconomic research in the country (Liguton, Chapter 11). PIDS' deep involvement in research on regional integration and related issues (Yap, Chapter 6) shows the important role of the Institute in doing policy research on issues beyond the national borders, especially those pertaining to the evolving ASEAN Economic Community. PIDS took active part in discussing issues of regionalism and its policy implications and continues to participate in the conversation through various networks.[4]

Past presidents (Lamberte, Chapter 5; Llanto, Chapter 7) produced policy research studies that were eventually used in the preparation of legislative bills. Their experience had proven that proactive, honest, and persistent engagement with legislators can produce salutary policy results. Senators Raul Roco and Alberto Romulo were supported by the best technical analysts in the country at that time in crafting the legislative bill that created the Bangko Sentral ng Pilipinas (BSP). The creation of BSP led to a major shift in the conduct of monetary policy. As a result, sound macroeconomic fundamentals provided a firm foundation for the sterling performance of the economy in the past decade. Credit policy reforms undertaken through Representatives Margarito Teves and Macario Laurel and Executive Secretary Ronaldo Zamora, among others, paved the way for the blossoming of microfinance and more inclusive finance for microenterprises and small poor borrowers (Llanto, Chapter 7). Inclusive finance is a critical instrument in the government's strategy for inclusive growth (*Philippine Development Plan 2017–2022*).

Forging a path for the future

PIDS cannot and should not rest on past glories. Filipino society is transforming in the midst of profound regional and global changes and challenges. Now more than ever, PIDS has to develop better and more effective capacities for observing, understanding, analyzing, and using data or other information to draw relevant policy recommendations. As we celebrate the PIDS' 40th founding anniversary, we raise three fundamental questions.

First, what major policy challenges will PIDS face in the future?
A brief and rapid review of the global and regional landscape points to phenomena and events that will not only radically change the economy but also

[4] PIDS is an institutional member of the following: PIDS APEC Study Center Network, Network of East Asian Think Tanks, East Asian Development Network (EADN), East Asia Institutes Forum, Asia Pacific Research and Training Network on Trade, and the Economic Research Institute for ASEAN and East Asia Research Institutes Network. PIDS is an original member of the Global Development Network and hosted the secretariat of the EADN from 2010 to 2016. The PIDS president acted as lead convenor of the EADN.

raise the challenge of dealing with a vastly changed marketplace of the future. The British Broadcasting Corporation (BBC) lists 10 major global challenges by 2050:[5] (1) genetic modification of humans, (2) a more aged population than ever before, (3) lost cities due to rising sea levels, (4) evolution of social media, (5) new geopolitical tensions, (6) technological innovations like driverless cars, (7) dwindling natural resources, (8) artificial intelligence, (9) boosted brainpower of humans, and (10) space travel. The World Economic Forum and other sources of intellectual capital have similar lists. Already labor markets the world over are in turmoil because of the rise of robotics, digitalization, machines replacing human labor for routine tasks (Kiss 2017). Even new machines ("cobots") are tasked to collaborate with differently skilled human labor to accomplish evolving tasks and demands in the marketplace.

At home, the age-old challenges are made complicated by new ones: poverty and inequality, unemployment, climatic changes and extreme weather events, impact of artificial intelligence on labor and goods markets—only to name a few. What policies should society adopt to create more humane, more livable, and more responsive physical and nonphysical spaces for the population, especially the disadvantaged and the vulnerable? How do we make such sociotechnical systems predicated on sophisticated algorithms, machine learning, and development of interactive social robots that can displace human effort in different spheres of society, to be responsive and responsible to human needs and aspirations? How can Philippine society build economic resilience in the face of future shocks and stresses, e.g., climatic, natural, geopolitical shocks (Llanto 2017), amid an increasingly complex and interconnected risk landscape (OECD 2014)?

One thing is sure, the world of the future will be radically unlike what we have seen in the past 20th century and now in the beginning of the third millennium. The "brave new world" of the future, borrowing from Aldous Huxley, will call for innovative ways of thinking and dealing with different systems, policies, and interventions in a society. The world will be driven by new economic and technological changes. New technologies—e.g., artificial intelligence, synthetic biology, collaborative robotics, and internet of everything, to name a few—will give rise to knotty ethical, moral, and practical issues of human agency. The future is emerging as a deeply networked society linked by the internet of everything. Llanto (Chapter 7) states:

> "Each generation has its own share of existential challenges. Present developments in big data, advanced analytics, artificial intelligence,

[5] http://www.bbc.com/future/story/20170713-what-will-the-challenges-of-2050-be

> robotics, and other disruptive technologies presage a future quite unlike what has been seen before. A very clear divide exists between what society has seen and experienced in pre-21st century and now at beginning of the third millennium. In different spheres of society, we now witness the rising impact of 'sociotechnical systems' where 'data-driven technologies' are increasingly integrated into many different parts of society from judicial decisionmaking processes to automated vehicles to the dissemination of news."[6]

The PIDS Research Agenda (2015–2019) has called for a systems perspective in doing policy studies because economic development is multidimensional. The interdependencies of many aspects of the socioeconomic system impels the policy analyst to look at development challenges from various lenses so that a proposed policy solution will have firmer societal support. For example, Israel (Chapter 10) asks PIDS to use its resources to better understand the far-reaching implication of the proposed changes to the existing political and governance framework such as the Bangsamoro Basic Law and the move toward federalism. Political scientists, economists, sociologists, ethicists have to work together to better formulate solutions that seek not only economic development and authentic local autonomy but also a society underpinned by social justice and equity. The implication is that the PIDS should promote multidisciplinary research in proposing policy solutions to development challenges.

Second, is there a compelling case for PIDS' continuing existence?

It is pertinent to raise the relevance of any public institution that consumes scarce public resources in its daily operations to the growth and development of the country.

PIDS has the responsibility to assess economic policies, weigh the data and evidence, and provide sound policy recommendations. It has the fundamental role of separating grain from chaff in the policy issues bin, so to speak, and inform policymakers with well-studied policy options. In the future, the PIDS should intensify its efforts in producing evidence-based policy recommendations and disseminate these to the policy community, especially Congress, and the general public through traditional and new forms of media. The experience of PIDS presidents in working with Congress (Lamberte, Chapter 5; Llanto, Chapter 7)

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[6] Danah Boyd, principal researcher in Microsoft Research in her comments to BBC's query on the grand challenges for the 21st century. (http://www.bbc.com/future/story/20170331-50-grand-challenges-for-the-21st-century, accessed on October 26, 2017)

points to some lessons that can inform future engagement with legislators on public policy issues.

PIDS had been successful in putting policy studies in the public domain. The Institute produces various knowledge products such as books and monographs and posts these on the website and prints some of them. The Institute also conducts seminars and conferences. Policymakers or anyone in government who want information on some policy issue and associated recommendations can always access these products for free either on the website or request to be included as a publication recipient. Our recently published book, *Unintended Consequences: The Folly of Uncritical Thinking* (Paqueo et al. 2017) narrates the importance of policies that are supported by analysis and evidence. Emmanuel Esguerra puts it beautifully when he underscored the importance of grounding proposals for public policy on rigorous analysis supported by empirical evidence.[7]

Today, we are confronted with post-truth discourse thriving in social media circles that have no patience for painstaking analysis based on facts, expertise, and reasonable debate in the marketplace of ideas. Tweets short of evidence and analysis but long on emoticons pass off as intelligent discourse to deal with issues and challenges facing the country. Such faulty thinking and analysis if unabated and unaddressed will simply drag the country to an intellectual graveyard. It is important to keep vigil over policy issues that impact growth and development and to be engaged with policymakers to prevent what Swieboda (2016) calls "automatic thinking, group think and confirmation bias". This is when decisionmakers try to avoid exposure to differing views and prefer to select and use evidence that happen to coincide with their own view [confirmation bias].[8] Swieboda argues that in challenging this pattern of behavior among policymakers, a think tank could provide a platform for discussing new ideas and expanding the scope of the debate and the number of participants in the deliberations.

At present, two-bit columnists, brash radio commentators, and uninformed bloggers propound opinion on economic policy issues that they barely understand, and they are not shy either to hide their ignorance. Taking a passive approach to informing and engaging policymakers will definitely be ineffective in the light of the explosion of information in present day media, especially

[7] Comment of Professor Esguerra in his book review of *Unintended Consequences: The Folly of Uncritical Thinking*.

[8] The *2015 World Development Report* on *Mind, Society, and Behavior* documents this pattern of behavior among policymakers. They prefer to listen and accept what confirms their own respective biases instead of maintaining an open mind in the course of debating public policy issues.

when misinformation is aggressively pushed to the public domain by different agents, all competing for attention and support. What if policymakers, the main audience of PIDS, including the government choose to ignore PIDS studies and begin to engage with the baseless conversations that tend to dominate policy discourse? What if they are not aware of such studies despite the PIDS' use of different modes of sharing research results? The PIDS should find ingenious ways to make policymakers, government, and the public aware of the importance of evidence-based policy recommendations and use them as inputs to policymaking. Llanto (Chapter 7) showed how a nuanced approach to engage policymakers and the government can give room for the policy recommendations of PIDS studies in policy formulation.

Third, how should PIDS gear itself to be a relevant public institution in the next 40 years?

There are a lot of ground to cover insofar as addressing new policy challenges in the future is concerned. PIDS needs to expand and beef up its intellectual muscle and strengthen its core by being multidisciplinary. The PIDS Research Agenda (2015–2019) points to the need to undertake multidisciplinary research in the future. There is a need to recruit other social scientists, e.g., political scientists, sociologists, demographers, and others, to meet this objective. Israel's (Chapter 10) suggestion to include noneconomists in the ranks of the fellows is most appropriate because development policy must tap different intellectual streams to make it effective and holistic in approach and application. Except for a lone senior fellow with expertise in statistics, all of the PIDS senior fellows are economists.[9]

If truth be told, PIDS has been producing far more than its limited resources would have allowed, and in the past 40 years, it had been punching well above its weight. PIDS studies (journal articles, books, monographs, discussion papers, policy notes, *Development Research News*, Economic Issue of the Day) are literally a treasure trove for the serious policymaker and bureaucrat who need perceptive analysis of economic policy issues. In the future, there are many critical policy challenges that the country must address, and if past is prologue, the PIDS will continue to be an intellectual resource for the policy community. However, it

[9] Because of limited resources, PIDS has developed a network of very able researchers from the major universities in the country to collaborate with it in doing policy studies. Tapping them to do policy studies depends on their availability and the limited research budget of the Institute, which changes from year to year.

faces serious manpower and budget limitations, which are the binding constraints to become ever more useful to the country's future generations.

Learning from the past, looking toward the future

Through its policy studies, a good policy research institution serves as a "catalyst of ideas, and helps set the policy agenda, which is a complicated task" (de Boer 2015). This volume chronicles the PIDS' achievements in the past 40 years and confirms the vision of its founding father (Gerry Sicat) to function as an independent source of policy recommendations. Many opportunities to influence policymaking have presented themselves and PIDS' policy recommendations have formed part of the policy process. Unfortunately, there were also missed opportunities where good ideas do not always win out (de Boer 2015) because the policymaking process is a complex undertaking. There is an inherent unpredictability to the policy process where persistence, expertise, right connections, and good timing come into play in pushing particular policy agendas (de Boer 2015). Lamberte (Chapter 5) and Llanto (Chapter 7) illustrate how good policies may be inserted in the public dialogue and eventually to the policymaking process itself.

The critical role of an independent policy research institution cannot be dismissed in today's "post-truth society" and the proliferation of "fake news" that vie for attention in popular social media. The PIDS has made evidence-based assessment of policies as an important input to the policy process. It continues, and will continue, to provide a platform for analyzing and debating policy issues and recommendations, but it has to build stronger capacity for conducting empirical studies on the many policy challenges facing the economy.

Policymakers do not have an easy job. By bearing the will of the people, they have the unenviable responsibility of knowing which policies will best serve public interest while having very human limitations. The PIDS of the future will have the constructive role of providing practical and feasible options to these policymakers who continuously struggle to develop effective responses to many policy issues (Swieboda 2016). More importantly, in post-truth societies, the policymakers and the public need an institution that will speak the truth about the implications of policy proposals. The PIDS has this vital function in Philippine society, one that the Institute had been fulfilling the past 40 years and will continue into the future.

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Chapter 2

The Founding of PIDS

Gerardo P. Sicat

Origin of the idea[1]

The Philippine Institute for Development Studies (PIDS) was founded on September 26, 1977, enabled by Presidential Decree No. 1201.

Through 40 years of existence, it has gained national recognition for useful work on economic development issues and policies currently facing the nation or its future. This recognition extends beyond its borders especially in the Asia-Pacific region. In Southeast Asia, it is considered the foremost social policy think tank. This is according to the annual review that the University of Pennsylvania undertakes to monitor think tanks worldwide.[2]

The story of PIDS goes a few years back to the date of its founding. Its success derives as much from its careful and auspicious beginnings and the manner in which its mission has been zealously carried forward by a succession of leadership imbibing its core mission and philosophy, and the process that gave birth to it. As in all endeavors, the PIDS had its fair share of challenges and constraints that hamper its ability to achieve. But it has succeeded in overcoming them to make a sizable impact.

The basic philosophy of its operating principles was carefully nurtured from the start. An essential part of that operational plan was to put up a high standard of research staff recruitment in the form of fellows that it would appoint. A corollary principle, learned over time but nurtured at the beginning, was openness to outreach with the growing human resource network of development scholars and institutions that were emerging within the country.

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[1] In writing this memoir, I had the good fortune of touching base with Dr. Filologo Pante Jr., who became the first president of the PIDS. With him, I was able to recall many of the aspects of memory that I recount in this piece. All lapses are mine.

[2] This refers to the *Go To Think Tank Index Report* annually released by the Think Tanks and Civil Societies Program of the University of Pennsylvania.

Prelude to the birth of PIDS

In 1970, I was appointed chairman of the National Economic Council (NEC). It was an important cabinet position responsible for national economic planning in the country. Most departments were single headed. Uniquely, the NEC was a policy council with the task of dealing with national economic planning and policy issues that especially required the coordination of other national and sectoral policies. The NEC chairman ran the department as executive and head of office. He was also considered an important economic adviser of the president of the country.

The NEC was an office for which much was expected even before the birth of the republic, during the Commonwealth period. It was reorganized in 1955 to reassert its importance and to define its powers more explicitly. By the time I was appointed to the position, however, the NEC was a major office with waning influence. Economic planning was getting decentralized to the micro level at the office of the president, where a Presidential Economic Staff (PES) had a direct access to the president. If the NEC was always thought of as the office for significant national issues, details of projects and new investments on development projects were often taken up and sorted right at the office of the president where the PES served as a direct staff office.

The NEC had important coordinative powers. It set standards for statistical bodies in the government. It estimated the national income accounts. Important to all during this fledgling period of independence, all major development assistance flowing into the country passed through this office for allocation and approval powers.

When it was reorganized, the NEC retained all the major powers of the central planning agency of the government. It was the highest planning office where major problems of national policy were referred to. Lower planning bodies sought confirmation of their acts through it.

Major policy decisions were referred to the council for approval prior to action by the president. The council was an elevated, august body composed of legislators and executive representation: four members from Congress (two each representing majority and minority parties in the Senate and the House of Representatives), the heads of the two major financial institutions of the country (Central Bank of the Philippines and Development Bank of the Philippines), and three private members appointed by the president. It was presided over by the NEC chairman who was the economic adviser of the president with a portfolio.

The NEC chairman was an important member of the network of programs involving major economic decisions of the executive branch on the running of the economy. Tax and investment incentives, tariff issues, development projects, and major sector issues in agriculture, industry, taxation, and expenditure were part of those concerns. Budget allocations for the departments of government and for the development program of the country were involved in this. The president developed over time a strong reliance on the secretary of finance, the budget commissioner (for the budget expenditure of government), the NEC chairman, and the Central Bank governor. By the time I entered government, this set of advisers had been joined institutionally by the director-general of the PES.

Events moved swiftly after September 1972, when martial law was instituted. A major reorganization of the national government took place. The first act of this reorganization was the establishment of the National Economic and Development Authority (NEDA). The NEC's structure was revamped entirely. The president of the country became chairman of the new planning body while the new head of office, the director-general, was given charge of directing the staff. The old NEC was abolished along with the PES and the staff was consolidated under the director-general, who remained a cabinet officer.

The NEDA, therefore, took a central role in decisionmaking on economic and social matters. Direct access of NEDA to the president was established institutionally and operationally. The board (or council) of the NEDA now also included the heads of the economic and social sector departments in the government.

I was appointed to continue working in government to reorganize the new planning structure as the director-general of NEDA. (Later, and only for protocol reasons because I also got involved in diplomatic work concerning the economic ministers' cooperation meeting of the Association of Southeast Asian Nations, my position was given a simultaneous appointment, Minister of Economic Planning.)

All this history is relevant because this immersion in the overall cross-section of economic issues brought to bear upon me the importance of conceiving the establishment of a think tank for development studies. Such a project would be a way of generating development research across a spectrum of issues on the economy. If it succeeded, then it would improve the understanding of important development ideas, thereby enhancing public wisdom by providing evidence-based economic and social development studies of importance to the nation.

As an economist, these were questions that I had always felt were needed for organized thinking about economic development challenges. It was also a necessary component in filling the public domain with relevant and reliable, professionally written studies on the economy.

That was part of the road toward improving the content of public debate on important economic development issues. One economist in the government, or several of them, cannot do it alone. But within the nation, unless we made sure the essential institutions were created, it would be difficult to achieve the growth and appreciation of such knowledge and information.

There were models of government-supported research institutes on development-oriented studies. At the time, the Korean Development Institute (KDI) came foremost to my attention.

I visited South Korea in the early 1970s. It was one of the institutions that I took great interest in knowing more about. The government gave it a big boost, with large financial support and new and impressive building and physical facilities. American aid gave it a big push with a feasibility study undertaken by the Battelle Institute. It had a big start.

I veered toward crafting a more modest start, more attuned to our special circumstances. I had trepidation that starting big and fast as in the Korean way was surely going to attract negative comment from the top of government. To start big with large funding could involve sizeable and disproportionate foreign support. One of the critical remarks I had often heard from high circles in the cabinet was that the South Korean economic planning office building was just side by side with an equally sizable United States Agency for International Development (USAID) building, implying that the United States (US) was running the economic policy in that country. In the rarefied, nationalistic setting of the Philippines of those days as the Laurel-Langley Agreement was about to end, there were likely to be strong emotions associated with crafting of domestic policies that took in many US-leaning economic policy lines along freer market economic principles.

What impressed me most about KDI was its dependence on a set of research fellows organized and working together along specific research sector thrusts. The KDI was staffed by research fellows who were all mostly PhDs in economics recruited from within the country.

The economic think tanks from the US were mainly private sector supported and served as reference institutions to aspire for in the long run in terms of their achievements. They were well endowed, with uniquely impressive histories that have enriched their contributions to American growth and economic policy. I was most interested in their respective missions. Of these, the New York-based

National Bureau of Economic Research (NBER) and the Brookings Institution in Washington, D.C. were outstanding.

The NBER was highly technical and had its origins as a private sector-funded economic research institution to support a rapidly growing modern economy. Initially, the NBER focused its work on research on various statistical economic indicators that eventually led to the maintenance of economic statistics like national income accounts and leading business indicators. Such tasks could be undertaken by government statistical agencies.

The growing list of technical studies that coordinated the research interests of academics in the large network of universities, for which it is known today, was then only beginning to be a new direction of NBER. A local institute for development studies could not be based mainly on providing guidance on statistical indicators.

Its resources would be easily consumed quickly by that effort. Other institutions would need to develop and be dedicated for that type of task.

In the case of Brookings Institution, the research or studies being undertaken were always with a view toward influencing government decisionmaking. Eventually, I had hoped that research studies could be fostered that leaned on providing more options for the improvement of economic policy. Of the two American models, the thrust of Brookings Institution's work would be one possibility for developing a government development think tank.

Within the country, the Economic Development Foundation (EDF) was prominent as an institution supporting private sector-led research services. Established around the mid-1960s with USAID support and sponsored by the government, the EDF undertook management consultancy services to expand project feasibility studies and private sector-initiated, public-oriented development initiatives sponsored by the business sector.

It was essentially run by Master of Business Administration types whose work tended to lean on project studies on which income was generated. There was a high turnover of staff largely because it operated on a project basis.

When I became chairman of the NEC, I discovered that its governing board reported directly to my office because of the role that my office played in development aid allocations. On close review of its operations, I found out that it was essentially propelled to generate income-earning consultancies for the staff to sustain its operations. Thus, it depended on generating demand for projects and project feasibility work to be undertaken for private projects. It gave me ideas of what not to do. Today, the EDF has essentially long ceased to operate.

When I became NEDA director-general, the Joint Legislative–Executive Tax Commission (JLETC), a research staff to study tax proposals and systems of taxes considered for study by Congress, was converted into the National Tax Research Center (NTRC) and subsequently attached to NEDA. As such, its supervision was transferred to me.

All its staff were moved integrally as one body from the JLETC to this research center. Unlike the Tariff Commission, which was the body that administered the import tariff structure, the NTRC was purely a study center for the study of taxes and tax systems.

Ideally, the NTRC could serve as the nucleus of a research institute on tax and fiscal studies. When it was the JLETC, its studies were helpful in assisting Congress on tax reform proposals. In that sense, it was used mainly as an operational staff designed to support in the writing of tax laws. Its staff was peopled with professionals of diverse backgrounds and academic qualification. My idea of an economic development research center was that it would be dominated by a high-level group of highly qualified economic researchers. It would have been unwieldy and problematic to reorganize a research outfit of such a wide staffing character into something that I had in mind. It was much better to build anew and have a completely fresh start than be engrossed in reworking an old institution with a baggage of problems and personnel. Moreover, NTRC was more especially useful in supporting the Department of Finance for its specific work on improving the tax system.

Finally, the issue of where the locus of a research institute sponsored by the government ought to be sorted. The main choice was to put it up in a university setting supported by public funds. Another option was to set it up as an institution that operated autonomously on the basis of its own mandate. At the beginning, I saw the advantages of locating in a university setting. In that venue, the supply of talent was already available. Another reason was that it could attract more potential staff on a range of economic development issues. The university has a natural advantage in attracting high-caliber economic talent for research and for capacity building in research. Moreover, the university regenerates its own supply of talent. Indeed, it could reproduce its own manpower through the training program that it undertakes. Enlarging the prospects for more government financial support, I thought, would be a strong incentive for a university to redirect its focus toward important national development concerns rather than esoteric topics of intellectual curiosity.

I had, in fact, initiated early efforts to support the University of the Philippines School of Economics (UPSE) through the signing of the presidential decree that established the Philippine Center for Economic Development (PCED) in 1974. Through this effort, I was able to create a new channel of external support for the programs of the school. That program consisted of scholarships, training, in-house financial capacity, and some form of income-equalizing support for faculty salaries. The PCED was thought of as a conduit for funneling more external money—governmental and outside development assistance—to encourage faculty to continue growing as a teaching and training unit of the university and also, hopefully, to do development-oriented research relevant to Philippine economic problems. Before the PCED was established, I had already brought in to the school ad-hoc research funds to develop an econometric model for planning and to continue micro studies for analyzing the effects of liberalizing trade and industry policies.

The PCED concept could have led further to the setting up of a development research institution on a grander scale, at least for the university. In the end, this did not mature.

Dr. Jose Encarnacion Jr., the dean of UPSE, had strong reservations against the idea. He felt that a government-driven research institute would adversely intrude into the freedom of the faculty to undertake their own research activities. Deep down, I thought that he was afraid that the faculty's research directions (whether as a group or individually) would be distorted by the presence of a continuous chunk of research resources flowing from the government. That, in a way, would create an incentive problem for the faculty. In truth, he was hopeful that university faculty salaries could be uplifted so that underpaid faculty would not go shopping for consultancies and research grants to raise family income. He was clear that faculty time was to have some room for research that could help enhance expertise and career.

This discussion helped to clear my mind that a government-supported research institution would best thrive outside the university. It became clear to me that the university and its faculty would always have its preferences as well as constraints and limitations to deal with. Besides, at the time, the school had its Institute of Economic Development and Research (IEDR), which by its right could define its own program of research. The IEDR itself, as a unit of the school, could be strengthened through budgetary support from the new PCED under an enhanced program. It was founded in 1956 and, for this reason, had a mandate for directed research on development issues. The school, at its founding, was composed of the Department of Economics (the teaching branch) and the IEDR (the research branch). The idea that emerged at the time of founding was that the research of the faculty would be credited, as output, under the IEDR. I felt that with more resources going to research much more directly and with a more focused research leadership, it was possible to expand that development research toward topics of direct national importance. As time would later prove, the IEDR would not survive to assert its individuality as a research institute within the school.

As far as the relationship with NEDA was concerned, I thought that the best arrangement was to shield the new research body from just becoming an extension of the NEDA staff. It would be easily tempting to use a research institute as an adjunct to deal with day-to-day operational concerns. I was hoping to avoid this pitfall. My solution to this problem was to have, for the new institute, a separate governing board that would be able to define its research priorities and link it to national planning and development needs. To be sure that those priorities were indeed linked to national development, the director-general of NEDA would serve as ex-officio chairman. The members of the board would have specific terms, with their term in office staggered so that it would not be subject to any sudden shock in board oversight of the long-term research objectives.

In practical terms, the main idea was that the research institute would be operationally undertaking its mission at arm's length from the demands of NEDA. In this way, the research institute was not to serve as an extension of the staff, to be bothered by the day-to-day concerns of the government. The research priorities, however, would have to take into account guidance from NEDA. An arm's length relationship between NEDA and the research institute would foster, in time, a sense of independence for the research body, while it was mindful that its output would be relevant to NEDA's long-term mission.

A research institute that undertakes reliable evidence-based research would immensely help improve the content of public discourse on national economic development policy. This would also help to facilitate the reform process move forward, hopefully, in the right direction. It is a fact that the political economy of reforms is essentially a contentious struggle among opposing interests in the nation. Dominant stakeholders must be put to an honest test of their control over policy adopted by the government through a better understanding of the best development prospects and options for change. Evidence-based research studies would definitely open greater awareness about the relevant and better ways of resolving development issues.

The increase in the amount of development studies would definitely help to alter the quality of the development discussion in the country. It could also eclipse the dominant and noisy voices always heard and referred to in this debate in favor of professional researchers and economists who have a better understanding of the issues and the options for change.

Public dialogue on development issues then was dominated by politicians, businessmen, lawyers, and writers whose knowledge of economics was either meager or absent, if not simply ignorant. There were few economists who were in the fray of debate and public discourse. Prominent businessmen posing as development advocates often had suspect motives of self-interest. Good research studies would produce allies by coalescing disparate voices and improve the issues for discussion.

Throughout most of the 1960s and the 1970s, dominant economic policies were still industrial protectionism, import substitution policies controlled by domestic enterprises, and the reactive nationalism that was inherently directed against the special economic relations implied in the Laurel-Langley Agreement that exemplified bilateral relations with the US. It was important that the country look at these important policies from the viewpoint of a higher concern for economic efficiency, the application of sound economic principles such as comparative advantage in production, and overall improvement of the country's standard of living through the eradication of poverty.

A government research think tank at "arm's length" from the core and instituting the philosophy and process

With the above thoughts and principles dominating my ideas at that time—around late 1976—I asked NEDA's legal staff to prepare the decree. Roque Sorioso, my legal director at NEDA, came up with a draft, which underwent several iterations, from the most grandiose but eventually whittling it down toward great simplicity. He was probably surprised by my instructions to keep on simplifying the proposed decree. Not only were we going to have few demands on financial resources from the government but we were to keep the institution relatively small. The most important was the statement of purpose and the simple structure of governance. What I felt we needed was a vehicle for starting an institute that could do many things to expand research but not to hamper it with structure and anticipation of bureaucracy. (One of the important decisions some years afterward was that, when Roque Sorioso finally retired from his tasks at NEDA, he was hired to serve as legal adviser of PIDS. It must have helped immensely to have as legal adviser the man who understood the principles that had guided the creation of PIDS.)

Though I had abandoned the idea of the research institute to have a direct link with the UPSE, there was still an important connection—as a user of economic talent available and produced by the school. Definitely, getting a senior staff from the school to run PIDS or to staff it with research fellows was out of the question. That would have been easy to do. I had wanted to preserve the school fully intact as a community so that it would continue to effectively play its important role of producing the bulk supply of economists for the nation. To hire some of the faculty occasionally on a project basis without disturbing their place of work was possible. Hence, some of them could be given temporary consultancies. The other was to provide a link of their research efforts with what the PIDS would do, for instance, involving them to undertake short-term or specific research activities that might be supported by PIDS. A different focus on the supply of new graduates was critical for PIDS—the PhD graduate students.

This was not a large output of graduates, but in the mid-1970s, the school's academic and training programs were producing a good trickle. This was the result of a combination of forces that led to the expansion of the graduate training programs of MAs and PhDs and certificates in development studies for government trainees who were brought into a special government training program. In a way, the creation of PIDS was a boon to the supply of economists being produced by the school. The rest of the economy would have to compete for such a market. Indeed, there was a growing need for more economists in the private sector and in the government—especially in those agencies where an economic team was almost always needed, such as the NEDA, Central Bank, and the finance and budget departments. In addition, the international development community was also a source of demand, namely, the international banks and the bilateral development assistance agencies. Just as PhDs might be considered for research fellows, all research efforts also would need a supporting element of other assisting researchers. It was natural then that as one opened to the possibility of attracting some PhD graduates, a supporting chain of other graduates would still be needed to complete research activities.

Just before the draft of the decree was finalized, we also got clear on the idea of what PIDS would stand for. One of the critical aspects of the problem was whether the PIDS was going to be an institute "of" development studies or "for". Eventually, I ended up adopting the word "for" to accept the idea that it would allow for more decentralized suggestions of encouraging more development studies from other research institutions and academic departments in economics engaged in studies within the nation. This thought, I think, came especially from the suggestion of Manuel Alba, who suggested that PIDS might be made a fulcrum for encouraging the growth of other research institutes in the nation and being an important agent and, to some extent, facilitator and coordinator of such growth. I thought this was a good idea. PIDS would, in time, become an important facilitator of research efforts by other institutions across the country. I had kept counsel with my deputies at NEDA on the PIDS concept, especially Jaime Laya, Manuel Alba, Antonio Locsin, Tito Mijares, and Filologo Pante Jr., on issues that might arise. In this group, I also included Armand Fabella, the reorganization guru of the day.

President Marcos was very supportive of efforts to improve the management of the economy and of the NEDA. There were no problems in persuading him on the creation of the PIDS. It was an easy issue, for the decree itself did not ask for any heavy financial burden on the government to set it up. There were no major documents to pave the way for such as a feasibility or project study, only persuasive arguments and a simple draft decree that declared the objectives of the new research institute and that provided for the governance structure. (See page 107 for the image of the signed decree.) It was essentially an internal matter to improve the capacity of the NEDA to influence future development strategies through the expansion of research capabilities within that would be undertaken by a new conduit for information improvement.

As I had planned at the start, the PIDS was not going to be a demanding new institution in terms of financial requirements. It was expected that it would start with a small skeleton staff of research fellows who would, in earlier years, be themselves busy acquiring additional expertise as they got engaged in their work.

For this reason, the Institute needed only a relatively small amount of financial commitment for funding. A small capital fund was needed to take care of administrative sustenance. For this, I asked an allocation of US PL-480[3] resources (amounting to PHP 10 million) that were generated from food aid sales given by the US. As head of NEDA, this needed the consent of the USAID director, who was the custodian for the funds that were technically owned by the Philippines, the proceeds from the sale of food aid to be used for Philippine development

[3] This refers to the Agricultural Trade Development and Assistance Act of 1954, a US foreign assistance program. It is commonly known as PL-480 or Food for Peace. (Source: https://history.state.gov/milestones/1961-1968/pl-480, accessed on July 3, 2017.)

needs. (I used the same method to finance the PCED capital fund that was used to initiate its resources.) Also, I allocated a multiyear United Nations Development Programme (UNDP) funding of external resources to PIDS for its initial training programs to enable postgraduate work by fellows studying in the US and for the hiring of consultancy services from abroad. These were critical inputs at the beginning of the existence of PIDS.

The first act of the new PIDS was to have its president appointed. I thought that we would need one with operational experience with the economic policies constantly encountered in government. Filologo Pante Jr., who was at the time my assistant director-general at NEDA's policy end, fitted that job description. His exposure to many of the policy issues would provide a panorama of the various researchable topics for a new institute. He was one of my most able deputies. I took him in government (initially as consultant at NEC) when he was already at work on his PhD thesis at the UPSE. From a strict standard concerning my requisites for major research staff, he would still need to hurdle one recruitment issue: the PhD. However, he had an advantage in experience and development policy exposure. He would, however, undertake research management responsibilities, a different skill that might be needed. Besides, his degree was a matter of final effort, and I had hoped he was easily capable of hurdling that obstacle. Thus, I also gave him time to finish his PhD degree so that he could deal with research fellows as intellectual equals. It took some time for me to convince Filo Pante that I needed him for an important task. To be in the frontline of policy debates was more attractive for ambitious young men than to run a research outfit that would certainly have a serene atmosphere of work. He could almost think of transfer to PIDS as a demotion because it took him off the center of the operational storm on policy issues.

For me, however, his involvement at the center of such government work was invaluable experience that an economist purely in an academic setting would not have. Thus, I tried to tell him that it would be a challenge to set up a new institution and nourish it to grow. Besides, I had another card to play. I wanted him finally to finish his PhD studies as I had wished for those young men and women whom I brought into the government who were in such program hiatus in their studies when I hauled them into government work. I thought that the last enticement might have clinched the argument, for it had some future value for him to complete his studies. Nothing was as good as having the ultimate union card—the card of survival in self-disciplined study, holding a PhD ticket to ride on.

Filo Pante finally accepted the job. We were not in a hurry to start the ground running. We had to build from point zero. Though there were some administrative matters to deal with, the first thing I did was to send him to a six-month study detail at the UPSE. He would make use of this time to accelerate his study requirements. In that time, Filo was able to get some of our prospects for filling up the research fellows post at UP to tell them about the challenges and opportunities at PIDS. Filo (who was a graduate of the Philippine Military Academy and was actively involved in the armed forces when he enlisted to study at the school's graduate program) finished his doctoral requirements without delay, supervised by Drs. Jose Encarnacion Jr., Harry Oshima, and Romeo Bautista. Two years later, when much groundwork at PIDS had already been accomplished, I also made sure that Filo Pante was rewarded with a year's postdoctoral stint at the Yale Economic Growth Center, which was then headed by Hugh Patrick. Gustav Ranis, who led the team of experts and wrote the so-called Ranis Report on the employment issues of Philippine development, was on the faculty of Yale. During that interim when Filo Pante took a year's leave for further academic enhancement, I appointed Romeo Bautista (a PhD from Yale) as acting president to oversee PIDS (in addition to his duties as deputy director-general of NEDA).

In passing, this period was one of very high turnover of my deputies in view of major developments in the economy. President Marcos had relied specially heavily on NEDA. People whom I had brought into the NEDA were fed to help other government agencies. Deputy Director-General Jaime Laya (a PhD from Stanford) was first appointed into the Central Bank as deputy governor in a simultaneous capacity with his NEDA post, then was elevated to budget minister.

Manuel Alba (a PhD from Northwestern), whom I had gotten to replace Laya, became budget minister succeeding Laya, when the latter was appointed to the post of governor of Central Bank after Gregorio Licaros resigned unexpectedly. It was at that point that I got Romy Bautista from the UPSE to serve as deputy director-general of NEDA.

The requirement of a PhD degree was valuable, it turned out, in the search for research fellows. It was an effective screen against making serious errors in appointment. It was a good defense against the recommendations of those in powerful positions should it ever occur. One who has experienced working in a disciplined focus of finishing an accepted research product—the doctoral dissertation—especially if earned in a reputable school was an assurance of technical ability. We would tap the new PhD graduates from the UPSE as a first strategy, yet we were always open to the possibility of new PhDs trained abroad.

This was an age when training scholarships and study grants were no longer as plentiful for study abroad. The school's program in training economists was a unique situation that produced good output of highly qualified graduates, in part because of the concentration of support for visiting professors and local scholarships made by both the Rockefeller and Ford Foundations during this period, and mainly because that generation of students were highly selected from competitive scholarships that were awarded full time, with funds initially provided by the foundations. In due time, we could attract other graduates from other schools, including returning PhD Filipino graduates of universities from abroad. There was a trickle arriving from other universities, and the PIDS would be, in due time, in a position to attract them once it was a going concern.

The first fellows appointed to PIDS were Rosario Manasan and Erlinda Medalla. Chat Manasan studied public economics. There were major issues in public expenditure programs of government as well as in the reform of taxation.

Specially, one of the major problems of government was resource generation in the public sector, that is, improving the overall level of tax and revenue effort. Linda Medalla was one of John Power's students who worked on studies of trade and industrial reform issues. She would be involved in the economic liberalization issues affecting the economy. I remember the pleasantly great surprise that greeted them when I called them to see me together at NEDA. I told them that both of them would start their work by first taking up post-PhD studies abroad a year each. I arranged that Chat Manasan spend her postgraduate at the Massachusetts Institute of Technology and Linda Medalla at Yale University.

The other research fellows, mostly recent PhD products of UP, would join soon. Among them were Mario Lamberte, Edna Reyes, Marian delos Angeles, and Celia Reyes. Of these fellows, Celia Reyes was a PhD from the University of Pennsylvania. Much later, other graduates of the PhD program of UP would join the ranks of research fellows. Josef Yap and Gilberto Llanto (who, together with Lamberte and Ponciano Intal Jr. [Yale PhD] would serve as presidents of PIDS). Also, with PIDS getting established, it would begin to attract PhD graduates from other universities abroad, especially the US, Europe, and Australia. In due time, such universities as Stanford, University of Pennsylvania, and Harvard University would welcome postdoctoral studies of newly acquired staff, especially those with their degrees earned from UP.

It was not an accident that the Board of Trustees of the PIDS was composed only of five members. I made sure, through the decree creating it, that the director-general of NEDA would chair the board. Through the chairmanship of the Board of Trustees, NEDA could help guide research directions. However, he would have no direct operational control of the research program. The president of PIDS was to be a member of the board. In addition, there would be three board members appointed by the director-general. The first members of the board of trustees were appointed by the president of the Philippines.

The members of the first PIDS board consisted of Filo Pante, Jaime Laya, Manuel Alba, and Armand Fabella. Jimmy Laya and Manny Alba, who were my cohorts as young faculty at UP when we were fresh graduates, were both my deputy directors-general at NEDA, in succession.

Jimmy Laya would move on to become the head of the budget ministry and later the governor of the Central Bank. Manny Alba, whom I had hired from the East West Center Hawaii, was director of one institute there. Armand Fabella was the country's most experienced planner, dating back to the Macapagal administration and was, in addition, head of government reorganization.

The nature of the research agenda to be fostered was very much on my mind. Under Filo Pante's guidance, I was sure that the long-term connection to NEDA's needs would be advanced. I also thought it wise to have an external panel of advisers so that we could develop ideas and even gain support for certain initiatives of importance. I therefore organized my institutional contacts from a variety of sources. Early in its infancy, I thought that an advisory external research panel would help a lot not only in mobilizing our institutional contacts but also in contributing toward a sound initial direction. This panel was organized and consisted of Drs. Louis Emmerij (of the Institute of Social Studies at the Hague), Hugh Patrick (Economic Growth Center at Yale), Richard Jolly (Institute of Development Studies at Sussex, England), and Stephen Lewis (Center for Development Economics, Williams College).

There was a serendipitous development during the period. It was imperative that I find a building to house the growing staff of the UNDP. I also found a way to locate PIDS away operationally from the NEDA's main offices. (I also found a large chunk of office space for NEDA's statistical coordination offices in the same building.) The government helped NEDA to purchase a one multistory building in the Salcedo area of Makati when an overbuilding cycle caused property prices to fall. Visiting UN experts would also need temporary office housing. The United Nations Children's Fund and the United Nations Population Fund had some programs to administer and they were housed with UNDP. Initially, the PIDS was able to get meager direct space allocation but with access to a wider set of common space used by NEDA (which was a much larger space allocated to the statistical coordination group, including the office dealing with national income estimation).

Eventually, PIDS was to get two floors of the new building allocated to it. We gave a name to this office building, "NEDA sa Makati Building", to emphasize ownership. With Makati far away, it was just as fitting that PIDS would find a location here. It was far enough not to be bothered by day-to-day concerns of NEDA.

Helping from outside—sustaining the future

Since 1981 (when I left the NEDA) to the present, I have followed developments at PIDS closely as an observer as it tried to fulfill its mandate as a research institution. Through the years, I observed its progress, never ever trying to press my views or my presence unless asked—except on a few occasions.

The first of this was in 1982 when I was writing my textbook, Economics. I did ask PIDS to let me undertake a review of teaching materials ever used for instruction of elementary economics in the country. That little work gave me some perspective about the content of elementary economics teaching that was essential toward improving the quality of textbooks used for Philippine economics.

In 1997, PIDS set up a conference program honoring together former Dr. Jose Encarnacion and me. The conference involved the presentation of many technical papers on development and planning issues presented by many PIDS and Philippine development practitioners. For that, I was uniquely and proudly delighted.

In 2003, Dr. Mario Lamberte, then PIDS president, asked me to prepare a paper for the 25th anniversary of the PIDS. I finished the paper, The Political Economy of Philippine Reforms, and presented it before that forum.

However, though I had it reported as a discussion paper in the UPSE, I cautioned against publishing it then because I had wanted to add a few more thoughts. I wish I had allowed it for publication when I finished it, for sadly, I was overtaken by other work in trying to improve on it. That paper can stand on its own.

Sometime in 2010, PIDS arranged a seminar on labor policies in the country featuring my studies on that topic. It has been my contention that one of the country's main problems has been the excessive attention that is paid to labor welfare issues to the detriment of the task of raising employment, which is critical to the eradication of poverty and the enhancement of labor welfare and living standards.

Aside from these brief episodes of active participation in PIDS concerns, I was essentially a bystander, but a very interested one on how PIDS was doing its job. Throughout the 13 years that I spent in Washington, D.C., from 1965 to the end of 1997, while working at the World Bank, my contacts with PIDS were minimal.

During home leaves, which I took every two years, I would visit the PIDS premises in Makati if Jennifer Liguton was there. I was pleasantly surprised that Jenny, who had served as my highly efficient technical and executive assistant at NEDA, had joined PIDS at the instance of Filo Pante to develop the public dissemination program of PIDS research outputs. Through her, and when a president of PIDS was present, I would learn more about what PIDS was doing at the time.

After my return to the country in 1997, I would attend occasions to which PIDS would invite me, such as during seminars on the discussion of research results and the two occasions I mentioned above.

There is one area, however, where I might say I did participate actively in sustaining PIDS.

I was asked by a succession of boards of PIDS, headed by its chairman (the current director-general of NEDA), to head the search committee to recommend the new president of PIDS at those turns when a new leader was up for appointment.

This happened on four major occasions. With the collegial help of a panel of distinguished members of that committee that was convened for the purpose, we made recommendations for the appointment of the new leader of PIDS. The choice of president of PIDS—the leader to steer the work program of research for a new term of leadership—is critical. I felt it a call to duty when asked to chair the committee and make a recommendation based on the available candidates that the board committee evaluated. It was a duty that I took very seriously, along with the other members of the committee appointed for the purpose.

In a small way, therefore, I have had some proud moments to share in the history of PIDS. I hope that it continues to be a valuable institution in the progress of the nation.

Chapter 3

PIDS at 40: Revisiting Its Early History[1]

Filologo L. Pante Jr.

Forty years after its founding, the Philippine Institute for Development Studies (PIDS) stands at the forefront of development policy research in the Philippines. Over the years, it has bolstered its role as an institution dedicated to providing technical and analytical support to development planning and policymaking in the country. It has strengthened its in-house research capacity, while also broadening its network of partner-institutions and scholars here and abroad. It has also intensified its research dissemination and research outreach activities to foster a closer link between knowledge and practice.

PIDS research has covered such areas as trade and industrial policies, fiscal and financial reform, agriculture, human resource development, natural resource management, urban and rural development, regional cooperation and integration, program impact assessment, and planning methods and approaches. Its research output for the last 40 years constitutes a valuable wealth of knowledge in Philippine economic and social development. More importantly, it has made significant contributions to development plan and policy formulation. The role of PIDS as a policy-oriented research institution has been recognized not only nationally but also internationally. The Think Tanks and Civil Societies Program of the University of Pennsylvania ranked PIDS as the top policy think tank in Southeast Asia, and one of the best international development policy think tanks in the world for the fifth consecutive year in 2016.

No matter how far PIDS has gone, its journey had to start somewhere. This paper tells the story of how that journey began, and what challenges it faced in

[1] Thanks are due to Gilberto Llanto for his encouragement and support in writing this paper; Andrea Agcaoili and Juanita Tolentino for their perseverance in retrieving four-decade-old documents (minutes of meetings of the PIDS Board of Trustees and PIDS Annual Reports, among others); and Josef Yap, Mario Feranil, Jennifer Liguton, and Erlinda Medalla for their inputs. The author is solely responsible for any errors and omissions in recalling names, dates, and events.

its formative years to put PIDS on the map and build the foundation for its long-term viability and sustainability.[2]

Point of departure: The PIDS Charter

PIDS was created by Presidential Decree (PD) No. 1201 on September 26, 1977 as a nonstock, nonprofit government corporation attached to the National Economic and Development Authority (NEDA) for policy and program coordination. Its mission as expressed in the decree included: (1) developing a research program that addresses the needs of development plan and policy formulation; (2) serving as a link between the government and other research institutions and providing a forum for discussing research findings and recommendations; (3) conducting research requested by the government and arranging for research to be conducted by research organizations or individuals, domestic and foreign; (4) undertaking joint research with other research institutions in the public and private sectors; and (5) establishing a repository of development research information.

Corporate governance was vested in its Board of Trustees and president. The Board of Trustees is composed of the secretary of economic planning as chairman and four members to be initially appointed by the president of the Philippines, and the PIDS president appointed from among the appointive members of the board. A Research Advisory Committee was also envisioned to give independent perspectives on the Institute's research thrusts and advice on possible collaboration with other research institutions. The decree provided for the establishment of an Endowment Fund, the earnings of which would be used to finance the Institute's operations. These would be supplemented by contributions from NEDA and funds from other government agencies for specific research projects.

On January 13, 1978, the Philippine president appointed the following as members of the PIDS Board of Trustees: Jaime Laya, Armand Fabella, Manuel Alba, and Filologo Pante Jr.[3] The board, chaired by then Minister of Economic

[2] The origins, rationale, and vision of PIDS as a development research institution are discussed by Gerardo Sicat, founding father of PIDS, in Chapter 1 of this volume.

[3] At that time, J. Laya was secretary of the Department of Budget and Management (DBM), A. Fabella was chairman of the Presidential Commission on Reorganization, M. Alba was NEDA deputy director-general, and F. Pante Jr. was NEDA assistant director-general. In 1981, J. Laya moved to the Central Bank of the Philippines as governor and M. Alba took over as DBM secretary.

Planning Gerardo P. Sicat, held its organizational meeting on February 28, 1978 and appointed Filologo Pante Jr. as PIDS president and Roque A. Sorioso as secretary and legal consultant of the board. PIDS was the brainchild of Gerardo Sicat who is fittingly regarded as the “father” of PIDS.

The board laid down specific guidelines for the initial operations of the Institute. PIDS would serve as a conduit of research funds for studies on development policy and planning. It will support other research institutions and researchers through the funding of research projects. It would develop and maintain relationships with other research institutions and researchers within and outside the country. Its research projects should have a strong policy focus and should be strategic and long term in character. They should deal with multisector rather than sector-specific issues, although the latter is not entirely precluded. To improve the marketability of research, concerned agencies should be involved in the planning and conduct of research to the extent possible.

Getting started: Initial organization and operations

Given its mandate and marching orders, PIDS began what turned out to be a fulfilling and challenging journey. The first step in getting started was to secure funding to initiate the Institute’s operations and enable it to function as a going concern. PD 1201 provided an appropriation of PHP 7 million from the national budget to support the organizational and initial operational requirements of the Institute. However, this did not become available in 1978. A grant of PHP 500,000.00 from NEDA in June 1978 allowed PIDS to start operating in July 1978.

During the rest of 1978, PIDS exerted efforts to obtain the money provided for in PD 1201 and explore other sources of funding. In October 1978, NEDA and the United States Agency for International Development (USAID) signed an agreement allocating a grant of PHP 10 million to PIDS out of PL 480 Title I peso proceeds.[4] PHP 8 million of this amount would form part of the Institute’s Endowment Fund, while the balance of PHP 2 million was earmarked to support the initial operations of the Institute. In addition, PHP 5 million was appropriated to PIDS out of the 1979 national budget. The DBM released PHP 8.3 million later in 1978 and

[4] US Public Law (PL) 480 Title I provides for government-to-government sale on credit of United States commodities under long-term, concessional arrangement. The local currency proceeds are allocated by the Philippine government for budget support and/or specific projects.

PHP 6.7 million in 1979 for the Institute's Endowment Fund. These served as the seed money for the development of PIDS as a national research institution.

Andrea Agcaoili was the first to be hired by PIDS. She was joined shortly by Angelita Guerinia and Anicia Sayos, and later by Isaac Puno III from NEDA. They formed the core of the Operations and Finance Staff of PIDS, and with Susan Hilario and Emiliano Isip in the PIDS president's office, constituted the staff complement of PIDS in its first year of operations. PIDS held office at the NEDA sa Makati Building, where it remained until it moved to Quezon City in November 2015. NEDA allocated three rooms to PIDS on the fourth floor of the building. Other occupants of the building at that time were the National Statistics Coordination Office of NEDA and several United Nations organizations, including the United Nations Development Programme (UNDP), United Nations Population Fund, United Nations Children's Fund, and International Labour Organization. The PIDS logo was adopted by PIDS at this time with the help of Rene Filipinia, a freelance artist. The figure superimposed at the top of the letter "D" in "PIDS" represents a roof serving as a home to policy-oriented development research. It also symbolizes an arrow reflecting purposive efforts toward development.

Baptism of fire: ESIA/WID project

During its inception, PIDS was assigned by its board to manage a major research project, Economic and Social Impact Analysis/Women in Development (ESIA/WID) Project, jointly funded by USAID and the Philippine government. This provided PIDS with the opportunity to be straightaway engaged in research management and to be acquainted with a large number of research institutions and individuals working on the project, both here and abroad.

The overall objective of the ESIA/WID project was to help improve the capability of the Philippine government in monitoring and measuring economic progress, social change, and the impact of development projects, including the effects on women as agents and beneficiaries of development. It had five components: (1) Macro Component involving the development of a system of macroindicators; (2) Micro Component focusing on project impact assessment and development of indicators of progress and impact of development projects; (3) Region VI Component looking into the feasibility of using progress and impact measurement systems at the regional level; (4) Women in Development Component assessing the degree of participation of women in the development process; and (5) Research Utilization involving pilot application of impact assessment methods in selected development projects.

The ESIA/WID project was overseen by PIDS through a team composed of Romeo Reyes of NEDA as project director with assistant project directors, Mario Feranil and Jaime Sevilla. The implementation of each component was contracted to the following: (1) Macro was assigned to the NEDA Statistics Coordination Office; (2) Micro Component to the Philippine Center for Economic Development; (3) Region VI to be managed by its Regional Development Council (RDC-VI); (4) WID was handled by the Institute of Philippine Culture of Ateneo de Manila University; and (5) Research Utilization was given to the NEDA Programs and Projects Office. PIDS gained valuable experience and lessons in networking and coordination of research among many institutions and individual researchers through its involvement in the ESIA/WID project. The economic and social impact analysis under the project is a precursor of the project impact analysis that PIDS would be engaged in later on.[5]

Looking ahead: Strategy and road map

Dealing with the organizational, administrative, and financial requirements of a new institution was obviously important. However, it was also essential to define where PIDS wanted to go, as well as how to get there. For this purpose, PIDS laid out a broad road map of what it would do in the next five years. It adopted a strategy whereby PIDS would tap and encourage—through commissioned research—the existing research resources in the country to be engaged in research needed to support development planning and policymaking, without taking them away from the academic and research institutions where they are based. This early approach led to the present network of research institutions and experts that PIDS collaborates with in conducting policy research. Over time, PIDS would build its in-house research capacity to establish its identity and gain respectability as a research institution. Such in-house research capacity would complement and not compete with those in other research institutions.

[5] In 2014, DBM and NEDA commissioned PIDS to implement a research project that would conduct impact evaluation (IE) of key government programs with the objective of promoting evidence-based development planning and policymaking. The project included capacity building of NEDA and DBM staff in the use of IE tools and techniques.

To carry out its mandate, PIDS decided that its core activities would consist of (1) identifying and prioritizing research needed in plan and policy formulation; (2) conducting research and commissioning research to other research institutions and individuals on the priority areas of concern; (3) maintaining contact with local and foreign research institutions; and (4) disseminating and discussing the results of research through seminars and publications.

These activities were translated into the Research Program, the Seminar Program, and the Publications Program, with the last two focused on the "marketing" of research output to promote their utilization. This approach appears to be straightforward. In reality, it has required continuing and concerted efforts to adjust, fine-tune, strengthen, consolidate, focus, and refocus. The flexibility and ability of PIDS to respond to felt needs and changing circumstances has undoubtedly been central not just to its survival, but more importantly, to its sustainability and relevance as a development research institution.

The rest of this paper revisits some of the key issues and challenges faced by PIDS in its formative years and the actions it took to address them.

The challenges of growing up

Achieving financial viability and sustainability

The Endowment Fund is a special feature of the PIDS charter envisioned to extend to the Institute a certain degree of financial independence. The PIDS Board of Trustees paid close attention to how the fund was managed, as prudent management of the fund was essential in sustaining the Institute's financial viability. Under the guidance of the board, PIDS adopted an investment strategy that safeguarded the corpus of the fund, ensured a steady income from the principal, and maximized earnings from the invested funds. It set a target yield of 12 percent per annum, considering the programmed level of expenses of PIDS in its first four to five years of operations. It appointed three private investment managers to manage the fund, with the investment management agreements being renewable on an annual basis subject to performance.

PIDS received a total of PHP 20 million from the DBM from 1978 to 1980 as contribution to the Endowment Fund (PHP 8.3 million in 1978, PHP 6.7 million in 1979, and PHP 5 million in 1980). No further contribution was received by PIDS until 1987, when PHP 10 million was released by DBM and added to the fund. At the end of 1987, the Endowment Fund, net of earnings reinvested in the fund, stood at PHP 30 million. The corresponding amount would be PHP 45 million, if savings from the earnings of the fund that were reverted to the fund were included.[6]

From 1979 to 1981, when the investment from the fund was managed by three private fund managers, the return on the funds invested by PIDS ranged from 18 to 22 percent per annum. In 1981, Letter of Instructions 1115 directed all government entities to transfer all of their investment funds to government financial institutions and to invest only in government securities. PIDS accordingly transferred all its investible funds from the three private fund managers to the Philippine National Bank and Development Bank of the Philippines in 1982. As a result of these constraints in its investment activities, the return on PIDS funds declined to 10–12 percent per annum. Despite these limitations, PIDS was able to generate sufficient income that, except for 1987, invariably exceeded expenses from 1979 to 1990.

In 1984, the Commission on Audit came up with a report comparing the financial performance of 17 government-owned and controlled corporations in the educational, social, cultural, scientific, and civic sector where PIDS belonged. Based on the financial ratios of the corporations, PIDS was found to be the most liquid, the lowest leveraged, the most financially efficient, and one of the most profitable. This affirmed the due diligence and prudence of PIDS in managing its financial resources.

However, it was not always smooth sailing throughout this period. For the first time since starting operations in 1978, the Institute suffered a net loss of around PHP 350,000.00 in 1987, compared to a net income averaging PHP 2.5 million per year in the preceding eight years. This was due to a sharp decline in the yield of government securities, increase in the compensation package of PIDS staff, and increase in the final tax on interest earnings from 15 percent to 20 percent. PIDS' net income before tax for that year was positive, but negative after tax. PIDS took several steps to arrest further deterioration in its financial condition, including (1) strict implementation of cost-cutting measures; (2) moratorium on the purchase of capital goods except for those urgently needed; (3) closer monitoring of all expenditure items; and (4) greater efforts to secure external

[6] The PIDS Endowment Fund consisting of releases from DBM (net of reinvested earnings) amounted to PHP 311 million as of December 31, 2016. From 1992 to 2009, PIDS was able to secure PHP 281 million budgetary contribution, with the largest amounts being PHP 36 million in 1993, PHP 28 million in 1995, and PHP 50 million in 2009. Succeeding PIDS management and staff did an excellent job of augmenting the Endowment Fund from the national budget.

funding. These resulted in a quick turnaround. Net income returned to positive territory from 1988 onwards, albeit at levels lower than those attained in its first eight years of operations.

Building research capacity

There was a consensus early on that PIDS should have its own in-house research capacity. The question was: Should PIDS build a large in-house research staff? Or should it operate on a networking basis with other research institutions and have a small research staff? PIDS decided that it would adopt the networking approach and have a small core research staff (Pante 1980). Researchers in other institutions would be encouraged to study development issues considered to be of high priority through the Institute's funding activities. This decision was based on practical considerations. First, the supply of capable researchers in the country was limited, and PIDS could only build its own staff by "pirating" those already working in other research and academic institutions. Second, the funding available to PIDS required that PIDS research staff be small, at least until its financial base allowed an expansion.

PIDS relied heavily on researchers in other research institutions initially. It began developing its in-house research capacity in 1980, with Rosario G. Manasan being the first research fellow appointed in July of that year. She was followed by Erlinda Medalla in February 1981, Mario Lamberte in July 1981, Edna Reyes in March 1983, Celia Reyes and Marian delos Angeles in September 1983, and Josef Yap in April 1985.[7] R. Manasan, E. Medalla, M. Lamberte, J. Yap, E. Reyes, and M. delos Angeles were PhD graduates of the University of the Philippines, while C. Reyes obtained her PhD from the University of Pennsylvania.[8] Their fields of specialization substantially matched the priority areas of PIDS research: R. Manasan, public finance; E. Medalla, trade and industrial development; M. Lamberte, financial sector, money and banking; E. Reyes, human resource development; C. Reyes, econometric modelling; M. delos Angeles, natural resource management; and J. Yap, macroeconomic policy and forecasting. They would be the pillars of PIDS research for much of the 40 years of its existence. M. Lamberte was appointed PIDS vice president in 1987 and president in 1999. J. Yap succeeded M. Lamberte in 2005 and remained PIDS president until 2013.

[7] J. Yap was appointed full-time research fellow in January 1988.

[8] C. Reyes was PIDS research associate when she completed her PhD at the University of Pennsylvania. Funding for her doctoral studies was arranged by PIDS with NEDA and USAID.

The recruitment of the research staff of PIDS was complemented by a capacity-building program whereby PIDS staff were sent on postdoctoral scholarships in universities abroad, including the Massachusetts Institute of Technology (R. Manasan), Stanford University (M. Lamberte), Yale University (E. Medalla and F. Pante), University of Pennsylvania (J. Yap), and University of Washington (M. delos Angeles). This was made possible by the assistance extended by UNDP through the "UNDP Assistance to PIDS Project" which commenced in 1981. The project, involving a UNDP contribution of USD 614,000 over four years, financed the cost of collaborative research between foreign and Filipino scholars, research subcontracts, postdoctoral fellowships of PIDS staff in foreign academic institutions, meetings of PIDS' Research Advisory Committee, and seminar/workshops. Mario Feranil was designated project manager of the UNDP project in 1981 and director of the PIDS Research Staff in 1987.

Besides conducting research themselves, the research fellows developed research programs in their respective areas, coordinated their work with other researchers, and discussed their findings and recommendations with concerned government agencies. A major issue concerning the research fellows was the Institute's ability to retain them, considering regulatory constraints on the compensation of government personnel. PIDS tried to address this concern by providing some flexibility on research contracts that fellows may enter into individually, provided that this does not adversely affect their work at PIDS. The Institute also strived to provide the research fellows with adequate support by engaging research associates and assistants, and creating a conducive working environment. The Institute further ensured that the freedom and independence of the research fellows in their work were maintained. There were occasions, too, for unwinding and bonding with the rest of the PIDS team, and developing a sense of belonging to the PIDS family. The summer outings and annual Christmas parties gave everyone a chance to "let his or her hair down", showcase hidden talents, and celebrate achievements during the year.

PIDS did not have any in-house research capacity in agriculture and rural development in its early years. To address this gap, it developed a partnership with a group of economists and social scientists at the University of the Philippines Los Baños (UPLB), which included Gelia Castillo, Cristina David, Ponciano Intal Jr., Cielito Habito, Arsenio Balisacan, Agnes Quisumbing, Agnes Rola, Lourdes Adriano, and Wilfredo Cruz. A distinctive feature of PIDS' work with UPLB was its focus on broad policy issues affecting agriculture rather than commodity or sector-specific issues. Later, C. David would join PIDS as a research fellow, and P. Intal and C. Habito would move to NEDA from UPLB. P. Intal would eventually become PIDS president from 1991 to 1998, and C. Habito and A. Balisacan, secretary of economic planning and NEDA director-general.

Recognizing that the small number of research fellows was not sufficient to achieve a critical mass of in-house research, PIDS invited Filipino and foreign researchers to spend time at PIDS as visiting research fellows for varying periods of time. Among the visiting research fellows were Ledivina Cariño (UP College of Public Administration), Alejandro Herrin and Ma. Socorro Gochoco (UP School of Economics), Winifreda Constantino (San Miguel Corporation), Roberto Mariano (University of Pennsylvania), John Power (University of Hawaii), Gustav Ranis (Yale University), Maren Kramer (University of Hanover), Richard Hooley (University of Pittsburgh), and Frances Stewart (Oxford University).

PIDS also engaged associated researchers from other institutions. Some of those who served in this capacity were: Gilberto Llanto (Agricultural Credit and Policy Council), Joseph Alabanza and Winfred Villamil (NEDA), Romeo Bautista (International Food Policy Research), Ernesto Gonzales (De La Salle University), Cayetano Paderanga Jr. and Orville Solon (UP School of Economics), Cristina Bautista (Department of Economics, Ateneo de Manila University), Ruben Caragay (UP College of Public Health), and Benjamin Cariño (UP School of Urban and Regional Planning). G. Llanto would later join PIDS as a research fellow in 1992. He was appointed PIDS vice president in 2000 and seconded to NEDA where he would be deputy director-general until his return to PIDS in December 2002. He took over J. Yap as PIDS president in July 2013.

Interestingly, some of the researchers who were involved in the early work of PIDS moved on to positions of leadership in the Philippine government. They include Gloria Macapagal-Arroyo, who became Senator and later Philippine president. She was involved in the impact assessment of tourism projects and study of trade in services. Others were Benjamin Diokno, presently secretary of DBM (income tax policy and state enterprise reform) and almost all secretaries of economic planning after Solita Monsod, namely, Jesus Estanislao (sources of Philippine industrial growth); Cayetano Paderanga Jr. (labor supply and interregional migration); Cielito Habito (policy modelling and analysis of Philippine agricultural development); Felipe Medalla (regional growth and interregional resource flows); Dante Canlas (econometric model of the Philippine economy); Arsenio Balisacan (changing comparative advantage in Philippine rice production); and Ernesto Pernia (spatial and urban aspects of

Philippine development, and factors affecting choice of location of local and foreign firms).

Formulating research program

The formulation of its research program is a critical task of PIDS to ensure that its research activities are relevant, useful, and coherent. The main questions faced by the Institute in formulating its initial research program concerned the focus of PIDS research. Should PIDS research deal only with economic research or should it also address broader socioeconomic issues requiring a multidisciplinary approach? Should PIDS focus only on "long-term" policy research or should it also be involved in "short-term" research in support of the operations of government agencies? On the first question, PIDS decided to include broader socioeconomic issues in its research agenda and not limit itself to economic research. On the second question, the "bread and butter" of PIDS research would be "long term" and strategic, although it could provide some "short-term" research support to government agencies on a case-to-case basis.

The approach taken by PIDS in formulating its initial research program involved (1) setting research program objectives, (2) identifying and conducting an inventory of research needs, and (3) designating priorities. The objectives of the program flowed from the mandate of PIDS and were set as follows:

- To assist in plan and policy formulation, program/project development through the assessment of effects of programs/projects on the country's development goals, and generation of knowledge to improve understanding of the development process;
- To help improve planning methods and approaches; and
- To help anticipate future bottlenecks and design strategies to cope with them.

The inventory of research needs was based on the list of development planning issues compiled by the NEDA staff in the formulation of the Philippine Development Plan for 1978–1982, policy issues gleaned from NEDA interagency committees, and suggestions from the members of the PIDS Board of Trustees and peer reviewers in key agencies. The attachment of PIDS to NEDA helped in identifying research areas and topics, which are relevant and useful to plan and policy formulation, as it enabled PIDS to have access to NEDA interagency committees where many planning and policy issues are discussed.

The long list of research needs was organized into nine areas: population and human resource development; urban, rural, and regional development;

income and wealth distribution; monetary and fiscal policies; trade and industry; natural resource management; agriculture; infrastructure and public utilities; and planning methodology. The PIDS Board of Trustees designated the following as first priority: monetary and fiscal policies; income and wealth distribution; trade and industry; urban, rural, and regional development; and natural resource management. The other areas were given lower priority. The result of this exercise formed the basis for PIDS research activities in its first year of operations.

After implementing the research program for about a year, PIDS began to assess and fine-tune the program. It conducted further consultations with NEDA and key government agencies, prepared survey-type research in priority areas to identify research gaps, and obtained the views of the PIDS Research Advisory Committee (RAC). The assessment of the initial research program concluded that because the nine areas were too many and the focus on individual sectors may be too narrow an approach, the research program should be more closely linked to the country's development strategy.

PIDS revised its research program based on the results of the assessment. While maintaining its objectives, the program would focus on the question of how development could be accelerated and sustained, with special attention being given to issues involving job creation and income distribution. It would cover five cross-cutting themes, namely: (1) employment, human resource development, and technology; (2) resource mobilization; (3) poverty, income and wealth distribution; (4) trade expansion, industrial development, and energy; and (5) planning methods and approaches. A research agenda that elaborated and indicated specific research projects under each theme was then prepared following a consultative process.

This research program would guide PIDS research activities for many years after its inception. It was broad enough to accommodate current and emerging issues. At the same time, it directed attention to key development issues in the country that required policy review and analysis. In his 1987 evaluation report on PIDS, Ranis (1987) observed, "It is worthy of note, considering the magnitude and changes in fashion or fads in the field of development economics and foreign assistance, that the basic core areas for concentration within the PIDS' research agenda have not changed markedly over the past decade."

The RAC provided useful inputs in the formulation and implementation of the research program and in the identification of opportunities for collaboration between PIDS and foreign research institutions. The RAC met four times during 1979–1990: in December 1979, January 1982, June 1984, and June 1990. Among those who became RAC members were: José Encarnación Jr. (UP School of Economics), Louis Emmerij (Institute of Social Studies, The Hague), Hollis Chenery (World Bank), Shinichi Ichimura (The Center for Southeast Asian Studies, Kyoto University), Richard Jolly (Institute of Development Studies, University of Sussex), Man Je Kim (Korea Development Institute), Amartya Sen (Harvard University), Helen Hughes (Australian National University), Gustav Ranis and Hugh Patrick (Economic Growth Center, Yale University), and Romeo Bautista (International Food Policy Research Institute).

Disseminating and promoting use of research results

How to promote the use of its research in development plan and policy formulation has been a major concern of PIDS from the very beginning, as the application of knowledge generated is the test of its relevance and usefulness. PIDS' mandate clearly called for it to play an "advocacy" role in addition to its role as "producer" of policy-oriented research. Along this line, PIDS initiated a seminar (later called "public affairs") program and a publications program to disseminate the findings and recommendations of its research projects. PIDS recruited Jennifer Liguton from NEDA in April 1981 to lead PIDS' research utilization activities. She was designated head and later director of PIDS' Research Information Staff.

Under the seminar program, PIDS organized workshops and meetings to present and discuss the results of research projects. These were conducted by PIDS solely or jointly with other domestic and foreign organizations. The outcome of these seminars and meetings was not always satisfactory, because oftentimes, only junior agency representatives were able to attend. This was considered a "fact of life" because senior officials are usually busy with day to day matters, and in some cases, also not very appreciative of research. PIDS found a useful way of disseminating the findings and recommendations of major research projects to senior officials. Through its link with NEDA, PIDS researchers were able to present the results of their research to members of interagency committees.[9] Besides having a "captive audience", this approach infused a refreshing variety to the usual menu of agenda items of interagency meetings.

PIDS expanded its seminar program over time. For example, a PIDS-Media Forum Series was launched in 1986 to discuss and clarify with members of the

[9] Among these were the Fiscal Incentives Review Board; Trade, Tariff and Related Matters Committee; Investment Coordination Committee; Development Budget Coordination Committee; and Statistics Coordination Board.

press contemporary economic issues. An annual meeting on the "Philippine Economic Outlook" was also organized to present and discuss PIDS' analysis of the country's economic performance and prospects. In addition, PIDS researchers were consulted and invited to attend public hearings on proposed legislation involving tax reform and financial and banking reforms, among others.

PIDS publications included books, working papers, staff papers, and monographs. In 1981, PIDS took over the publication of the *Journal of Philippine Development* from NEDA.[10] The journal retained its name and remained as a semestral publication with basically the same audience, format, and design. One innovative medium put out by PIDS was the *Development Research News* (DRN) which delivered research information on various policy issues in simple, "layman's" language. The DRN has further evolved through the years and has remained in circulation up to the present time. It is probably one of the longest-running development-oriented newsletters in the country that has served the needs of students, researchers, and policymakers. The present Socioeconomic Research Portal for the Philippines and other information disseminating instruments such as the *Policy Notes* and *Economic Policy Monitor* regularly issued by the Research Information Department of PIDS have their origin in these early efforts.

The initial work of PIDS bore early fruits. For instance, the study on Industrial Promotion Policies in the Philippines was completed at the time when the first structural adjustment program loan from the World Bank was being prepared. Policy reforms in trade and industry adopted at the time drew heavily on this study. The economic and social indicator system established by the National Statistics Office came out of the work in the ESIA/WID Project.[11] NEDA's planning and economic forecasting work also benefited from the economic modeling research at PIDS. Studies under the PIDS-Tariff Commission Joint Research Project provided inputs to the government's tariff reform and import liberalization program. PIDS also helped shed light on many issues involving the country's participation in the Association of Southeast Asian Nations (ASEAN) through the ASEAN-Australia Joint Research Project for which PIDS served as research coordinator for the Philippines.

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[10] The journal was renamed *Philippine Journal of Development* beginning with its 2001 issues (see Liguton 2002).

[11] The National Statistics Office was merged with three other statistical bodies under the Philippine Statistics Authority in 2013.

Responding to changing circumstances

The national and international setting in the late 1970s and 1980s was characterized by major developments that required PIDS to be "nimble and quick" in responding to changes in its operating environment to remain relevant as a development think tank. These included the energy crisis, debt and financial crisis, and initiatives toward ASEAN economic integration. In this regard, PIDS research endeavored to be responsive and proactive, focusing research on both current and emerging issues.

The most significant event during this period was the 1986 People Revolution and the change in government that followed. PIDS was called upon to assist the new government in formulating its development strategy and program. The report Economic Recovery and Long-Run Growth: Agenda for Reforms, prepared under the auspices of PIDS, formed a major part of the government's Policy Agenda for People-Powered Government and provided the groundwork for the *Medium-Term Philippine Development Plan 1987–1992*.[12] PIDS also assisted in preparing an Agenda for Action for the Philippine Rural Sector, which was requested by the Ministry of Agriculture and Food then headed by Carlos Dominguez III, in collaboration with UPLB. The preparation of these reports involved experts from academe, government, and the private sector. These reports were delivered in record time through the willingness of individuals to contribute, the stock of knowledge generated by PIDS, the extensive network it has established during its first eight years of operations, and the Institute's flexibility by virtue of its corporate character.

The chairmanship of the PIDS Board of Trustees changed six times during PIDS' first 10 years. After Gerardo Sicat left in 1981, the following served as PIDS Board chairperson: Placido Mapa Jr. (1981–1983), Cesar E.A. Virata (1983), Vicente Valdepenas Jr. (1983–1986), Solita Monsod (1986–1988), Jesus Estanislao (1989–1990), and Cayetano Paderanga Jr. (1990–1992). Membership in the PIDS Board of Trustees was reconstituted in 1986, with Benjamin Diokno, Gelia Castillo, and Edita Tan, who succeeded the previous Board members Armand Fabella, Jaime Laya, and Manuel Alba. Noteworthy in this changing of the guards is that it did not cause any disruption in PIDS operations. On the contrary, successive boards ensured continuity and endeavored to build on past efforts and strengthen the Institute's research thrusts. Everyone respected the Institute's independence as a research institution.

[12] F. Alburo (2003)

The late 1970s and 1980s also witnessed advances in information and communication technology. When PIDS first moved to its offices in 1978, the iconic IBM typewriters were still around, but it soon caught up with the progress in technology. It acquired personal computers and a microcomputer, and organized an Electronic Data Processing Unit led by Cresencio Jovellanos to support PIDS staff in their work. It developed in-house software for econometric modeling using the nascent computer technology with the help of Samuel Chua. Later, PIDS would become the second Philippine government agency to be connected to the internet after the Department of Science and Technology. Looking back, one wonders how PIDS was able to fulfill all its computing needs with the limited capacity of its computing facilities which are now dwarfed by the huge capacity of even handheld gadgets. At that time, PIDS had a MicroVAX computer with only 9 megabytes (MB) of memory and 400 MB of data storage. Perhaps this mirrors the character of PIDS – small but with the capability to make wide-ranging contribution in line with its mission.

Conclusion

When PIDS began operations, it was difficult, if not impossible, to predict what PIDS would look like, and for that matter, whether it would still be around after 40 years. In 1980, the author wrote, "The long-term viability and effectiveness of PIDS will depend on the more widespread appreciation of the usefulness of long-term policy-oriented research and government support that can flow from this."[13] That PIDS has not only survived but also flourished during all of 40 years show that it has indeed made a difference – helping raise the profile and appreciation of development policy research, and bridging the gap between knowledge and policy in the country.

The journey of 40 years was made possible by those who carried the torch after PIDS' early years – its Board, management, and staff. The support and cooperation of the government and PIDS' partner institutions in the country and abroad have also been crucial along the way. PIDS' ability to pursue independent policy research, facilitated by the operational concept and approach embodied in its charter—its "business model"—has provided a strong foundation for establishing and maintaining its credibility through the years.

[13] See footnote 6

The 40th anniversary of PIDS is an auspicious time to look back at how and where PIDS started. It is also a good time to look at the road ahead. The hallmarks of PIDS have been independence, relevance, impact, and sustainability. These are the principles that can guide PIDS as it continues its journey after 40 years.

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Chapter 4

Thoughts on PIDS

Ponciano S. Intal Jr.

PIDS: A success story

The Philippine Institute for Development Studies (PIDS) is 40 years old!

Just as the whole Association of Southeast Asian Nations (ASEAN) region has been celebrating the 50th anniversary of ASEAN this year, the country should definitely celebrate the 40th anniversary of a success story called PIDS. I believe that PIDS is absolutely one of the best policy-oriented economic research institutions in the region. I also consider PIDS as the most influential research institution at the national policy level in the region. In terms of impact, the contribution of PIDS to policy cannot be discounted considering the complicated policymaking environment in a democracy with a strong legislative branch. Perhaps the closest institution to PIDS on impact at the national policy level is the Central Institute of Economic Management of Viet Nam. We need to raise a glass and give PIDS a well-deserved toast!

A large amount of the credit for the success of PIDS goes to the framers of PIDS and Filologo Pante for having built a strong foundation for the growth of PIDS over time. Filo's essay on the first 12 years of the Institute during his presidency reminds us of the raison d'etre of the establishment of the Institute and the important guidelines set out by the inaugural PIDS Board of Trustees,[1] which have been the operating philosophy of the Institute until now as I see it.

Two other major decisions at the start of the Institute have been pivotal to the robust growth of the Institute over time. The first is the setting up of the PIDS Endowment Fund out of the PL 480 Title 1 peso proceeds as Filo narrated. The Institute's endowment fund is important because it gives the Institute some operational flexibility and some measure of institutional stability. The initial amount increased from intermittent infusions from Department of Budget and Management (DBM) from the late 1970s to the late 1980s. I had the opportunity to

[1] See Chapter 3 written by Dr. Filologo Pante in this volume.

increase the endowment fund during my term as president of the Institute, when the Philippine government appreciated PIDS' contribution to the successful hosting of the Asia-Pacific Economic Cooperation (APEC) (and PIDS' hosting of the APEC Study Centers conference) with increased budgetary support that included some annual increment to the Institute's endowment fund and for the support of the Philippine APEC Study Center Network.

The other major decision that continues to shape the Institute since its early years has been, on hindsight, the inspired choice to build and strengthen the in-house research capacity of the Institute. While the Institute must necessarily rely on outside researchers at the start, the growth of the PIDS in-house researchers into bona fide experts in their own fields by the 1990s enabled the Institute to spread further its wings. It is also remarkable that the initial batch of PIDS in-house researchers have been the backbone of the Institute over the decades with most of them staying with the Institute until retirement. As a result, PIDS has built a solid reputation and earned great respect in the policy and research circles by the time that I headed the Institute.

A cursory look at the history of PIDS would show that after my term, the president of the Institute has been somebody from within, reflecting the maturity of the Institute. I was largely a transition president, one who is chosen from the outside[2] and nurturing PIDS to eventually become self-reliant. It must be pointed out that the policy issues are complex, and in many cases PIDS would form a study team composed of in-house researchers and outside researchers, but the blossoming of the in-house researchers meant that the research leadership was increasingly handled by PIDS researchers.

My presidency benefited from the blossoming of the PIDS researchers into well-respected experts in their fields. For example, Mario Lamberte and Gilberto Llanto were the go-to experts to help Congress in rehabilitating and reshaping the Central Bank of the Philippines. Similarly, discussion at the time on fiscal incentives, government expenditure reform, and tax reform would almost invariably involve Rosario Manasan. Erlinda Medalla would blossom from the days as part of John Power's major study on Philippine trade and industrial policies to become almost the go-to person on tariff and trade policy by that time. Marian delos Angeles emerged as among the top natural resource and environmental economists in the country. Celia Reyes gained reputation in poverty research

[2] The inaugural president must necessarily be an "outsider" because there was nobody to choose from the inside.

and increasingly integrated into the international network on Micro Impacts of Macroeconomic Adjustment Policies and Community-Based Monitoring System.

The maturation of the research capacity—and the concomitant enhanced reputation and credibility of the Institute—had virtuous effects. First, PIDS was able to entice excellent researchers with topnotch academic training like Gilberto Llanto and Myrna Austria into joining PIDS, thereby strengthening further the institution. Second, more government agencies and international institutions engaged with PIDS. Increased activities required more manpower as well as providing more resources to the Institute. Third, with enhanced credibility and usefulness, the Institute was able to get political support for sufficient budgetary resources for the most part to support the Institute and undertake the studies.

My role as president of the Institute was relatively easy, thanks to the blossoming of the researchers. Internally, it was largely bringing out the interconnectedness of the various research studies and results of the Institute, looking for the policy insights from the studies, and to some extent, become an internal critic on the logic and findings of the studies. In some respects, my function inside PIDS was more integrative and coordinative. Externally, I was floating two boats. One was the challenge to establish engagement with various policymakers and stakeholders, exploring where PIDS' expertise could be useful to address government agencies' concerns. The other challenge was reframing their concerns to make them more amenable to generate insights from the expected studies: weaving both technical results from the studies, comparative or historical experiences from other countries or era, and to highlight certain points or insights to better inform their decisions. Because of the credibility of the researchers' detailed findings and those of modeling simulation results, there were good chances that the main points of the study results would gain positive reception by policymakers, lawmakers, and the public. The Institute's experience as the Senate's technical support during its deliberations for the ratification of the Uruguay Round agreement exemplifies PIDS' approach of robust technical analysis with intense internal discussions on the one hand, and of objective and supportive engagement with the policymakers on the other hand.

It is worth noting that the blossoming of the research capacity of the Institute coincided with the strengthening of the publication and public affairs group, headed by Jennifer Liguton. Under her leadership, workshops and seminars were well organized, my role in handling these were minimal. Publications including the *Journal of Philippine Development* and the policy briefs were expanded. Relationship with the media was very good. Her team was a great complement to the growing reputation of the Institute's researchers and the Institute itself. I benefited a lot from the hard work of the Institute's research and publication and public affairs teams, as well as from the dedication of Mario Feranil and the administrative staff headed by Andrea Agcaoili.

It is clear that after I left, PIDS became better known, more established, better engaged with more stakeholders (public and private sectors), and assumed greater leadership in the Philippine research arena. Unsurprisingly, the PIDS alumni moved to greater heights as top officials in the Philippine government (e.g., Rosemarie Edillon and Adoracion Navarro at National Economic and Development Authority [NEDA], Rafaelita Aldaba at Department of Trade and Industry, and Karl Chua at Department of Finance [DOF]), academe (e.g., Myrna Austria at De La Salle University), international organizations (e.g., a number of former PIDS research associates provide key research support at Asian Development Bank), and the private sector (e.g., Euben Paracuelles as a well-known economist of a major multinational bank based in Singapore). Gilberto Llanto was seconded to the DOF to manage the Credit Policy Improvement Program, which delivered crucial reforms in the credit markets, and later on to NEDA as deputy director-general (undersecretary) in charge of national development policy and programming. He came back to PIDS and was subsequently appointed president in 2013. Virtually all the previous and current heads of NEDA have worked on a project with PIDS. It is an enviable record of success indeed.

PIDS' success factors

It is worthwhile to highlight key factors for the success of PIDS and these have been discussed individually in the various chapters in this volume.

As Filo Pante emphasized in his essay, PIDS' independence and relevance gave the Institution's impact and ultimately of sustainability. Fortunately, this independence is supported by NEDA, to which PIDS is an attached agency. Thereby allowing PIDS to become a unique entity of being a government institution and yet has been allowed to be independent of, and not a mouthpiece of, the national government. (For example, one time Cayetano Paderanga defended me from a displeased Malacanang over my comments that some newspapers framed as criticism against the administration.) The Institute's independence and objective analysis meant that both the administration and the opposition officials would seek out PIDS studies and views. At the same time, because PIDS is a government agency, and indeed the Institute's president attends the NEDA officials meeting, PIDS has a front seat knowledge and understanding of the current and future policy and developmental concerns and considerations of the government. Moreover, in view of the government's murky policy on the use of government funds by the private/nongovernment sector, PIDS has been a go-to institution to undertake studies with funding from government agencies and at times foreign donor community. The solid political support of NEDA and even of other agencies such as DBM for an independent and objective PIDS has been an important factor behind the Institute's success and longevity.

The essay of Danilo Israel points to another key factor behind PIDS' success story; specifically, its passionate staff and corporate culture. During my time, it was common for the research staff as well as the publications/public affairs group and even the administrative staff to work very long hours and even weekends in order to get things done. There were little complaints about such work arrangements; indeed, camaraderie was the norm. The essay of Danny Israel shows that PIDS remains the home of people passionate about their work and with good camaraderie among them. PIDS was, and still is, a preferred institution by researchers to work for. As a result, PIDS had, and still does have, the privilege of picking some of the best and most promising graduates primarily from the University of the Philippines School of Economics who are interested in research and postgraduate studies. It is no wonder that PIDS alumni have succeeded very well after their PIDS' stint in part because they are well chosen to begin with and in part because of the learning, training, and demanding work environment at PIDS.

The essay of Josef Yap suggests another important factor: deep engagement and leadership in the regional arena on development, integration, and policy issues. PIDS has been an important part of a number of research and policy networks in the region. Jop enumerates a number of them in his essay: APEC Study Center Network, Network of East Asian Think Tanks, East Asian Development Network (EADN), East Asian Institutes Forum, Asia Pacific Research and Training Network on Trade, and the Economic Research Institute for ASEAN and East Asia Research Institutes Network (ERIA RIN). Being an original member of the Global Development Network, PIDS also hosted the secretariat of the EADN for a number of years since the mid-2010. PIDS has also been one of the most important partners of ERIA in the ERIA RIN and in the various research initiatives that ERIA has been undertaking on ASEAN and East Asia. Such is a reflection of the leadership that PIDS has been able to hold in the region's research community.

PIDS' deep involvement and leadership in the region's various research networks is indicative of, and strengthens further, the human and organizational quality of the Institute. Clearly, leadership and deep involvement in the region demands highly capable and respected research fellows and highly effective research support, which PIDS is blessed with. At the same time, research networks allow for joint learning and for PIDS staff to understand better the rest of the region. As the Philippines becomes more open and more integrated with the rest of the region, the deeper knowledge of the PIDS researchers of the region allows them to give more well-considered analysis and advice for the country's policymakers. In addition, as in the case of establishment of the ASEAN Economic Community (AEC) in 2015, PIDS was able to use its studies under the ERIA RIN and research initiatives to provide the Philippine public well thought out information and analysis on the implications and challenges of AEC on the Philippines during a number of symposia and seminars held in the country in 2015. All of the above has meant increased visibility and credibility of PIDS to the policymakers, the private sector, and the general public.

PIDS, a national resource, and the more demanding research environment

PIDS has become the go-to research institution for the government on policy issues, clearly a well-established pillar in the area of policy research, and the demands on PIDS would likely increase further.

Deeper economic integration in the region entails greater focus on behind-the-border regulations, procedures, and institutions to address barriers to trade and investment, improve governance, and engender greater regulatory convergence in the region, the AEC 2025 Blueprint is a prime example for this. In addition, the lessons of Brexit and the Trump electoral victory highlight the importance of inclusive growth as critical component of the drive for deeper economic integration.

The demands of better regulation and the need for greater inclusiveness are happening during a period of fast-changing technology. Technological developments are reshaping the worlds of work and consumption, impacting on the structure of the economy and the natures of domestic and international trade. This is likely more challenging for PIDS and other research institutions because regulations and procedures are more specific, and balancing the societal benefits of regulations and the costs to the private sector and the rest that are regulated is not easy. More than ever, inclusiveness requires greater cooperation of the private business sector and the specific regulatory agencies to determine the reasonable balance while, at the same time, being aware of the experiences of other countries. Similarly, the inclusiveness issue demands that greater attention should be made on complementarity of policies and programs or the design and implementation of a package of complementary policies and programs which may differ depending on circumstances and even on areas or groups of people.

Additionally, the impact of the new industrial revolution on small and medium enterprises of varying sectors and competitiveness and on the labor force of varying skills requires in-depth and extensive research. Clearly, the research approach may have to be more microlevel and microeconometric, which is inherently more data demanding as well as requiring more extensive (and intensive) consultations with wider groups of stakeholders. In principle, this means that research becomes more expensive and more time consuming.

The discussion above is only a glimpse of what promises to be a more demanding research environment in the future for PIDS. More than ever, PIDS would need to beef up its analytic and econometric/modeling skills. More than ever, PIDS would need to convince the national government to undertake more detailed surveys and questionnaires in order to generate the needed data for in-depth analysis for policy. More than ever, PIDS would need to engage the private business sector in its research program as it is the business sector that has much more intimate knowledge of regulations and technological changes and their impact on their operations. More than ever, PIDS would need to tap and harness the analytic and methodological skills of the academic sector in order to adequately examine, and draw policy insights on, the impact of all the changes currently happening and expected to happen in the international and regional economic and technological environments.

While this may seem like a huge undertaking, if PIDS succeeds in addressing the more challenging research issues, the Institute effectively would move up further in its capability and standing nationally, regionally, and globally.

Is PIDS up to it? Interestingly, as the PIDS pioneers retire, PIDS is increasingly shaped by the next generation of PIDS researchers and officials. In a world of fast-changing technological environment and much more challenging economic and policy imperatives, PIDS at 40 could either be moving into a “mid-life crisis” or into a reinvention of itself to make it ever more relevant, ever more insightful, ever more credible, ever more forward looking, and ever more useful institution and resource for the Philippines (and increasingly, the region). This may call for some institutional improvements, some of them indicated in Danny Israel's essay. But given the continuing strong political support of the government, its attractive work and corporate environment, and its passionate researchers and officials, I am very optimistic that PIDS would continue to grow and become an even stronger national resource for the country.

Chapter 5

Financial Sector Reforms in the Philippines: A Story

Mario B. Lamberte

"A story only matters, I suspect,
to the extent that the people
in the story change."

Neil Gaiman, The Ocean at the End of the Lane (2013)

A cautious introduction

Dr. Gilberto Llanto, current president of the Philippine Institute for Development Studies (PIDS), has invited me and other past and present senior research fellows to write on our actual experiences on policy reform during our stint with PIDS. The idea is to leave "some sort of 'legacy' to the young researchers at PIDS, including young fellows, in terms of our collective and individual experiences, successful or not, in policy reform. The objective is to 'educate' them on how policy research can create societal impact."

This paper is definitely different from previous exercises in which third parties like Professors Gustav Ranis and Florian Alburo investigated the effectiveness and policy impacts of PIDS research outputs and, based on the findings, recommended corrective measures. This exercise requires the exposition of information mostly, if not solely, coming from the researchers themselves. This presents several problems to me.

First, when I presented my studies to the public in various fora and media, I was then too young to value the accurate recording of their contributions to policy reforms and societal impacts. Now, I am too old to remember them and too lazy to sort them out for accurate attribution. Thus, I must admit at the outset that readers might point out that some of my claims in this paper are inaccurate or overstatement of what truly happened. Senior citizens always face such risk.

Second, as had been emphasized by the late Professor Amado Castro in our economic history class, *historia non facit saltus*.[1] Seen in the context of this paper, my experience with a particular policy reform is a result of accumulation of experiences in proposing such reform, oftentimes building on my earlier research works as well as those of others. This is one luxury I enjoyed in my work because the wheels of policy reform move to the beat of *despacito*.

Third, I feel uncomfortable being prompted to leave a "legacy" to the young researchers at PIDS. The reason is that it looks like I will be passing on to them a Pentium computer when, in fact, they are already accustomed to using high-speed Core i7 computer with much better graphics and larger RAM and internal hard disk memory capacities. In other words, the young are currently dealing with more sophisticated issues, institutions, and policymaking processes, and they are already better equipped, in terms of theory, methodologies, technology, and social network, to address them. Thus, past experiences may no longer be a useful guide to them. In fact, this is the time for me to take a back seat and listen to their brilliant ideas and well-varnished accomplishments.

Lastly, I am used to writing analytical papers, anchoring major statements on hard facts. Unfortunately, the paper we are asked to write is completely different from it. Writing our actual experiences on policy reform somewhat places me in a situation in which I am the defendant, the complainant, the witness, and the judge all at the same time. What aggravated this situation is that my effort to provide evidence to my claims was undermined by the loss of several documents due to shifting of word processor—from typewritten notes, to WordStar, to WordPerfect, then finally to MS Word—and rodents. This is definitely not an appropriate "legacy" to be passed on to the young researchers.

However, to comply with Dr. Llanto's request and, at the same time, circumvent the problems mentioned above, I prefer to tell stories like my late father used to do to put us to sleep. Thus, to be clear to everyone, this is not about leaving a "legacy" but rather telling several *urban legends*. As described in Wikipedia, "legends can be used for entertainment purposes, as well as semiserious explanations for random events such as disappearances and strange objects." I share these stories of my experiences in policy reforms and how these random events shaped my career at PIDS and even beyond. These stories may be read independently of one another, but putting everything together, it tells the bigger story about how reforms in the financial sector came about.

[1] In English, "history makes no leap".

The legend of the mouse and the elephant: Financial sector research and reforms

When noneconomists asked me to describe the financial system, I told them that it is like an airline industry, a service industry. Its main task is to move people and goods from one point to another point, within and across a country's border, utilizing the airways. It has policymaking and regulatory bodies, hard infrastructure like runways and terminals, soft infrastructure like computer software, and all kinds of airplanes.

A developing economy's financial system usually starts flying with a single-engine airplane; that is, the credit market dominated by banks. As it develops, then it starts using a larger single-engine airplane so that it can service more routes and transport more passengers (customers and banking services). The economy at this point is still bank based. Finally, the economy's financial system acquires a twin-engine airplane powered by the credit market on one wing and the securities market on the other wing.

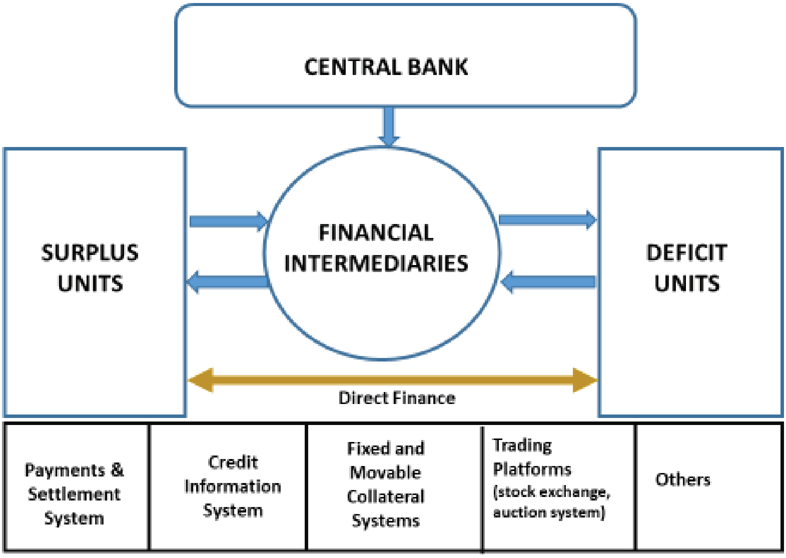
Asia's financial systems, including that of Japan's, are still heavily bank based, but there are efforts to develop securities markets in these countries (Lamberte 2003a). Although Eurozone's financial systems are pretty developed, their securities markets still lag behind that of America, which has the most sophisticated and developed credit and securities market in the world.

An important element in the development of the domestic securities markets is the existence of risk-free assets of various maturities that are issued at regular intervals by the government. A deep and liquid securities market contributes to the stability of the financial system and boosts central bank's open market operation.

To better tell my story, I will now revert to the usual way of describing a financial system. In my story book, chronology of the events is less important than the events themselves. Using the map of the financial system (Figure 1) as a guide, readers can locate all the events happening in one place at various times as I tell the story.

The central bank conducts both monetary and banking policies as well as supervises and regulates financial intermediaries involved in indirect finance. Direct finance refers to the securities markets which are supervised by the Securities and Exchange Commission (not shown) and informal credit markets. Facilitating the transactions in various financial markets is the financial

Figure 1. Financial system: A tourist guide



Source: Author's rendition

infrastructure system which consists of several subsystems.[2] This is almost the same map I showed to the late Senator Raul Roco and to the senators in a workshop held in Tagaytay when they asked me and other resource persons including Gabriel Singson[3] to help them draw up a legislative agenda to strengthen the country's financial system.

In the first few weeks of his term, President Fidel Ramos made it clear to the general public that he intended to reform the country's financial system to make it competitive with at least our Asian neighbors. It was so glaring to the senators that a massive overhaul of laws governing the financial system would be a humongous task. I told them that for the next six years, there is a need to put high priority to reforming the central bank considering its primary role in conducting monetary and banking policies. Next in this sequence of reform

[2] The insurance system, which is supervised by the Insurance Commission, is not explicitly shown in the map but insurance companies mobilize funds from surplus units and deposit a portion of them in banks and purchase securities.

[3] During this time, Mr. Singson was the president of the Philippine National Bank, but eventually, he will become the first governor of the Bangko Sentral ng Pilipinas from 1993 to 1996.

is the overhauling of the country's banking system, followed by reform of the securities market. The reason for this sequencing is that like many developing economies, the Philippines' financial system will largely be bank based, at least for the next two decades. However, improvements on financial infrastructure should proceed as I thought all of them could be done administratively by the concerned regulatory authorities, which later on I found out to be wrong.

Looking at the map, I must say with much bravado that I am very lucky to have accidentally specialized in money and banking for two reasons.[4] One is that a specialist in money and banking has to be conversant with both macro and microeconomic theories, policies, and institutions. Moving up and down these two branches in economics provides much excitement in my research work as well as in my dealing with policymakers and practitioners in this area. I feel like a mouse madly in love with an elephant. The other reason is that domestic financial systems are prone to crisis, caused by inappropriate monetary policy, bad banking policy, and weak supervisory and regulatory regime, severe real sector disruption, or a combination of these factors. Unlike the failure of a company, the failure of one domestic bank, especially a systematically important one, can quickly be transmitted to other banks through the interbank market and payments system, resulting in "local contagion". Sometimes, this problem can be magnified by inappropriate response or inaction by the supervisory authorities either due to lack of capacity or absence of a well-structured crisis resolution framework and mechanisms. The reason for being so concerned with financial crisis is well articulated in Gupta and Miniane (2012, p. 86):

> "In the past, recessions accompanied by a financial stress—notably, stress in domestic banking sectors—have been substantially longer and deeper than the norm. The fall in credit deprives corporations of working capital and households of the means to smooth consumption, greatly exacerbating the downturn that may have been underway."

A stable domestic financial system can sometimes be shocked by crisis emanating elsewhere, as happened during the Asian financial crisis and most recently, the subprime financial crisis of America that eventually morphed into the global economic crisis. This is because as domestic financial systems become more integrated with the global financial system, they are highly vulnerable to

[4] I said "accidentally" because originally, I wanted to specialize in agricultural and human resource development.

"global contagion".[5] Thus, the money and financial sector policy area never runs out of interesting topics to study and debate on, often resulting in changes in monetary theory, supervisory and regulatory framework, financial institutions, and crisis resolution approaches.

Since the time I started doing policy-oriented studies until to this present day, the path I traveled is littered with financial crises, with so many dead banks lying on the side of the streets. And this includes the Central Bank of the Philippines (CBP) which has been converted into the Central Bank Board of Liquidators (CB-BOL). The major crises include the 1981 liquidity or Dewey Dee crisis, the 1983–1984 balance-of-payments crisis, the 1997–1998 East Asian financial crisis, and the 2008–2009 global financial crisis. In the aftermath of the 1997–1998 crisis, we did try to suggest measures to prevent the occurrence of such crisis again in the future (Lamberte 2001).

But looking at these crises today, I have observed that they have no similarities among each other at all in terms of origin, character, and depth and length of the effects, which probably has made it difficult for policymakers to anticipate and quickly resolve them decisively. Indeed, this has hampered the job of our financial system to deepen financial intermediation in a consistent manner as shown in Figure 2. To put it bluntly, the financial system is always chaotic, but as Littlefinger of the Game of Thrones said, "Chaos is a ladder."[6]

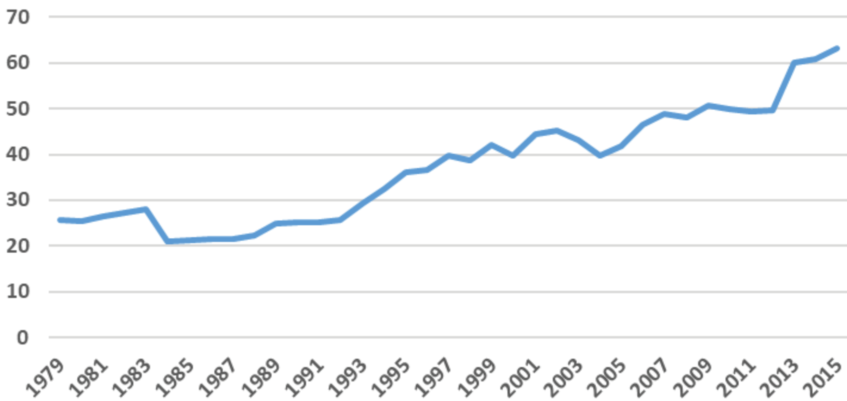
Finally, the impact of the change in monetary policy on the ultimate target is not straightforward. Take for example the transmission mechanism of monetary policy shown in Figure 3. The authorities have to unlock so many black boxes before they can state the impact of their measures with great confidence. That is why even the precise impact of quantitative easing deployed by United States, United Kingdom, Eurozone, and Japanese monetary authorities has been debated until today since it was deployed in the 2007–2008 global economic crisis. But the more we disagree, the more we have to do research.

The legend of the Bangko Sentral ng Pilipinas

The impetus for reforming the country's central bank arose from three factors. First, many countries conferred legal independence to their central banks and

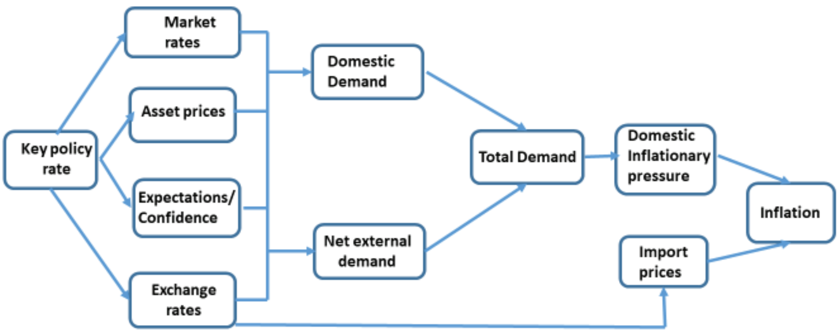
[5] Kawai et al. (2012) discussed how the global financial crisis hit Asian economies via three main channels—direct financial impacts, exports, and foreign exchange rate movements.
[6] This reminds us of Minsky's financial instability hypothesis (1992).

Figure 2. Financial intermediation indicator: Ratio of M3 to GDP (in %)



GDP = gross domestic product
Source: For M3, Bangko Sentral ng Pilipinas (n.d.) (http://www.bsp.gov.ph/statistics/efs_fsa1.asp); for GDP, Philippine Statistics Authority (various years)

Figure 3. Transmission mechanism of monetary policy



Source: Lamberte (2003b)

appeared to be more successful in taming inflation than those that were not formally independent. Second, rapid financial innovation had undermined the central bank's control over its intermediate targets, resulting in the weakening of the effectiveness of monetary policy. Third, which is peculiar to the Philippine case, our central bank accumulated huge losses in its operation, reaching a point of insolvency; that is, it can service its liabilities through accelerating inflation. The sources of these losses are discussed in Lamberte (2003b).

My studies examined the relationship between economic activity and monetary aggregates as intermediate target of monetary policy, and controllability of these monetary aggregates by the CBP. My research found that broader monetary aggregates can predict better future economic activity than narrowly defined monetary aggregates monitored by the CBP (Lamberte 1984a). I also found that the CBP had less control over these broader monetary aggregates (Lamberte 1984b). This suggested the need for CBP to revise the way it conducts monetary policy.

Examining the evolution of financial policies from the 1950s to the mid-1980s, I saw that the financial liberalization efforts failed to produce the desired results for two major reasons. First was that the period of financial liberalization was accompanied by the proliferation of special rediscount windows, thereby nullifying CBP's selectiveness of its selective credit program. Second, the CBP had been financing a significant portion of the growing fiscal sector deficit. Both had indubitably contributed inflationary pressure in the 1980s, and price instability impairs financial intermediation.

> "So, to help bring down inflation, fiscal discipline must be instilled. Or at the minimum, the Central Bank should not be called upon to finance budget deficits. But this is a tall order in a setting wherein the Central Bank is not entirely independent from the fiscal sector. Perhaps, it is high time to have a Central Bank completely independent from the fiscal sector. On one hand, the fiscal sector will be forced to be extra careful in managing its budget deficits. On the other hand, the Central Bank can pursue its task of stabilizing the economy more effectively" (Lamberte 1985, p. 73–74).

The opportunity to pursue an independent central bank came when the Cory Aquino government assumed power. The proposal to establish an independent central bank was first formally put forward in the PIDS report, Economic Recovery and Long-Run Growth: Agenda for Reforms (1986).[7] The report recommended, among others, the composition of the monetary board dominated by the private sector, and this found its way into the final draft of the Philippine Constitution.[8]

[7] As far as I know, this "Yellow Report" is the most widely disseminated PIDS report, with Dr. Florian Alburo leading a team of about 80 social scientists including, among others, PIDS research fellows, Dr. Edita Tan, Dr. Mahar Mangahas, Dr. Benjamin Diokno, Dr. Manuel Montes. The report was presented in various fora organized by PIDS and the National Economic and Development Authority (NEDA) in almost all the country's regions.

[8] As far as I could recall, Professors Jose Encarnacion and Edita Tan were invited by the Constitutional Commission to testify on the provision regarding the independence of the central bank.

I thought our job was completed when the final draft of the Constitution was ratified by a nationwide plebiscite on February 2, 1987, but I was wrong.

The task of preparing a bill creating an independent monetary authority was given to Senator Alberto Romulo, being the chairman of the Senate Committee on Banks, Financial Institutions, and Currencies. He tapped the assistance of Dr. Benjamin Diokno, who was then undersecretary of the Department of Budget and Management (DBM), to organize a team of economists, including, among others, Dr. Dante Canlas, Dr. Cayetano Paderanga, Dr. Gilberto Llanto, and me to draft a bill. The team had a preliminary meeting at Senator Romulo's house, followed by another meeting, to discuss some issues that should be incorporated in the bill to ensure independence of the central bank. I lost my notes in these meetings, but as far as I could recall, below were the major agreements of the team.

1. The bill should propose a new, independent central bank with fiscal and administrative autonomy.
2. The new central bank should have a clean balance sheet and be adequately capitalized.
3. The bill should have a provision preventing the new central bank from using policy instruments that can lead to an undue accumulation of losses.
4. The new Central Bank must have a clear, transparent objective with measurable target—focusing on price stability, be market oriented, particularly in its exchange rate and interest rate policy; and do away with its development function.
5. The composition of the board should reflect the Constitution's provision. A great majority should come from the private sector with a fixed term on a full-time basis. These individuals may come from various sectors but once appointed to the monetary board, they should not represent their respective sectors anymore.
6. The governing body should adopt a structure similar to that of private corporation. The chairman should be the head of the policymaking monetary board and the president is the chief executive officer appointed by the board.

The task of preparing the first draft of the bill fell on me and Dr. Llanto, maybe because we were the most junior economists in the group and also were conducting studies on issues related to monetary policies and banking policies and regulation. We worked on the draft bill using Republic Act (RA) 265 as amended, sometimes at Dr. Diokno's office at DBM and other times at PIDS.

About the time when we started working on the draft bill, inflation targeting had become increasingly popular among central bankers.[9]

The first rough draft was discussed several times in team meetings either at Senator Romulo's office or at his house sometimes with his presence. Senator Romulo also referred the first draft bill to a team of lawyers to ensure it follows the form and language of a draft legislative document.

The revised draft came to us with many improvements, but we did not like the addition of several provisions that gave the central bank so much responsibility for consumer protection. Our view was that consumer protection must be shared with other financial regulators such as the Securities and Exchange Commission, Insurance Commission, and the regulatory agency for cooperatives.

After making several revisions of the draft, Senator Romulo finally filed the bill in the Senate. We learned that the House of Representatives (HOR) had similar efforts, but their bill only sought to amend RA 265, as amended, instead of proposing a new central bank charter. Except for a few public hearings, nothing much had happened to the two bills because the Cory government put high priority to the restoration of democratic institutions and was busy quelling several coup attempts.

Atty. Raul Roco, newly elected senator, became chairman of the Senate Committee on Banks, Financial Institutions, and Currencies and quickly worked on the bills passed on to him by Senator Romulo. He asked his brother, Cho Roco, who was at that time a local staff of United States Agency for International Development (USAID), to help him identify economists who could assist him in cleaning up the draft bills. Being familiar with PIDS and having attended some meetings of the USAID-funded Comparative Bank Study, Cho suggested to him to contact me. The call came in a day before Christmas at my PIDS office. The first question he asked me was how old I was at that time, followed by a question whether I am familiar with the Romulo draft bill. He was happy to learn that I helped draft that bill, but did not make a comment on my age. Then, he invited me to join a technical committee composed of senior experts in the financial

[9] I contacted my friend, Steve Grenville, deputy governor of the Federal Reserve Bank of Australia, for any published and unpublished articles on central bank independence and inflation targeting. He immediately replied that the governor of the Federal Reserve Bank of New Zealand was the first known central banker which specified the inflation target. Dr. Eli Remolona who visited the Philippines attended a meeting and also mentioned inflation targeting in New Zealand. Experiences of inflation-targeting countries are discussed in detail in Bernanke et al. (1999).

sector. He agreed to my request that I would bring along with me my colleague, Dr. Llanto, to the technical committee meetings.

The following month, Senator Roco's office called Dr. Llanto and myself to a meeting at his office. I thought it was the first meeting of the technical committee, but it turned out that he wanted to talk with us first about the draft bill before calling a technical committee meeting. The first thing he said was that he preferred to have a bill merely amending RA 265 just like the HOR version. We explained and tried to convince him the necessity of having a bill creating a new central bank. The new central bank will be free from the baggage of the old central bank, be independent from the executive, be market oriented, has highly focused objective and therefore much easier to assess its performance, and can hire the best and the brightest minds in the country as it would be exempted from the salary standardization. He was not fully convinced with our arguments but promised to use the draft for the subsequent technical meetings.

The first technical meeting was attended by many, and among them were then Philippine National Bank President Mr. Gabriel Singson, Atty. Regalado who was deputy governor of CBP for legal affairs, junior officials of the CBP, academics from various institutions, and senior staff from Senator Roco's office. Subsequent committee meetings followed, but the number of participants varied every meeting. Atty. Fe Barin, who had been the Monetary Board's secretary for a very long time and had the institutional memory of the CBP, later attended some of the technical committee meetings to shed light on some provisions of the old law.[10]

The first issue Senator Roco raised to the technical committee was whether the Senate bill should propose an entirely new central bank or just introduce some amendments to RA 265. He asked me to explain to the committee our arguments for proposing a new central bank. Mr. Singson added that it might mean a lot to newly elected President Ramos if his administration were associated with the creation of the new central bank. The short of it is that the attendees in that technical committee were all inclined to establish a new central bank with fiscal and administrative autonomy to ensure its independence.

The second issue was the objective of the proposed new central bank, which as far as I could recall was discussed by the technical committee in several meetings. Our draft had just one sentence for the central bank's objective: **to maintain price stability**. However, others in the technical committee proposed

[10] The HOR was also diligently working on their bill, but I had less knowledge of the details because I concentrated on providing assistance to Senator Roco.

additional objectives including, among others, economic growth, preservation of the value of the peso, raising employment, which in essence were similar to that of the old central bank. We argued that the central bank usually has much larger influence on price stability than other economic variables, but price stability can provide better environment for investment and economic growth. Of course, the central bank can fix the exchange rate, but it by no means can preserve the value of the local currency as happened in the past when the central bank was running down its international reserves to defend the peso. Also, it would be inconsistent with a market-oriented central bank and the objective of price stability. Finally, the multiple objectives that include those that the central bank cannot have substantial influence, would make the central bank less accountable for its performance and could lose its independence. The result was a compromise, making price stability the *primary* objective.[11]

Having been in the board of some corporations including San Miguel Corporation, Senator Roco was intrigued by our proposal to separate the policymaking body from the executive staff of the central bank. While the members of the Monetary Board have fixed terms, the president's tenure would depend on the board's assessment of his/her performance. However, this was met with stiff resistance from Mr. Singson and his former colleagues at the CBP. Also at that time, there was an ugly incident in which the chairman of the board and the president of a government-owned corporation were quarreling, making the corporation almost dysfunctional. Thus, members of the team including Senator Roco himself were convinced to maintain a governing structure for the central bank similar to the old central bank and other central banks, but with fixed terms for the Monetary Board members. We suggested that the appointments of members of the board be confirmed by the Senate to provide check and balance. With public hearings, the public can be assured that the country would get the most competent and impartial people with unquestionable integrity in the Monetary Board. We failed to convince the technical committee on this matter.

Ultimately, there were many agreements on pressing issues: switching money supply to monetary aggregates, exempting the new central bank from the salary standardization law, excluding provisions of RA 265 that led to central bank losses, prohibiting the new central bank from engaging in development banking or financing, and including an indemnification clause so that central

[11] In one of the PIDS functions, Professor Encarnacion confronted me for agreeing to having multiple objectives of the new central bank. I told him that we actually devised a lexicographic ordering preference function for the new central bank, with price stability as the first in the order.

bank staff can be given the best legal assistance when they are brought to court by banks. Central bank's supervision and regulation of banks and quasi-banks was likewise strengthened.

The public hearings conducted by Senator Roco's committee after the filing of the bill at the Senate had further sharpened several provisions of the bill. Then CBP Governor Jose Cuisia appeared in several public hearings, supporting the creation of the new central bank with clean balance sheets and adequate capitalization. Other academics and practitioners also made their views heard. I attended most of the Senate public hearings on the bill and Senate sessions to debate on the bill.[12]

In drafting the bill, Senator Roco was methodical and very meticulous. The need and proper location of every comma and semicolon must be justified.[13] He did not accept one's argument unless it was clear to his mind, so convincing and coherent with the other provisions of the bill. The other side of it was that it gave me ample opportunities to explain to him some key economic concepts, such as monetary aggregates, open market operation, consumer price index, and price stability, and the misconception that artificially keeping the value of the peso relative to United States dollars strong is always good for the country's economy and economic independence.

Five years since the initial bill was filed, the new central bank bills were finally passed by both houses, refined by the conference committee and signed by President Ramos as RA 7653 on June 14, 1993 that created the Bangko Sentral ng Pilipinas (BSP).

At this point, I thought my job in this measure was finally over, but, again, I was wrong. Senator Roco called me to his office one afternoon and requested me to continue helping him with a task which should take no more than 90 days. The task involved a provision in RA 7653 that mandated the constitution of the "Committee of Seven",[14] whose task was to determine the assets and liabilities of the CBP to be transferred to or assumed by the BSP. He knew I would not refuse his request, so he immediately handed me a document signed by Senate

[12] Senate sessions usually started at 3:00 p.m. and sometimes ended at 11:00 p.m. At least five bills were calendared in each session for debate, but sometimes, not all of them were taken up. I sat near the podium where Senator Roco stood during interpellation so that I could easily pass a note to him whenever he needed some help to respond to an interpellation.

[13] This reminded me of a recent case in which the judge in a labor dispute decided in favor of the labor union due to the absence of the Oxford comma (see http://edition.cnn.com/2017/03/15/health/oxford-comma-maine-court-case-trnd/index.html).

[14] This was composed of three members from the newly constituted Monetary Board, secretary of Finance, secretary of the DBM, and chairmen of the Committees on Banks of the Senate and HOR.

President Edgardo Angara officially designating me as "alternate" member of the Committee of Seven representing the Senate. He told me to attend all the meetings of the committee and represent him in the table when he could not attend the meeting. HOR did the same and designated Romulo Neri as their "alternate" representative.

The first thing the committee did was to agree on the criteria[15] for determining assets and liabilities that should be transferred to the BSP and retained by the CBP, which would be converted into the CB-BOL. Under the leadership of BSP Governor Singson, the accounting unit prepared all the necessary documents, including the reappraisal of real properties before submitting the documents to the committee.[16] I thought the job of the committee was straightforward, but it turned to be what I called the horror story of my career. The scene was like a judgement day: The committee sitting on the table, interviewing a long line of applicants, some of whom are people in good health, others with deteriorating health conditions, and the rest are simply zombies. The committee did a very thorough job of scrutinizing each item and debating on the merit of transferring an item to the BSP based on the approved criteria earlier agreed upon.[17] In fact, the committee completed its task in the evening of the 90th day. They passed a resolution indicating in several annexes the assets and liabilities that should be transferred to the BSP and retained by the CBP, thus, providing the former with a clean balance sheet.

The legend about banking sector reform

My interest in banking policies and regulation started when I was writing my PhD dissertation under the guidance of Dr. Tan. At that time, she was writing the

[15] One of the criteria was that the asset or liability must be consistent with the BSP's functions.

[16] One morning, NEDA Director-General (DG) Cielito Habito called me up complaining that he received a letter from BSP stating that it had increased the rental for the land where the NEDA building is situated. He asked me to help him persuade the governor to retain the rental fee because their budget for the year could not accommodate the payment of a higher rental fee. That was the first time I learned that the central bank owns the land where NEDA's building is situated. The following day, before the committee meeting, I talked to Senator Roco and told him DG Habito's predicament. We were in agreement that such property has nothing to do with BSP's functions and therefore should be transferred to the national government. He discussed it privately with Governor Singson before the meeting to ensure that the latter would not raise any objection when such asset would be discussed by the committee.

[17] There were instances in which a member of the committee sought an explanation from the BSP staff why a particular liability was assumed by the CBP.

PIDS paper, The Structure and Growth of the Philippine Financial Market and Its Major Components (1981). My paper aimed to fill up one aspect of her paper, to provide an analysis of the behavior of Philippine banks. When her project ran out of funds, she asked the PIDS President Dr. Filologo Pante Jr. to fund my study. I was asked to go to PIDS and to fill up a form, which I thought an application for funding. But a week later, Dr. Pante's secretary called me up and asked me to report to the office for work, my job was mainly to finish my dissertation!

The Philippines just introduced some reforms to improve competitiveness of the banking sector by allowing banks to go into universal banking and encouraging them to engage more on term transformation. When I did the survey of literature on bank behavior, I found that the two leading approaches were inadequate to simultaneously deal with the issues of determining the optimal mix of assets and liabilities and the scale and operation of banks producing several products. Thus, I developed an approach to analyzing bank behavior drawing on the emerging literature about multiproduct firms and duality theory to verify the existence of economies of scale and scope in the banking sector. Aside from throwing light on the issue of universal banking and bank consolidation, the results of the study also helped in understanding the role of bank behavior and monetary policies in determining money supply and a strong argument for setting the central bank's rediscount rate at levels competitive with the money market rates. Friends from the banking community pointed out to me that I missed in my model one important financial product of banks, off-balance sheet items, which is also called contingent liabilities. These products provided additional income to banks but also exposed them to greater risk.[18] This was important in light of the newly introduced Basel I[19] that proposed to include off-balance sheet items to come up with risk-weighted assets for calculating the capital adequacy ratio of a bank.

The research agenda I developed attempted to push forward the work initiated by Dr. Tan with focus on analyzing certain markets and competitiveness of various financial institutions. Studies on money markets were continued because of its role in implementing the central bank's open market operation and in providing liquidity to firms and reference rates for other instruments. Professor Victoria Licuanan, who was at the forefront of developing the money markets while she was working at Bancom, wrote a paper (1986) that reexamined the role of money market in the financial system by looking at its implications on

[18] This issue was later taken up in Zingapan et al. (1990).
[19] Basel I is a set of minimum capital requirements for banks established in 1988 that was determined by a round of deliberations by central bankers from around the world.

stability of commercial banks and quasi banks when both consider money market as almost exclusively an intermediation market. Yap et al. (1995) attempted to relate the policies of the central bank to the money market and found that macroeconomic policy had created inefficiencies in the financial system, in general, and the money market, in particular.[20]

This study marked the beginning of PIDS' collaboration with the Technical Board of Agricultural Credit (TBAC), which later became the Agricultural Credit Policy Council (ACPC).[21] The research would examine the role of financial markets and financial institutions in alleviating poverty, paying special attention to rural finance beginning with a review of literature (Lamberte and Lim 1987).

One of the issues raised in the study was what to do with the massive failure of the rural banks in the aftermath of the 1984–1985 economic crisis. Instead of the usual general rural bank rehabilitation approach of the CBP, the study proposed a selective rehabilitation policy. The CBP created the Rural Bank Review and Rehabilitation Committee,[22] spearheaded by Dr. V. Bruce Tolentino, and carried out the selective rehabilitation policy. The key criterion for rehabilitating rural banks was paid-in capital, which was raised in stages, thereby forcing rural banks to infuse more money into their banks. This policy pared down the number of rural banks by half to around 600. Most of the remaining strong rural banks subsequently opened up branches which were liberalized by the CBP.

With funding obtained from USAID, PIDS in collaboration with TBAC, and the Ohio State University (OSU),[23] I initiated the Comparative Bank Study project to examine the comparative performance of rural banks and branches of private commercial banks as they were impacted by existing banking policies, and the Savings Mobilization Study project to focus on savings mobilization in rural sector. Both research projects completed a total of 18 research papers. The paper by Lamberte and Relampagos (1989) was presented in a public hearing chaired by the late Senator Vicente Paterno to discuss the policy on deposit retention scheme.

[20] Since this study was part of a larger study on Asian money markets, the PIDS research team gained more insights on how money markets worked in other Asian economies and experience in working with well-known economists like James S. Duesenberry and David Cole of the Harvard Institute for International Development.

[21] Bruce Tolentino was ACPC's first executive director with Gilberto Llanto as deputy executive director.

[22] My involvement in that committee was purely advisory in nature.

[23] The project also provided funding opportunities for graduate students. Five completed their MA degrees in economics, and two of the five MA degree holders pursued their doctoral studies in economics at OSU with funding coming from the same project.

Based on the results of the study, we recommended to (1) remove the deposit retention scheme, (2) liberalize branching policy to attract more banks to expand their rural banking services, and (3) allow rural banks to lend their surplus funds to deficit banks in other areas.[24] These proposals ran counter to what some people wanted in that public hearing, which was to compel banks to lend all the deposits mobilized in a particular town or city to borrowers in the same area. Senator Paterno came up with a compromise, which was to reduce the deposit retention scheme from 75 to 50 percent and broaden the definition of locality into a region.

The two research projects also examined the role of credit unions in mobilizing savings and allocating credit in rural areas (Lamberte et al. 1990). The other papers dealing with transactions costs, credit rationing and the cost of credit under a deregulated environment, and savings mobilization[25] addressed banking policies that needed to be fine-tuned to improve the efficiency and development of the rural financial markets. These proved to be important basic materials for my contribution to reforming banking policies and regulations.

The legend of how foreign banks entered the Philippines

Despite what had been achieved, more reform measures were needed. Senator Roco reminded us that President Ramos was serious about opening up the banking system to new foreign banks to improve the competitiveness of the banking system. Unfortunately, that would require the overhauling of the existing General Banking Act, which might not be completed during President Ramos' term. We then considered coming up with a law solely to liberalize the entry of new foreign banks. This could be quickly completed and better facilitate the passage of the new general banking act.

Senator Roco requested me to study the General Banking Act and come up with a draft outline of the bill. There were several issues at stake that were hotly debated, major ones were: (1) modes of entry, (2) equal treatment of banks, (3) capital requirements for branches of foreign banks, (4) number of foreign branches of foreign banks, (5) market access, and (6) criteria for approving entry of foreign banks.

Before discussing the debates that occurred on this bill, let me make a few points. First, my views on liberalizing entry of foreign banks had been

[24] The *Manila Standard* featured our views in its September 29, 1988 edition.
[25] The *Business Star* featured this topic in its December 21, 1989 edition.

initially formed in the paper, Trade in Banking Services: ASEAN Countries (Lamberte 1990), where I discussed the applicability and implications of the Uruguay Round key concepts, principles, and rules (i.e., market access, national treatment, most favored nation, increasing participation of developing countries in international banking, regulatory situation, and safeguards and exceptions, to the banking sector). I argued for the application of a quota system on a nondiscriminatory basis and the policy of "promoting competition *per se* in the markets". Second, Dr. Cesar Saldaña made a presentation regarding criteria for qualifying foreign banks' entry, such as they should be publicly listed in the country of origin and belonging to the top 150 banks in the world to ensure we get world-class banks. He showed in his study that no shareholder among the large, publicly listed banks had more than 5 percent of total shares. Former Central Bank Governor Jose Fernandez also asked whether we would be liberalizing entry of foreign banks under a regime where we have deposit insurance. I could sense that he was concerned about having too much competition in the market that would lead to the collapse of banks whose deposits were insured; this could also happen to the newly licensed foreign banks. Third, Steve Grenville, deputy governor of the Federal Reserve Bank of Australia, suggested that our law should indicate at the outset how many foreign banks should be allowed entry.[26] Fourth, increased competitiveness in both the wholesale and retail banking markets can be achieved.[27] Lastly, foreign banks might come in as minority shareholders of local banks, but may bring substantial capital, technology, and network of customers and financial institutions to enhance the competitiveness of domestic banks.

The dividing line in the debate was very clear: on one side was Bankers Association of the Philippines (BAP) represented by Mr. Rafael Buenaventura and Mr. Octavio Espiritu, and on the other side were branches of foreign banks, business associations, consumer groups, and even labor unions. BAP focused their opposition to the entry of foreign banks and bank branches, including the number of branches they can have. Their argument was that many small

[26] Such provision was absent in Australian law when it was passed, so several foreign banks entered their banking market. To raise their competitiveness, some local banks merged and consolidated. The result was that some newly licensed foreign banks closed shop.

[27] In the course of doing a research on the experience of other countries with regard to the entry of foreign banks, I read an article published by the Reserve Bank of San Francisco that showed how Japanese banks entered California's wholesale banking market and later expanded to the retail banking market. This move allowed Japanese banks to increase competitiveness in both the wholesale and retail banking markets in that state.

commercial banks could be wiped out if foreign banks set up their subsidiaries by underwriting 60 percent of the capital requirement or come in as branches. With respect to branches of foreign banks, they tied up the entry with the definition of capital. The bill addressed this issue by tightening the definition of capital for branches of foreign banks to include permanently assigned capital plus net due to head office, branches, and subsidiaries and offices outside the Philippines, and added the requirement that the permanently assigned capital plus 15 percent of the "net due to" required to comply with the prescribed capital ratios should be inwardly remitted and converted to Philippine currency.

The next issue was whether or not to limit the number of new foreign bank branches to be offered and the number of branches each new entrant and existing foreign bank branches can have. Some senators were open to not putting a limit to the number of foreign bank branches and number of branches each could have, while others proposed at most three new foreign branches with each having three branches. The compromise was to give six new licenses to foreign banks with each having at most six branches. This is not a hard cap on the number of foreign bank entrants because a provision was added that would allow the president to approve additional foreign bank branches upon the recommendation of the BSP. The permanently assigned capital from foreign branches was set at a higher level but each would immediately be allowed to open three branches. They will be required to put up additional permanently assigned capital for each additional branch they open.

There was overwhelming support from both houses of Congress to put a cap on the share of foreign banks in total assets of the banking system. The 70-percent cap was patterned after the corporation for one shareholder to have decisive control of the entity. Although I was pushing for a much lower limit of between 55 percent and 60 percent, I was not worried about that 70-percent cap because when I look at the statistics, assets of the existing four existing foreign banks comprised only about 12 percent of the total. I also surmised that some foreign banks would come in as minority shareholders of domestic banks, which is exactly what has been happening for the last 15 years. Dr. Saldaña's proposed criteria for qualifying banks were generally incorporated, with the exception if the foreign bank is owned by the government of its country of origin. At that time, all large Singaporean banks and some Korean banks were government owned.

The HOR bill was more liberal, but it was the Senate version that was mainly approved by the Conference Committee and signed into law by President Ramos on May 18, 1994.

The legend of the new General Banking Act

Senator Roco's next task was to overhaul the General Banking Act or RA 337. In August 25, 1995, the *Manila Bulletin* reported that BSP Governor Singson has created a high-level commission to review the General Banking Act and attune its provisions to the changing times. He designated Monetary Board Member Manuel Morales as chairman of the commission, to be assisted by "Board Member Iñigo Regalado Jr., Deputy Governor Alberto Reyes, economist Mario Lamberte, and one each from the BAP, Thrift Banks Association of the Philippines and Rural Banks Association of the Philippines, as members." BSP staff provided the secretariat for the commission. The commission had been convened once a week at the BSP until a clean draft was completed toward the end of 1995, which was submitted to both the Senate and HOR for their consideration.

However, very little progress was made in passing the proposed bill because of the forthcoming 1998 presidential election. This delay turned out to be providential because the East Asian financial crisis struck, severely impairing the balance sheets of many domestic banks and even led to the failure of some banks. There was a global movement to strengthen the supervisory and regulatory framework to ensure a safe and sound banking system. Countries hit by the crisis quickly overhauled their banking laws to incorporate new prudential measures. In the Philippines, the discussions on the proposed revision of the general banking law somewhat intensified after the presidential election in 1998.

My role was to recommend and explain to Senator Roco new prudential measures—some of which were also echoed by other quarters—that must be incorporated in the Senate bill, prepare briefing materials, and assist him during the floor debates on the bill.

First, there was a need to shift to risk-based supervision of banks which was the trend at that point a few years after the Basel I regulatory framework issued by the Basel Committee on Bank Supervision. Second, prompt corrective action measures must be institutionalized. Third, authority of the BSP to apply fit and proper rule must be broadened and strengthened. Fourth, the inclusion of two independent directors in the board is a must for banks. During the Senate interpellations, some senators sought clarification on the inclusion of two independent boards and whether we have enough people to really qualify for the position.[28] Fifth, recognition of microfinance lending by banks were stipulated

[28] On the day when some senators raised these issues, Sony Corporation announced the appointment of former President Cory Aquino to its board as an independent member of the board. Senator Roco mentioned this news during the floor deliberation of the proposed new General Banking Act.

in three separate provisions based on proposals coming from the Credit Policy Improvement Program (CPIP).[29] Initially, BSP Governor Singson objected to microfinancing loans because he deemed them too risky and costly for banks and would create difficulty on the part of the BSP if banks present them for rediscounting. I told Senator Roco that other countries like Colombia and Peru have already well-supervised microfinance banks, so there was no reason at all for BSP not being able to do it.

Other provisions recommended by the commission which were aimed at strengthening BSP supervision and regulation of different types of banks including quasi banks were retained in Senator Roco's bill. I recommended the inclusion of provisions in the bill to prevent money laundering using the banking system, but this received overwhelmingly negative feedback from the legislature and the banking sector; it was not included in the bill.[30] President Joseph Estrada signed the General Banking Law on April 12, 2000.

The legend of the new Securities Regulation Code

The drafting of the Securities Regulation Code was running in parallel with the drafting of the General Banking Law, but it was spearheaded by the Capital Market Development Council (CMDC), a public-private sector partnership. I and the Canadian PTTAF-hired consultant assisted the Bureau of the Treasury (BTr) in setting up electronic auction for the origination of government securities. When CMDC completed the draft bill, they sent it to the Senate. I later found out that it went to Senator Gloria Arroyo's Committee on Trade and Industry. I talked to Senator Roco to persuade him to ask Senator Arroyo to transfer the bill to his committee. He was initially reluctant to do it especially since he was busy attending to the general banking bill. But one Saturday morning, I received a call from Senator Roco inviting me to join him for lunch so that we can have initial discussion of the Securities Regulation Code which was just transferred to his committee. He told me that he got excited to work on the bill because being a corporate lawyer, he was familiar with many of the provisions of the proposed bill. He asked me to prepare a briefing material that would contain explanations of certain economic concepts, such as derivatives, asset-backed

[29] Gilberto Llanto, chief of party of the CPIP drafted the three provisions on microfinance.
[30] Senator Roco was not supportive of my recommendation because he thought that it might unduly delay the passage of the new General Banking Law.

securities, commodity futures contracts, etc. He intended to make the Securities and Exchange Commission (SEC) truly independent like the BSP and can hire the best talents by being exempt from the salary standardization law. It would also include an indemnification clause similar to that in the new Central Bank Act.

Senator Roco created an informal technical committee that included top officials from the SEC, stock exchange, brokers association, and investment bankers. Knowing that the DBM would not allow a government agency to be exempted from the salary standardization law if it gets government subsidy, Senator Roco asked me to find out if SEC can be self-sufficient. As usual, I attended most of the deliberations of the bill at the Senate floor. President Estrada signed the Securities Regulation Code on July 19, 2000.

The legend about the government securities market

An important element in the development of the domestic debt securities markets is the existence of risk-free assets of various maturities that are issued at regular intervals by the government. A deep and liquid securities market contributes to the stability of the financial system and boosts central bank's open market operation.

One of the interesting points brought up in Tan's survey of literature (1980) was that it was the CBP exerting much effort to develop the government securities market to enhance support of its open market operation. In fact, it had a Securities Market Department established for this purpose, but despite such initiatives, the government securities market did not take off the ground. One reason was that the government was concerned more about the cost of borrowing rather than the role of its securities in the development of the domestic securities market. The government issued securities intermittently and priced them at below market rates. It added a sweetener by making them reserve eligible, so only banks bought them and held them until maturity. Another reason was that the public was not adequately informed about the existence of government securities as alternative savings instruments, not to mention their lack of access to them even if they wanted to buy them.

Situations had somewhat changed in the mid-1980s when the government began running higher budget deficits, aggravated by the need to finance liabilities of failed entities that were transferred to it. This prompted the government to issue larger volumes of government securities to finance the increasing nominal budget deficits.[31] For instance, Graybill et al. (1994) noted that about PHP 7.5 billion of government securities were auctioned each week in 1991. These auctions were held at the CBP premises, with the CBP as fiscal agent of the government taking the lead.

While we were still drafting Senator Romulo's version of the bill creating a new central bank, I happened to pass by Undersecretary of Finance Romeo Bernardo's office at the CBP and asked him why the CBP is taking the lead in these auctions. His response was clear: RA 265 as amended assigned CBP some fiscal agency functions and CBP has the capacity to perform such tasks. But he quickly added that it could be transferred to the BTr so long as it acquires the capacity to perform such function, particularly in conducting the auction of government securities. The draft new Central Bank bill addressed the first issue by proposing to transfer the fiscal agency functions to the Department of Finance (DOF).

As earlier mentioned, the government securities are crucial in developing the country's debt securities market in that prices of risk-free assets are bases for pricing privately issued securities and contracts. It means that the process of determining prices of government securities is not rigged to come up with credible prices of such securities and is efficient. The problem was that at that time, rumors about collusion among dealers in bidding for government securities abounded. It was then important to improve the integrity and efficiency of the auction process. Our study (Diokno et al. 1992), which we presented to the DOF and CBP staff, suggested, among others, four important reforms for the government securities. First, the CBP which conducted the auction, should pursue the long-held planned computerization of the auction process. Second, improve the Management Information Service because it is crucial to a more effective management of the auctions. Third, the CBP should use different auction methods, including Dutch (uniform price) Auction in addition to the English (price discrimination) Auction, depending upon the results of prior auctions and strength of the demand at a specific auction session. This would make the price-setting rules less predictable and hence, reduces opportunities for securities dealers to overbid and collude. Fourth, increase the number of primary dealers.

When Ms. Caridad Valdehuesa took the helm of the BTr in June 1993, she paved the way for preparations to build capacity within the bureau in anticipation of the eventual transfer of the fiscal agency functions, specifically, the issuance,

[31] It is to be noted that the 1997–1998 East Asian financial crisis has further strengthened the resolve of ASEAN member-countries to accelerate the development of their domestic debt securities markets to reduce reliance on bank financing (Lamberte 2003b).

servicing, and redemption of government securities. USAID provided technical assistance to the BTr mainly to assist the office in strengthening its Management Information Service system, which included training for key personnel. Included in the USAID technical assistance team was Dr. Eli Remolona, who was borrowed by USAID from the Federal Reserve Bank of New York to visit BTr on an intermittent basis.

Ms. Valdehuesa also wanted to introduce an electronic auction system for the issuance of government securities, but unfortunately, USAID's technical assistance did not include this activity. Luckily, PIDS at that time was managing the Policy, Training and Technical Assistance Facility (PTTAF) Project with Dr. Gilberto Llanto as its project director,[32] and I told her to submit a project proposal to PTTAF to fund the installation of an electronic auction system for the origination of government securities. BTr's proposal would fall under PTTAF's program area component, Improvement of Organizational Structures, Systems and Coordinating Mechanisms. I assisted BTr's senior staff in preparing the project proposal and in presenting it to the PTTAF Steering Committee chaired by Dr. Dante Canlas. The financial support approved by PTTAF allowed BTr to hire a Canadian consultant to help it migrate from a manualized auction process to an electronic or automated auction system for government securities called the Automated Debt Auction Processing System.[33] Included in the consultant's tasks was to help top- and middle-level staff enhance their skills in solving policy issues and administering the system. Dr. Remolona suggested to organize a financial market analysis group whose task is to talk to the market before the auction of securities and provide market analysis report to the auction committee. Ms. Valdehuesa accepted this proposal and I trained a small staff to develop and run small interest rate forecasting models.[34] The BTr was then well prepared when it assumed the fiscal agency function in November 1995.

As a result, BTr successfully migrated from a manual to an electronic system; the electronic system being used at present is much better than the first one. In addition, the BTr created its Financial Market Monitoring and Analysis Division.

Overall, Ms. Valdehuesa had introduced more reforms to the BTr that are in line with our proposals. She doubled the number of eligible government securities dealers and started to use the Dutch auction for the origination of treasury bond. With the technical advice provided by the PTTAF consultant, she operationalized

[32] This project was funded by the Canadian International Development Agency.
[33] Telerate Dow-Jones' system was deemed the most appropriate software at that time.
[34] We developed single equation and small vector autoregression models for forecasting.

the scripless electronic and real-time transactions on government securities called the Registry of Scriptless Securities to eliminate the attendant risk as well as the cost of moving physical securities.

The legend of small savers instruments

Various studies (e.g., Lamberte and Lim 1987, Lamberte and Bunda 1988, Adams and Nazarea-Sandoval 1989, and Lamberte et al. 1990) showed that low-income households in the Philippines, especially those in rural areas, do save.[35] However, they do not have access to financial savings instruments, particularly high-yielding savings instruments that cater to their needs. In our study (Diokno et al. 1992), we suggested to study the latent demand of small savers for government securities. Our subsequent study recommended the design of the new small savers instruments (SSIs) that addressed the weaknesses of instruments earlier introduced by the government. We suggested changes that covered the distribution and redemption systems and audit and control procedures/safeguards, presented a cost analysis, reviewed existing policies and taxation provisions, identified possible obstacles and negative side effects, and recommended action steps for implementation.

The SSI denominated in PHP 500 and PHP 1,000 would have a fixed maturity of 24 months from the date it is sold into the market. Full redemption of principal (defined as "encashment") would be possible at any time, although there would be interest rate incentives to encourage holding the SSI to maturity. In order to encourage acceptance of the instrument freely negotiable, it should be in bearer form. Since the full faith and credit of the Government of the Philippines would stand behind the instrument, it should be considered a risk-free investment. In brief, the SSI designed by the team had the following features: high liquidity, simple; flexible, utilizing efficient distribution and redemption, low-level entry, competitive rate of return, and less costly to the government.

We presented the study to the DOF. Mr. Ernest Leung, then acting secretary, was not receptive to our proposal to promote the SSI.[36] Although we failed to

[35] This is true in other low-income countries (Vogel 1992).

[36] DOF had two main reasons for disagreeing with our proposal. First involves the cost of issuing and redeeming it. Even if our study addressed this issue, he was not convinced of the reliability of the results of our analysis. Second was that the SSI could be counterfeited, the government might have to redeem more than what was issued.

convince the DOF to promote the proposed SSI, we thought we succeeded in starting serious discussions about giving small savers a chance to invest in government securities and boost the capital market. This challenge was picked up by Professor Leonor Briones who became Treasurer of the Philippines in 1998 and initiated her flagship project, Small Investors Instruments (SIP). With SIP, Treasury bills were initially sold in denomination of PHP 25,000 with the plan to eventually bring it down to PHP 5,000. Currently, BTr is offering to the public 2-year and 10-year retail treasury bonds with a minimum denomination of PHP 5,000. SIPs and retail treasury bonds are operationally different from the SSI we conceived, but their purpose is basically the same: tapping latent demand of small savers for risk-free, high-yielding government securities.

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Chapter 6

Policy Research in the Era of Regionalization and Regionalism: PIDS in 2005–2013

Josef T. Yap

Working for the Philippine Institute for Development Studies (PIDS) was a fulfilling experience. Not only did it provide an opportunity to contribute to evidence-based policy, I was also able to work with a group of very able and dedicated people. My experience reached its zenith when I became PIDS president from April 2005 to June 2013. This essay is a platform for me to share some of the highlights of my tenure in PIDS, focusing on regional matters both in the context of interactions outside the country and activities within the Philippines.

PIDS has always been at the forefront of the debate on globalization. Hence the Institute has been a logical choice to represent the Philippines in Track 2 efforts—along with other think tanks, strategic institutes, and nongovernment organizations—to promote regional economic integration. Their efforts provide support to governments who enter into agreements among countries in a geographic region to reduce, and ultimately remove, tariff and nontariff barriers (NTBs) to the free flow of goods, services, and factors of production among each other.

In the early stages, East Asia experienced "regionalization" or market-driven integration. The process was spurred by unilateral reforms in individual economies and the logic of the "flying geese" pattern of relocating production processes to cheaper areas abroad as domestic costs rise. The East Asian experience at that time could be contrasted to what is termed "regionalism", which refers to formal economic cooperation and economic arrangements. The European Union (EU) is the foremost example of successful regionalism although the recent exit of the United Kingdom has weakened this tenet. Subsequently, regionalism became more important in East Asia, underscored by the establishment of the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) in 2015. Free trade agreements also proliferated in the 2000s. Meanwhile, the ASEAN+3 Macroeconomic Research Office was established in February 2009. However, regionalism in East Asia is still far from the level of development of the EU.[1]

There have been various Track 2 initiatives to promote both regionalization and regionalism in East Asia. I want to focus on the participation of PIDS in some of these forums when I was president of the Institute from 2005 to 2013. To date, the contributions of PIDS to regional economic integration—not to mention the broader topic of globalization—extend beyond the initiatives described below.

Considering the controversial nature of the issues of globalization, regionalization, and regionalism, PIDS became the subject of criticisms due to its involvement in unpopular economic reforms. In the 1980s, PIDS researchers advocated for trade liberalization. In 1995, PIDS assisted the Senate during the country's accession to the World Trade Organization (WTO). PIDS researchers also supported the Philippines-Japan Economic Partnership Agreement (PJEPA) in 2007–2008. However, PIDS researchers never wavered in the pursuit of the Institute's mandate to provide rigorous, credible, and independent research in support of policy formulation and national development.

Forums for regionalization and regionalism[2]

In 1968, an informal academic conference on regional economic integration was held, and this conference was called the Pacific Trade and Development Conference (PAFTAD). PIDS helped organize the 13th PAFTAD conference in 1983 and hosted PAFTAD 28, titled "Competition Policy in East Asia", in 2002.[3] PAFTAD will be celebrating its 50th year in 2018, a truly remarkable achievement for one of the earliest forums to seriously tackle the issue of regionalization.

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[1] Ironically, the advanced structure of the EU has made it more rigid and vulnerable. This is exemplified by the Brexit episode. The lower stage of development of the AEC has made it a more resilient albeit a less effective institution.

[2] The descriptions of the various regional forums are lifted from their respective homepage. For example, information about Economic Research Institute for ASEAN and East Asia was obtained from http://www.eria.org/about_eria/history.html.

[3] A volume with the same title and edited by PIDS Senior Research Fellow Erlinda Medalla was subsequently published.

In 1996, the Philippine APEC Study Center Network (PASCN),[4] which is one of the Asia-Pacific Economic Cooperation (APEC) Study Centers (ASCs) in APEC member-economies, was established with PIDS as its secretariat. ASCs undertake research, disseminate information, and facilitate discussion on APEC-related issues to support attainment of APEC's vision and goals. Since its establishment, the PASCN has been utilized by the government in its bid to enlarge and deepen its perspective on various issues that are currently part of the APEC agenda. Together, ASCs form the APEC Study Centers Consortium (ASCC) and an annual ASCC Conference is held in the APEC host-economy for the year. This activity provides an opportunity for academics and scholars to discuss their research and to identify areas for regional collaboration. PIDS helped organize the 2015 ASCC Conference in Boracay Island.

In 1999, PIDS became a founding member of the Global Development Network (GDN). GDN is a public international organization that supports high-quality, policy-oriented, social science research in developing and transition countries to promote better lives. PIDS' role in GDN is coursed through the East Asian Development Network (EADN), which is a network of research institutions in the developing countries of East Asia. EADN is one of the regional network partners under GDN and aims to develop research capacity and networking in the developing countries of the region. In July 2010, the coordination of EADN was transferred to the PIDS president and the secretariat moved to PIDS. In June 2013, the Asian Development Bank hosted the 14th GDN Annual Conference with the theme "Inequality, Social Protection, and Inclusive Growth", where PIDS played a major role.

In 2002, the East Asian Studies Group, which was convened by ASEAN+3 leaders, recommended 17 short-term measures to be taken for closer cooperation among East Asian nations. One of these measures was the establishment of the Network of East Asian Think-Tanks (NEAT) in 2003. In NEAT, the Institute of Strategic and Development Studies and the Asian Center also represent the Philippines. The 8th Annual Conference of NEAT was hosted by PIDS in 2010.

In 2005, PIDS signed on as an original member of the East Asian Institutes Forum (EAIF) which was established by the Korea Institute for International Economic Policy. The EAIF is also a Track 2 initiative that involves ASEAN+3

[4] Current members of the PASCN include the following: Asian Institute of Management, Ateneo de Manila University, Central Luzon State University, De La Salle University, Foreign Service Institute, Mindanao State University, PIDS (lead agency), Silliman University, University of Asia and the Pacific, University of San Carlos, University of the Philippines, and Xavier University.

countries. PIDS jointly organized the 12th EAIF with the theme "The ASEAN Centrality and East Asia Cooperation" in November 2016.

In 2005, PIDS joined the Asia-Pacific Research and Training Network on Trade (ARTNeT) which is an open regional network composed of leading trade research institutions and think tanks across the Asia-Pacific region. It was established in 2004 with the support of the International Development Research Centre, Canada. ARTNeT aims to increase the quality and the amount of relevant trade research in the region by more effectively harnessing the research capacity already available and developing additional capabilities.

In July of 2006, the People's Government of Guangxi Zhuang Autonomous Region organized the Forum on Pan-Beibu Gulf Economic Cooperation in Nanning, the provincial capital. The main objective of the forum was to improve the relationship between the Southwestern region of China and ASEAN, with special attention to Viet Nam. Beibu Gulf is known as the Gulf of Tonkin in English and is surrounded by the coastal area of Guangxi Zhuang Autonomous Region and the coastal area of Northeast Viet Nam. PIDS represented the Philippines in the Track 2 efforts to promote economic cooperation in this region. China was represented by the China Development Institute.

In August of 2006, Japan proposed to establish a think tank called the Economic Research Institute for ASEAN and East Asia (ERIA) that would approximate an East Asia version of the Organization for Economic Co-operation and Development. This was formally proposed by Mr. Toshihiro Nikai, Japan's minister of Economy, Trade, and Industry on August 23, 2006. In response to this, then ASEAN Secretary-General, Mr. Ong Keng Yong, initiated the creation of an ERIA Expert Group chaired by the late Dr. Hadi Soesastro of the Centre for Strategic and International Studies, Indonesia, and composed of experts from 16 East Asia Summit countries and the ASEAN Secretariat. PIDS was invited to join this expert group which held intensive discussions on the overall idea of ERIA, in particular, its objectives, activities, structure, research themes, and capacity-building program.

ERIA was formally established on November 21, 2007. The ERIA Expert Group evolved into the Research Institutes Network (RIN), which was formally convened in February 2009 with PIDS as a member. The RIN has since supported ERIA's research activity by providing country information and research findings from individual countries and giving advice to ERIA's research themes and policy recommendations, as well as encouraging the dissemination of ERIA's research outcomes to policymakers, opinion leaders, and political leaders. It has also supported ERIA's capacity-building program since its establishment.

PIDS has contributed to research projects undertaken by ERIA. Some examples of PIDS publications[5] that emanated from ERIA-sponsored activities are:

- DP 2012-20: Progress in Ratification and Implementation of ASEAN Protocols and Agreements in the Philippine Transport Sector
- Discussion Paper 2010-24: ERIA Study to Further Improve the ASEAN Economic Community Scorecard: The Philippines
- DP 2012-41: Managing the ASEAN Economic Integration Process in the Philippines: An Assessment of Progress in Trade Liberalization and Facilitation
- DP 2013-01: The ASEAN Economic Community and the Philippines: Implementation, Outcomes, Impacts, and Ways Forward (Full Report)
- DP 2013-02: The ASEAN Economic Community and the Philippines: Implementation, Outcomes, Impacts, and Ways Forward (Integrative Report)

Key issues on regionalism and regionalization

A cross-cutting theme among these forums is the importance of regional economic integration and the benefits that are derived from this process. The Track 2 representatives have a common theoretical framework that facilitates the discussion. However, there are policy differences stemming from the idiosyncrasies of each country. One such issue is the role of foreign direct investment (FDI) in economic development which is quite different for Southeast Asian economies and Northeast Asian economies. This essay does not resolve policy debates nor advocate for certain policy recommendations related to the issues raised in regional forums.

The agenda of the various forums overlap and, in some instances, there is no concrete output apart from attending the annual conference. However, the primary advantage of participating in these forums is political in nature.

To illustrate my point, we look at the primary advantage of engagement in current East Asian free trade agreements (FTAs). Current FTAs are fairly strong on tariff elimination, but have limited economic impact because they are weak in tackling nontariff and regulatory barriers. The regional forums

[5] All publications are available for download online at https://www.pids.gov.ph/publications.

do not yield binding agreements among the economies that are involved. However, securing the political windfall could eventually lead to economic gains. Participation in the forums demonstrates the country's interest in the process of regionalization and regionalism that other Track 2 organizations can relay to their respective governments.

In addition, the discursive nature of these forums allows Track 2 organizations to deliberate on issues and come up with policies that successfully promote economic integration. In many instances, these can be translated to policy recommendations, useful for policymakers in the member-countries. I will briefly discuss some of these issues.

Enhancing trade integration

Trade liberalization begins with lowering of tariffs. Second-generation reforms require that NTBs be streamlined and in some cases eliminated in order to expand the economic impact of FTAs. The NTBs include technical barriers to trade, sanitary and phytosanitary measures, and import licensing procedures. Rules of origin (ROOs) also have to be rationalized and simplified in order to overcome the "noodle bowl" syndrome.[6]

Maximizing the gains and minimizing the costs of economic integration

While greater economic openness leads to more opportunities for growth, it does not necessarily translate to actual economic expansion. Lessons from our history showed that even with trade liberalization and compliance to economic cooperation programs, there is no guarantee that commensurate economic development will take place. Prior to 2012, the Philippines had a relatively high unemployment rate and high poverty incidence. Moreover, a dichotomy between the domestic manufacturing sector and export sector evolved.

For regional economic integration to be an effective agent of development, it should be accompanied by other fundamental macroeconomic strategies at the national level. The country should focus on supply-side policies like sustainable financial reforms, fiscal consolidation, adequate physical infrastructure, and a coherent industrial policy.

Moreover, economic reforms should be complemented by strategies to integrate good governance practices and strengthen support institutions, and

[6] Existence of overlapping and different types of ROOs of multiple bilateral or regional FTAs is called the noodle bowl syndrome. (Source: https://www.adb.org/sites/default/files/publication/172902/ewp-446.pdf)

adequate social development programs that will ensure that gains from the reforms are equitably distributed to the people. Competition policy is one of the support institutions that must be established to sustain the gains of greater economic integration.

Related to these are safety nets to cushion the adverse impacts of greater economic openness. For example, the government can provide workers training and job search programs that smooth transitions to new types of employment. Policymakers in developing countries can also consider unemployment insurance which is preferable to employment protection legislation.

Bringing in FDI and joining regional production networks

Arguably, regional integration was a result of trade and investment flows that intensified over the years by the international production system that emerged. The regional production networks (RPNs) were one of the main drivers of the economic transformation in Southeast Asia. Intraregional trade and RPNs flourished in the late 1980s because of FDI from Japan. This was the time when Japanese firms began to locate and set up factories in neighboring Asian countries because of the cost advantages.

FDI inflows into the Philippines pale in comparison with what our regional neighbors attract. Initially, political and economic instability were the main reasons the country did not benefit greatly from Japanese investments. Over time, inertia generated by the initial conditions, poor physical infrastructure, and relatively higher wages discouraged both foreign and domestic investment.

Addressing issues of capital flows and exchange rate

The surge in capital flows to emerging market economies in the past 30 years is a reflection of the rapid expansion and integration of international capital markets driven by economic policy, structural changes, and technological factors. The latter refers to revolutionary advances in handling of information, telecommunications, and the emergence of increasingly sophisticated financial engineering.

The impact of capital flows on the exchange rate is at the heart of the discussion of appropriate policy responses in emerging markets. If capital flows are driven largely by fundamentals—such as a higher Wicksellian "natural" interest rate or the Balassa-Samuelson effect—the authorities must accept the inevitability of allowing the real exchange rate to appreciate. Policymakers, however, are generally reluctant to allow currencies to appreciate. Three broad categories of macroeconomic measures are available to countries facing surges of capital inflows, if they are not willing to allow the nominal exchange rate to appreciate: sterilized intervention, greater exchange rate flexibility, and fiscal tightening (preferably through an expenditure cut).

Meanwhile, the role of capital flows was crucial in the 1997 Asian financial crisis and the 2008 global financial and economic crisis. The various regional forums discussed these crises extensively: their causes, the impact, and policy responses. As a matter of fact, the 1997 crisis prompted closer financial cooperation in East Asia which culminated in the Chiang Mai Initiative.

Combating the noodle bowl syndrome by consolidating FTAs

The proliferation of FTAs following the collapse of the Doha Round of the WTO talks in 2006 has led to the noodle bowl syndrome, which is the overlapping of regional and bilateral FTAs. Central to the noodle bowl syndrome is the resulting multiple set of ROOs. One way to streamline the various ROOs is to consolidate the various FTAs, particularly the ASEAN+1 agreements.

The Free Trade Area of the Asia-Pacific (FTAAP) is considered as a long-term goal to link Pacific Rim economies from China to Chile, including the United States (US). It aims to harmonize the noodle bowl of regional and bilateral FTAs.

The Trans-Pacific Partnership (TPP) involves 12 countries including the US, Japan, Malaysia, Viet Nam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile, and Peru. It has been described by the Obama administration as a "gold standard" for all FTAs because it goes beyond just cutting tariffs. It includes eliminating many nontariff measures and requires members to comply with a high level of regulatory standards in areas like labor law, environmental protection, intellectual property, and government procurement. The TPP notably excludes China. However, President Trump signed an executive order withdrawing the US from the TPP.

Backed by China, the Regional Comprehensive Economic Partnership (RCEP) involves the 10 members of ASEAN—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam—plus their regional trading partners China, Japan, Korea, Australia, New Zealand, and India. It notably excludes the US. Compared with TPP, the RCEP also aims to cut tariff and NTBs but calls for lower and more limited regulatory standards. It also exempts certain goods from the tariff cuts to protect local sectors and allows less developed members more time to comply.

The TPP and RCEP are considered competing tracks toward the FTAAP. However, analysts say that the withdrawal of the US cast uncertainty over TPP, and the RCEP has emerged as the main pathway toward the realization of a trans-Pacific FTA. There is also a school of thought that TPP and RCEP actually complement each other. Countries in the region can therefore pursue either or both tracks.

Addressing inequality and narrowing the development gap

The pattern of economic growth during the East Asian miracle of the 1960s and 1970s was different from the development experience in subsequent years in terms of the impact on income distribution. Both episodes were anchored on export-oriented economic growth. However, East Asia experienced rising inequality since the 1980s. In contrast, the earlier experience of Japan, Korea, and Taiwan showed how widespread education was a key factor in promoting equality in these countries.

Addressing inequality is important because of the threat to long-term economic growth. Rising inequality erodes the middle class, which is the backbone of society. Inequality adversely affects incentives and motivation of workers in sectors that fall behind, thereby lowering labor productivity. It also hampers investment in human capital because lower income classes do not have access to credit. Generally, all of these undermine social cohesion.

Many policies to reduce inequality are needed in developing countries. Efficient fiscal policy is characterized by greater allocations to key social services like public education and human resource development. Interventions to address lagging regions would include infrastructure to improve physical connectivity. Measures to generate more employment-friendly economic growth including policies to assist small and medium enterprises (SMEs) will also help. In East Asia, many of these policies have been implemented by governments in one form or another.

Regional integration has made a significant impact on inequality particularly the spatial component as it has been anchored on RPNs. Participation in these RPNs has allowed several countries in Southeast Asia to narrow the development gap with Japan, Korea, and Taiwan. RPNs have been established through flows of FDI creating agglomeration effects in recipient countries.

The more relevant policy interventions in this context are improving physical infrastructure to maximize the benefits of agglomeration and to assist SMEs in latching on to RPNs. Better infrastructure and a greater role for SMEs are also the pillars of a strategy to rebalance economic growth in East Asia. Rebalancing economic growth, especially if rebalancing at the domestic level and rebalancing at the regional level are linked, will likely reduce inequality.

Realizing the AEC

The AEC is the realization of the region's end goal of economic integration. It envisions ASEAN as a single market and production base, a highly competitive region, with equitable economic development, and fully integrated into the global economy. Once AEC is realized, ASEAN will be characterized by free movement of goods, services, and investments as well as freer flow of capital and skills.

There are many myths about the AEC, but a dose of reality should easily debunk these. First, AEC is much less ambitious than the EU whether it be the EU15 or the expanded version of EU28. Second, liberalization in the ASEAN region has been ongoing since 1992. For example, as of 2010, the tariffs on ASEAN goods coming into the Philippines have all been eliminated except for rice and sugar. Third, the AEC is still a work in progress despite its formal establishment on December 31, 2015.

Trade in services exemplifies the state of the AEC and it is governed by the ASEAN Framework Agreement on Services (AFAS) that bears the following features (Nikomborirak and Jitdumrong 2013):

- The service sector liberalization goals established in the AEC are far from ambitious
- Liberalization parameters specified under the AEC Blueprint are not binding, as they are not subject to the dispute settlement mechanism
- Actual implementation of AFAS is far behind the milestones established in the AEC, perhaps because of the flexibility clause that permits back-loading of liberalization commitments and the nonbinding nature of the liberalization goals
- Foreign equity limitation, the only liberalization parameter being negotiated in services liberalization thus far, is not the only major barrier to services trade.

The overall policy framework

In the past decade or so, the concept of ASEAN Centrality emerged. This has been one of the guiding principles of the process to promote regional integration. However, ASEAN Centrality has been a mechanism to avoid confrontation on the issue of leadership in East Asia, whether the role should be granted to China or Japan. This makes the concept of ASEAN Centrality a bit nebulous.

As indicated earlier, the significance of the FTAAP has been undermined by the debate between TPP and RCEP. In turn, the future of regional integration in Asia has been muddled by the emergence of China's Belt and Road Initiative[7] and the establishment of the Asian Infrastructure Investment Bank (AIIB). An increasingly confident China has proposed the establishment of a Maritime Silk Road linking East Asia to the Middle East and Eastern Europe. The 21st-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and also from China's coast through the South China Sea to the South Pacific. This is aimed to strengthen the economic linkages of the economies that are traversed, including ASEAN member-countries. Meanwhile, the Asian Development Bank estimates that developing Asia requires USD 8 trillion of physical infrastructure spending between 2010 and 2020. Based on official announcements from the Chinese government, there will be synergy between the AIIB and the Belt and Road Initiative.

Because of the rival paths toward greater regional economic integration, it has been recommended that regional economic cooperation remain as the centerpiece of these efforts. It consists mainly of capacity building, efforts in improving physical connectivity through appropriate infrastructure projects, and information and people exchange. Regional cooperation is much less controversial than regional integration, and it builds confidence and trust among countries which will strengthen the foundation of deeper regionalism.

The Philippines-Japan Economic Partnership Agreement

PIDS played an important role in the accession of the Philippines to the WTO on January 1, 1995. PIDS helped the Senate prepare the report that facilitated this process. Hence, PIDS was at the vortex of the debate about the advantages and disadvantages of WTO accession.

PIDS was in the limelight again when the PJEPA was submitted to the Senate for ratification after it was signed in September 2006. PJEPA was heavily criticized

[7] China's proposed economic strategy to push for a greater role in global affairs with a China-centered trading network. Officially known as the "Silk Road Economic Belt and the 21st-Century Maritime Silk Road", it is also referred to as "One Belt, One Road" and the "Belt and Road Initiative".

in the same vein as the WTO. A comprehensive critique was provided by Attorney Tanya Lat.[8] Some of the major arguments she raised are as follows:

> "The JPEPA will effectively legalize what is currently illegal, particularly the importation of toxic waste from Japan, in violation of existing Philippine environmental laws and international commitments… The JPEPA is ultimately a relinquishment of Philippine sovereignty and policy space, and will result in the Philippines' giving up its power to regulate economic activity to promote economic development and alleviate poverty. The JPEPA likewise violates the express provisions of the Constitution to promote the preferential use of Filipino labor, domestic materials, and locally produced goods… Far from being a genuine economic partnership, the JPEPA is in truth and in fact a repressive agreement that sacrifices the health, the environment, the long-term economic development, and ultimately, the dignity and the sovereignty of the Filipino people at the altar of Japanese corporate and governmental interests."

Attorney Lat also quoted a policy note I authored out of context making it appear PIDS opposed PJEPA.[9] She wrote that:

> "…the PIDS put it quite succinctly: 'Policymakers in the Philippines should realize that FTAs are neither necessary nor sufficient for economic growth. Hence, there should be a de-emphasis on the current trend to negotiate FTAs, most impediments to faster economic growth are largely internal. For example, the study of the East Asian miracle points to four main factors: outward orientation, a modernized agriculture sector, bureaucratic efficiency, and relatively equitable distribution of income. Moreover, outward orientation by these countries was not achieved through joining an FTA. (Neither was outward orientation a result of trade liberalization.) The Philippines is a clear example where unimpressive economic growth is largely due to internal factors. It is quite obvious that economic resources would be better allocated if these were channeled to agricultural productivity, improving governance, and

[8] Attorney Tanya Lat, The Japan-Philippines Economic Partnership Agreement: A Toxic Treaty, uploaded on October 18, 2008. Initiatives for Dialogue and Empowerment through Alternative Legal Services, Inc. https://www.scribd.com/document/7288597/JPEPA-Briefing-Paper-by-Atty-Tanya-Lat-of-IDEALS (accessed on April 1, 2017).

[9] Yap (2005)

strengthening institutions rather than finalizing the Japan-Philippines Economic Partnership Agreement, negotiating the China-ASEAN Free Trade Agreement, or pursuing an FTA with the US and other countries.'"

A crucial aspect here is that the view expressed in the policy note was my own. PIDS has never had an institutional view on policy matters, and it does not take sides in a policy debate. PIDS simply guarantees that the underlying research was conducted rigorously and properly vetted.

Attorney Lat referred to my argument that supply-side constraints are the main impediments to economic development and therefore, alleviating these constraints should be given priority over negotiating FTAs. She misrepresented my view and concluded that PIDS did not support PJEPA. The contention, however, is not that FTAs are harmful to the economy. My view is that there are other policy measures—rather than the pursuit of FTAs—that would have a greater impact on economic growth. Granted that the Philippine government decided to pursue the PJEPA, then PIDS researchers including myself gave their wholehearted support to the Senate ratification process.

Nine years after its ratification, we can evaluate the impact of PJEPA. Philippine exports to Japan have increased along with Japanese investment into the Philippines. Gross domestic product (GDP) growth in the years 2012–2016 is the highest in any five-year period in the postwar history of the Philippines. Attribution, of course, is very difficult and it will be disingenuous to state that PJEPA led to these favorable outcomes without appropriate econometric evidence. However, what is certain is that the dire predictions of PJEPA critics never materialized.

The other regionalization: Addressing inequality in the Philippines

Economic inequality has been a constant feature of Philippine society. Income disparity among households is the most prominent representation of inequality. However, the disparity among regions is just as acute. Economic activity is geographically concentrated in a few key regions: the National Capital Region (NCR) and the adjacent Cavite, Laguna, Batangas, Rizal, and Quezon (CALABARZON) Region (IVA) together account for 54 percent of total real GDP in 2015 (Table 1). In terms of island-groups, 73 percent of economic activity is in Luzon, 13 percent in the Visayas, and 14 percent in Mindanao. The extent of

Table 1. Regional GDP per capita and regional shares in population, GDP, agriculture, industry, and manufacturing (2015)

Region	A. RGDP per Capita in 2000 Prices	B. Share in Population (%)	C. Share in GDP (%)	D. Share in Agriculture (%)	E. Share in Industry (%)	F. Share in Manufacturing (%)	G. Share in Services (%)
NCR	219,114	12.5	36.5	0.7	20.5	19.7	51.8
CAR	74,845	1.8	1.8	1.8	2.7	3.0	1.2
I - Ilocos	46,008	5.1	3.1	7.3	2.5	0.7	2.8
II - Cagayan Valley	38,269	3.4	1.8	6.8	0.7	0.1	1.6
III - Central Luzon	63,455	10.9	9.3	16.0	12.2	13.9	6.5
IVA – CALABARZON	92,285	13.9	17.2	10.0	31.8	39.8	9.8
IVB – MIMAROPA	39,495	3.0	1.6	3.9	1.6	0.3	1.2
V - Bicol	25,648	5.9	2.0	4.6	1.4	0.3	2.0
VI - Western Visayas	39,484	7.6	4.0	8.5	2.7	1.4	4.0
VII - Central Visayas	64,858	7.3	6.4	4.0	7.0	6.9	6.4
VIII - Eastern Visayas	33,547	4.5	2.0	3.5	2.5	1.5	1.5
IX - Zamboanga Peninsula	41,683	3.7	2.1	4.3	2.3	2.3	1.5
X - Northern Mindanao	60,178	4.6	3.7	9.1	3.8	3.3	2.8
XI – Davao	61,197	4.9	4.0	5.7	4.1	3.9	3.6
XII – SOCCSKSARGEN	44,202	4.5	2.7	7.5	2.7	2.7	1.9
XII – Caraga	35,444	2.7	1.3	2.3	1.4	0.2	1.0
ARMM	13,588	3.6	0.7	4.1	0.1	0.0	0.4
Philippines	74,770	100.0	100.0	100.0	100.0	100.0	100.0

Source: Philippine Statistics Authority [PSA] (2015); totals may not add up to 100 due to rounding.

Table 2. Poverty incidence among the population by region, 1991–2015

Region	Poverty Incidence among the Population (%)				
	1991	2006	2009	2012	2015
Philippines	34.4	26.6	26.3	25.2	21.6
NCR	7.1	4.7	3.6	3.9	3.9
CAR	42.7	26.0	25.1	22.8	19.7
I - Ilocos	36.6	25.9	22.0	18.5	13.1
II - Cagayan Valley	42.8	26.8	25.5	22.1	15.8
III - Central Luzon	21.1	13.1	13.7	12.9	11.2
IVA – CALABARZON	22.7	10.3	11.9	10.9	9.1
IVB – MIMAROPA	44.4	40.6	34.5	31.0	24.4
V - Bicol	54.5	44.2	44.2	41.1	36.0
VI - Western Visayas	39.6	29.1	30.8	29.1	22.4
VII - Central Visayas	43.6	35.9	31.0	30.2	27.6
VIII - Eastern Visayas	50.0	41.5	42.6	45.2	38.7
IX - Zamboanga Peninsula	40.3	45.0	45.8	40.1	33.9
X - Northern Mindanao	46.6	39.0	40.1	39.5	36.6
XI – Davao	39.6	30.6	31.4	30.7	22.0
XII – SOCCSKSARGEN	53.3	37.9	38.3	44.7	37.3
XII – Caraga	54.3	49.2	54.4	40.3	39.1
ARMM	30.5	47.1	47.4	55.8	53.7

NCR = National Capital Region; CAR = Cordillera Administrative Region; CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon; MIMAROPA = Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon, and Palawan; SOCCSKSARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos City; ARMM = Autonomous Region in Muslim Mindanao
Source of basic data: Family Income and Expenditure Survey, PSA (various years)

disparity in geographical distribution may be seen in that only three regions have per capita output greater than the national average: NCR, CALABARZON, and the Cordillera Administrative Region.

Poverty rates are generally higher in the Visayas and Mindanao regions (Table 2). In 2015, poverty rates were highest in the Autonomous Region in Muslim Mindanao (ARMM) (53.7%), Caraga (39.1%), and Eastern Visayas (38.7%), and lowest in NCR (3.9%), CALABARZON (9.1%), and Central Luzon (11.2%). As might be expected, NCR has the lowest poverty rate since it is the center of economic activity in the Philippines, while the two adjacent regions, CALABARZON and Central Luzon, benefit from their proximity to NCR. At the other extreme, more than half of the population in ARMM have incomes less than the annual poverty threshold, which results in this region having a poverty rate 14 times greater than that in NCR. Taking population into account, SOCCSKSARGEN, Bicol, Central Visayas, Eastern Visayas, and Western Visayas contribute half of the total poverty in the country.

However, the Philippines is not alone in this experience. A study on income inequality across East Asia showed that at the broadest level a tendency toward income convergence among the East Asian countries can be observed (Hamaguchi and Zhao 2011). However, the same study reported that in several countries the benefits of regional integration are enjoyed only within the limited geographical spaces in which industries agglomerate. "The concurrence of international income convergence on the one hand and widening interregional income disparities within a country on the other, is related to the deepening of regional production linkages…" (Hamaguchi and Zhao 2011, p. 419). In other words, while inequality between countries has been declining, income inequality within countries has been increasing. The role of FDI and RPNs is one factor that has contributed to the wide disparity in regional development within the Philippines.

Development Policy Research Month: Focus on regions

To address the disparity in economic development, PIDS has been highlighting the importance of regional development in its research. For instance, the themes of the Development Policy Research Month (DPRM) in 2006 and 2007 were geared toward "regionalization" and "regionalism" in the Philippines. In 2006, the theme was *Pananaliksik sa Pagpapaunlad ng Pamamahalang Lokal* which translates to "Research for the Development of Local Governance". The 2007 DPRM theme was "Enhancing Grassroots Development: A Framework for Local Governance". Former Research Information Staff Director Jennifer Liguton took note of the greater emphasis on "regional" development.

> "Meanwhile, in view of the growing attention given to regional economic integration in the ASEAN and East Asian region, on one front, and of the increasing vital role being played by local governments in

> the Philippines, on another front, in achieving progress and sustainable development, PIDS, through its then President Dr. Josef Yap, added a new research thrust in the PIDS agenda—"Go Regional: East Asia and Local Philippines". In this connection, PIDS focused on more studies addressing issues to hasten and facilitate economic integration within the ASEAN and East Asian region and collaborated with regional and global organizations in conducting international conferences that touch on integration-related concerns. At the Philippine local setting, on the other hand, PIDS pushed for the development of more policy research at the local level as well as further strengthened its Regional Forum or Out-of-Town Forum Series to reach out to more stakeholders and audiences in the provinces and present the latest and most crucial PIDS studies deemed relevant and timely especially to the provinces/regions."[10]

Seminars during the DPRM were attended by representatives from the Department of the Interior and Local Government, League of Municipalities, League of Cities, and League of Provinces. One output of these efforts was the following publication, "DP 2008-33: Sustainable Development Framework for Local Governance". Unfortunately, we have not determined if this framework has been adopted by any particular local government.

The DPRM activities in 2006 and 2007 complemented the broader PIDS research into regional issues. Annex 1 provides a list of PIDS research outputs that deal with regions or local governments for the period 1993–2010. The list was presented to the PIDS Board in 2011 when its chairman inquired about the contribution of PIDS to regional development.

PIDS Corners

Another commendable effort by PIDS in response to regional disparities was the establishment of PIDS Corners in selected libraries across the country. This was a brainchild of Jenny Liguton and her colleague Dr. Edwin Martin, who was then Division Chief of Public Affairs.

The PIDS Corner is a dissemination and outreach strategy that aims to bring the Institute's research outputs to researchers and policymakers in localities and communities outside of Metro Manila. Apart from making various development

[10] Quoted from Chapter 11 (Liguton) of this volume

and policy-oriented materials more accessible in the provinces, the Corners also serve as a means to help in furthering the economic education of constituencies in various localities.

Besides the formal ceremony of opening the PIDS Corner, we would hold seminars on topics relevant to the region. PIDS senior research fellows would often take the lead but local researchers would be encouraged to participate. The first PIDS Corner was launched at the Bohol Provincial Library in Tagbilaran City on July 27, 2006 with the full support of and in collaboration with the Bohol provincial government. At present, there are 24 PIDS Corners located nationwide (see complete list in Annex 2).

Concluding remarks

This essay demonstrates the holistic approach of PIDS in its conduct of policy research. Regionalism has been both outward and inward looking. Not only are studies national in scope, but a regional perspective is also adopted when necessary. Despite its limited resources, PIDS has represented the Philippines effectively in Track 2 forums related to economic integration at the level of Asia and the Pacific. Meanwhile, PIDS has been mindful of the development gap within the Philippines and has conducted research in order to address this problem.

My dealings with researchers from the Asia-Pacific region and those from regions outside Metro Manila revealed more commonalities than differences. We all are critical of corrupt and arrogant politicians; we all seek good governance and economic progress for our countries; we all want a better future for our children; and we all hope for a stable and peaceful world. Finally, we all are aware of our limitations as researchers but continue to work hoping that our modest contributions can make a difference.

Annexes

Annex 1. Research projects focusing on regions in the Philippines, 1990–2010

	Project Title	Year
1	Decentralization and Prospects for Regional Growth	1993
2	Local Government Units' (LGU) Access to the Private Capital Markets	1998
3	Indicators of Good Governance: Developing an Index of Governance Quality at the LGU Level	1999
4	An Inquiry into the Competitiveness of Emerging Philippine Cities	2001
5	Metro Manila and Metro Cebu Groundwater Assessment	2001
6	Review of Methods for Assessing Community-Based Coastal Resources Management In the Philippines	2001
7	Devolution of Environmental and Natural Resource Management in the Philippines: Analytical and Policy Issues	2002
8	Local Governance In the Midst of Economic Dependency: A Case Study of Olongapo City	2004
9	Tourism Fuels an Emerging City: The Case of Tagbilaran City , Bohol	2004
10	Metro Iloilo Development Council: In Pursuit of Managed Urban Growth	2004
11	Lipa City ...Emerging City for All Seasons???	2004
12	Case Study of Zamboanga City (Forced Migration Area)	2004
13	Metro Cebu: A Metropolitan Area in Need of Coordinative Body	2004
14	Local Governance and the Challenges of Economic Distress: The Case of Iligan City	2004
15	Tagum City Development at the Crossroads	2004
16	Local Public Finance in the Philippines: In Search of Autonomy with Accountability	2004
17	Effect of Global Economic Liberalization on Manufacturing Firms in Muslim Areas in the Philippines	2005
18	Islamic Economy: Its Relevance to the Globalization of Economy in the Muslim Filipino Areas	2005
19	Medical and Health Related Services	2005
20	Strengthening Social Science and Policy Research for Philippine Agricultural Services	2005
21	Land Market Study: Land and Credit Contracts in Land Reform Areas (Survey Component)	2005
22	Land Reform and Change in Land Ownership Concentration: Evidence from the Rice-Growing Villages In the Philippines	2006

Annex 1. (Continued)

Project Title		Year
23	Financing the Millennium Development Goals	2006
24	Gems In LGU Fiscal Management: A Compilation of Good Practices	2006
25	Development of Research Program for LGU Assistance	2006
Comprehensive Assessment of the Philippine Agricultural Extension System (Phases 1 & 2)		2007
26	The LGU Extension Services in a Major Rice-Growing Area: The Case of Hagonoy, Davao del Sur	2007
27	A Comprehensive Assessment of the Agricultural Extension System in the Philippines: Case Study of LGU Extension in Ubay, Bohol	2007
28	Extension Delivery System in a Layer and Swine-Based Farming Community: The Case of San Jose, Batangas	2007
29	The Role of Extension in Local Agricultural Development: The Case of Dalaguete, Cebu	2007
National Research Prioritization Based on Extensive Survey: The Case of Rice and Mango		2007
30	Geographic Information Systems (GIS) as a Tool to Prioritize Tropical Fruits Research and Development Projects (GIS-Based Characterization and Research Prioritization Phase II)	2007
31	Using GIS as a Tool to Prioritize Tropical Fruits Research and Development Projects (Mindanao)	2007
32	The Current State of Aquaculture in Laguna de Bay	2007
Strengthening Social Science and Policy Research for Philippine Agriculture and Fisheries		2007
33	Contractual Arrangements in Agriculture (Northern and Central Luzon Component)	2007
34	Contractual Arrangements in Philippine Fisheries	2007
35	The Determination of Contracts in Agricultural Economies	2007
36	Agricultural Contracts in Mindanao: the Case of Banana and Pineapple	2007
37	Financing the Millennium Development Goals: The Philippines	2007
Who Benefits from Government Social Spending		2007
38	Benefit of Public Spending on Education in the Philippines	2007
39	Who Benefits from the Food-for-School Program and *Tindahan Natin* Program: Lessons In Targeting	2007
40	Sustainable Development Framework for Local Governance	2008
41	Analysis of Industrial Agglomeration, Production Networks. and Foreign Direct Investment Promotion: Developing Strategies for Industrial Clustering	2008
42	Public Finance and Fiscal Policy Perspective Paper Government Social Sector Spending to Millennium Development Goals [MDGs] (In Section 4 of Public Finance and Fiscal Policy Perspective Paper Outline)	2008

Annex 1. (Continued)

Project Title		Year
43	Study on Land Rental Markets	2008
44	Are Maternal and Child Care Programs Reaching the Poorest Regions in the Philippines?	2008
45	Bridging the Gap Between Seasonal Climate Forecasts and Decisionmakers in Agriculture Climate Variability, Seasonal Climate Forecast and Com Farming in Isabela, Philippines: A Farm and Household Level Analysis of Corn Farmers in Isabela, Philippines	2009
46	Policy Options for Rice and Corn Farmers in the Face of Seasonal Climate Variability	2009
Comprehensive Documentation and Analysis of Issues on the Official Poverty Estimation Methodology of the Philippines		2009
47	Small Area Estimation of Poverty Statistics	2009
Studies on Child Poverty and Disparities and Local Service Delivery (LSD) for the MDGs		2009
48	Child Poverty and Disparities	2009
49	Local Service Delivery	2009
50	Improving LSD for the MDGs in Asia: The Case of the Philippines	2009
51	The Impact of the Global Financial Crisis on Rural and Microfinance in Asia	2009
52	Review of Current Reform Efforts in Local Finance	2009
53	Local Service Delivery on Water	2009
54	National Urban Development and Housing Framework, 2008–2010	2009
55	Reforming Social Policy: Responding to the Global Financial Crisis and Beyond	2009
56	Triangulation Framework for LSD for the MDGs	2009
57	Fostering Production and Science and Technology Linkages to Stimulate Innovation in Association of Southeast Asian Nations	2010
58	Do Barangays Really Matter in Local Services Delivery? Some Issues and Policy Options	2010
59	Integrating Small and Medium Enterprises Into the More Integrated East Asia Region	2010
60	Benchmarking of LGU Health Expenditures	2010
61	Improving the Financial Management of Local Economic Enterprises	2010
62	LGU Access to Official Development Assistance: Status. Issues, and Concerns	2010
63	Philippine Institute for Development Studies Economic and Social Database	

Source: Author's compilation

Annex 2. PIDS Corners established from 2006 to 2017

	PIDS Corner	Date Opened
1	Bohol Provincial Library and Information Center, Tagbilaran City, Bohol	July 27, 2006
2	University of Rizal System Antipolo City Campus Library, Rizal	December 14, 2006
3	Silliman University Library, Dumaguete City	February 21, 2007
4	National Economic and Development Authority 10 Knowledge Center, Cagayan de Oro City	June 19, 2007
5	Bukidnon State University Library, Malaybalay, Bukidnon	June 21, 2007
6	Henry Luce III Library, Central Philippine University, Iloilo City	July 25, 2007
7	University of Southeastern Philippines, Davao City	November 7, 2007
8	De La Salle University, Dasmariñas City, Cavite	February 6, 2008
9	Cagayan State University Library, Carig, Tuguegarao City	April 2, 2008
10	Bacolod City Public Library, Bacolod City, Negros Occidental	June 16, 2008
11	Eastern Visayas State University Library, Tacloban City, Leyte	July 1, 2009
12	University of the Philippines, Baguio City	July 22, 2009
13	Dasmariñas Public Library, Dasmariñas City, Cavite	July 30, 2009
14	Bicol University Library, Legazpi City, Albay	September 30, 2009
15	Butuan City Public Library, Agusan Del Norte	July 29, 2010
16	Mindanao State University Library, Marawi City	February 09, 2011
17	City College of Calapan Library, Oriental Mindoro	July 13, 2011
18	Southern Luzon State University Library, Lucban, Quezon	July 27, 2011
19	Knowledge for Development Center House of Representatives, Quezon City	January 25, 2012
20	Mariano Marcos State University Library, Batac City, Ilocos Norte	July 9, 2012
21	Central Luzon State University Library, Science City of Muñoz, Nueva Ecija	December 5, 2012
22	Western Mindanao State University Library, Zamboanga City	July 9, 2013
23	Palawan State University Main Library, Puerto Princesa City, Palawan	January 27, 2014
24	Josef Baumgartner Learning Resource Center, University of San Carlos, Talamban Campus, Cebu City	September 29, 2016

Source: Author's compilation

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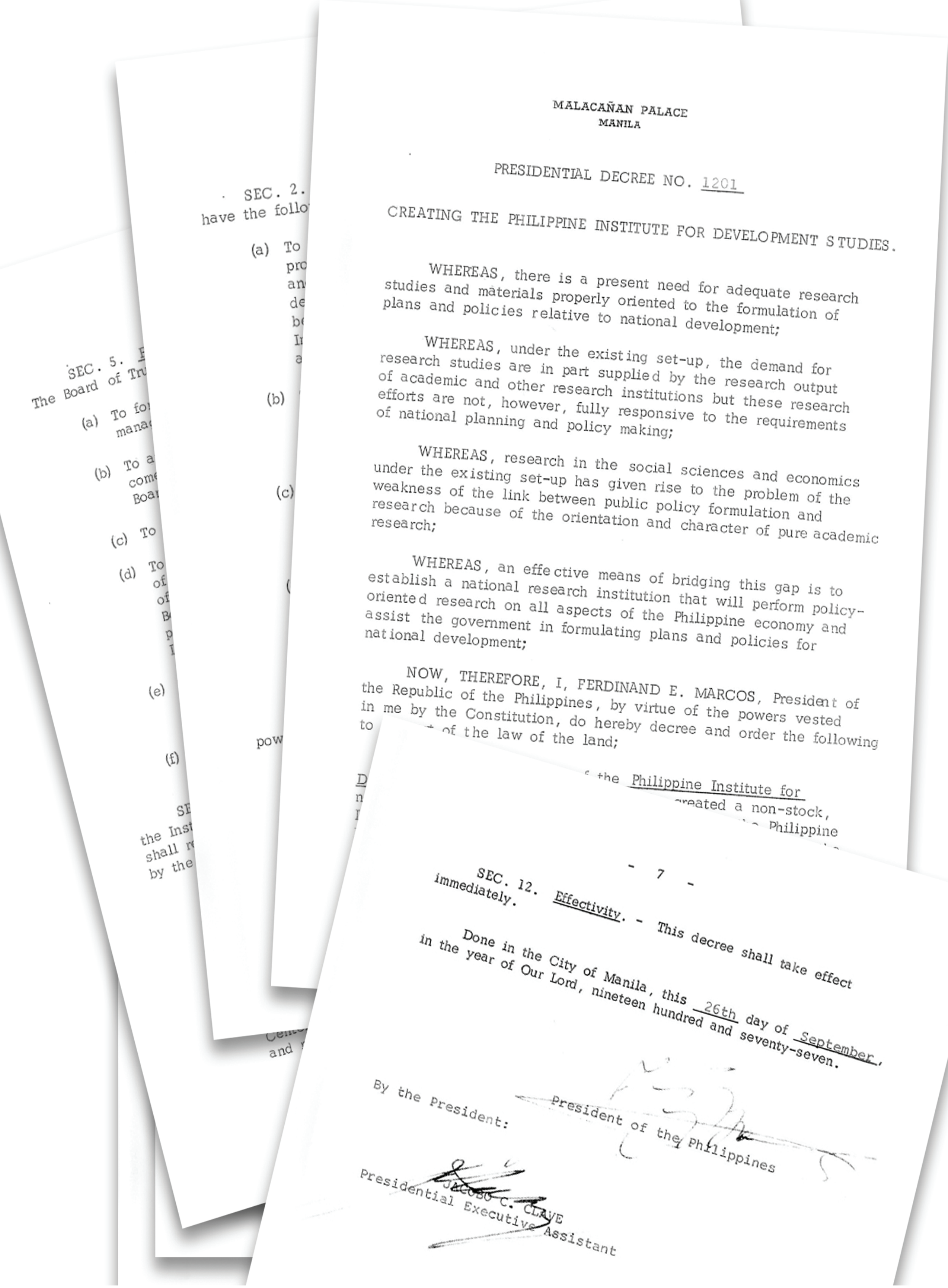


MALACAÑAN PALACE
MANILA

PRESIDENTIAL DECREE NO. 1201

CREATING THE PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES.

WHEREAS, there is a present need for adequate research studies and materials properly oriented to the formulation of plans and policies relative to national development;

WHEREAS, under the existing set-up, the demand for research studies are in part supplied by the research output of academic and other research institutions but these research efforts are not, however, fully responsive to the requirements of national planning and policy making;

WHEREAS, research in the social sciences and economics under the existing set-up has given rise to the problem of the weakness of the link between public policy formulation and research because of the orientation and character of pure academic research;

WHEREAS, an effective means of bridging this gap is to establish a national research institution that will perform policy-oriented research on all aspects of the Philippine economy and assist the government in formulating plans and policies for national development;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the following to ... of the law of the land;

- 7 -

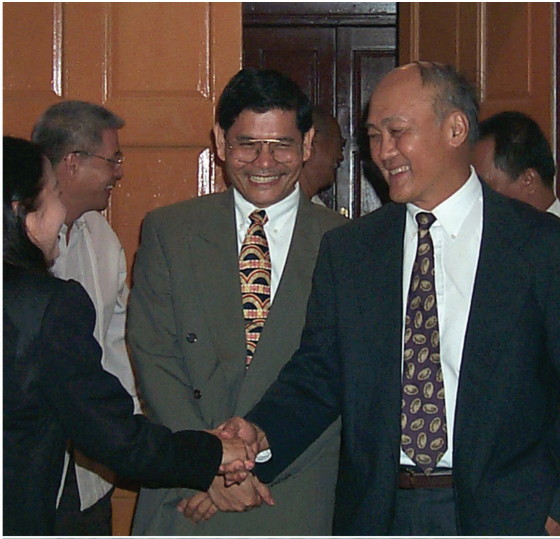
SEC. 12. Effectivity. - This decree shall take effect immediately.

Done in the City of Manila, this 26th day of September, in the year of Our Lord, nineteen hundred and seventy-seven.

President of the Philippines

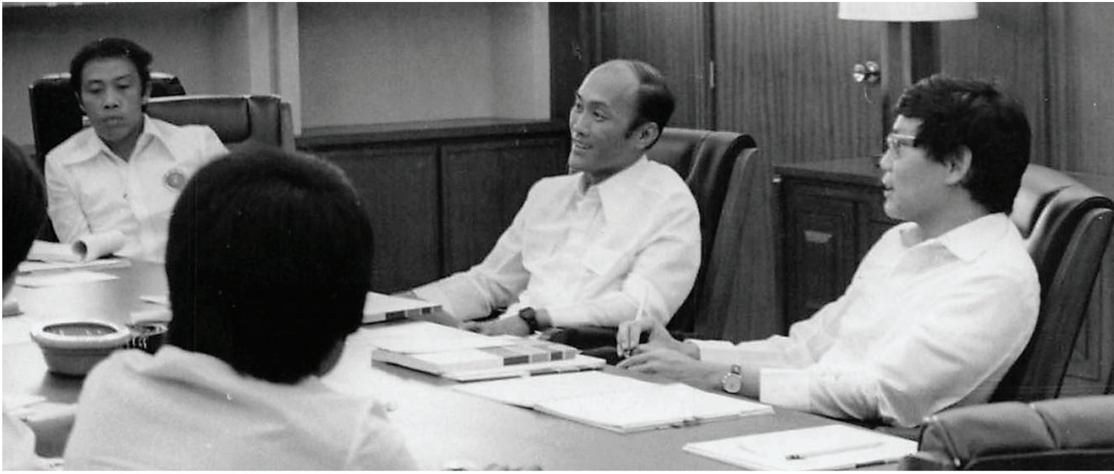
By the President:

JACOBO C. CLAVE
Presidential Executive Assistant




NEDA sa Makati Bldg.
PHILIPS
Mario Lamberte


PIDS
Philippine Institute for Development Studies




Seminar-Forum o
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NEDA SA MAKATI BUILDING
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PAY PARKING

Chapter 7

Using Policy Research and Policy Windows: Some Story to Tell

Gilberto M. Llanto

There is nothing more difficult to carry out,
more doubtful of success,
more dangerous to handle than
to initiate a new order of things.

The reformer has enemies
in all who profit from the old order
and only lukewarm defenders
among those who would benefit from the new.

Nicolo Macchiavelli, 16th century, Renaissance Italy

Introduction

A motivation

Government policies are meant to achieve good things. Good policies uplift the welfare of individuals, households, and the country in general—such as the ongoing conditional cash transfer program.[1] Are there bad policies? Unfortunately, those also exist and they should be revoked outright for doing more harm than good. But how are policies made in the first place? Policymaking

[1] This was initiated by the Gloria Arroyo administration, expanded by the Benigno Aquino administration, and continued by the current Rodrigo Duterte administration. For an excellent discussion of the conditional cash transfer, please refer to the PIDS discussion papers and a chapter in Paqueo et al. (2017).

is a complex exercise.[2] Since policymakers' decisions impact our daily lives, policymaking certainly stands to gain from good policy advice. Giving good policy advice heavily depends on sound empirical analysis in policy studies. Producing good policy studies is a role cut out for a policy think tank such as the Philippine Institute for Development Studies (PIDS), and it continues to fulfill this role throughout its 40 years of existence.

My time at PIDS is a journey of a lifetime, consisting of policy research, disseminating the results, and working with policymakers. It was filled with challenges, frustrations, successes, tedious research, time-consuming presentations, advocacies, fun-filled moments, and a deep sense of fulfillment when one's policy advice finds translation into actual government policies. In the course of a very fulfilling career of 25 years at the PIDS,[3] I have had many an opportunity to provide government bureaucrats and policymakers [legislators] with information and advice as inputs to their policymaking efforts and, in some cases, even working with them in crafting good policies. A few of those opportunities are summarized below.

Under the administration of President Corazon Aquino, then Budget Secretary Alberto Romulo started the review of the situation of the Central Bank of the Philippines (CBP). He gathered a select group of economists, Dante Canlas, Cayetano Paderanga, Mario Lamberte, myself, and others in several meetings to discuss the problems faced by the defunct CBP and the policy reforms needed to strengthen the country's monetary and banking policy framework. We submitted to Secretary Romulo a draft legislative bill but it was not enacted into law. When Senator Raul Roco took over as the chairperson of the Senate Committee on Banks and Financial Institutions, Mario Lamberte and I helped draft a legislative bill. In July 1993, Congress passed this bill as Republic Act 7653 (the New Central Bank Act of 1993) to establish the Bangko Sentral ng Pilipinas (BSP).

During the Ramos administration, Department of Finance (DOF) Undersecretary Ma. Cecilia Soriano and I (1996) drafted the Local Government Unit (LGU) Financing Framework[4] which the government used in crafting the lending architecture for LGUs. The government needed a clear LGU financing framework following the establishment of greater local autonomy, devolution

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[2] Policy is used here in a generic sense to cover policies, rules and regulations, and laws.

[3] I joined PIDS as a senior research fellow in 1992, and I have never left PIDS except during a secondment to the National Economic and Development Authority as deputy director-general (undersecretary) and as chief of party of the DOF-National Credit Council's Credit Policy Improvement Pogram.

[4] http://serp-p.pids.gov.ph/serp-p/download.php?d=679

of public service delivery, and fiscal decentralization under the 1991 Local Government Code. This was a derivative of a DOF-commissioned work done in 1996 by PIDS (Llanto et al. 1998).

During the Estrada and Arroyo administrations, respectively, I worked with Executive Director Helen Habulan and Undersecretary (later Secretary) Juanita Amatong in strengthening the Municipal Development Fund (MDF).[5] The research findings and insights that were generated in three papers on municipal credit financing (Llanto 1992; Llanto 1995; Llanto et al. 1998) helped me in providing policy advice to the MDF Board. I later served as a member of the MDF Governing Board during my stint as National Economic and Development Authority (NEDA) undersecretary.

The Philippines was among the first countries that had enacted build-operate-transfer (BOT) laws and in the mid-2000s, there was a great deal of interest in amending the BOT Law or Republic Act 6957. In 2006, I joined Professor Dante Canlas and other experts in preparing a technical report on the BOT to identify bottlenecks in the implementation of the law.[6] The report helped in drafting a proposed legislation seeking to amend the BOT Law, which has been used to guide public-private partnership arrangements in infrastructure development. Several hearings at the Congress were done but unfortunately, the proposed legislation was not enacted into law. Meanwhile, I initiated the PIDS policy research on infrastructure and its role in development (Llanto 2000, 2003, 2007, and 2010). In the case of the BOT, I used the project cycle as a frame to discuss the country's experience with some BOT projects and provided recommendations at the policy, legal, and institutional levels to improve the use of BOT for infrastructure provision (Llanto 2010). In 2000 and 2007, I drew attention to the need for a risk management approach to deal with contingent liabilities arising from government guarantees to infrastructure projects.[7]

During the Benigno Aquino administration, a substantial budget was given to PIDS to undertake the impact evaluation of certain government programs. At the sidelines during the hearing of the 2014 budget at the senate, I approached Department of Budget and Management (DBM) Secretary Florencio Abad and

[5] A few of the first papers on municipal credit financing and the MDF are the following: Llanto (1992), Llanto (1995), and Llanto et al. (1998).

[6] This was in response to a request for technical assistance by Board of Investments Governor Consuelo Perez and Department of Trade and Industry Director Rafaelito Taruc.

[7] Through a technical assistance from Asian Development Bank, former DOF Undersecretary Chil Soriano helped set up a debt management office at the DOF, which oversees the government's contingent liabilities.

asked for budgetary support for impact evaluation studies to be done by PIDS. Both DBM Secretary Abad and Socioeconomic Planning Secretary Arsenio Balisacan gave generous support to the PIDS' request. It should be noted that the DBM had previously asked PIDS to conduct zero-based budgeting studies to aid it in budget formulation. Impact evaluation is a much more robust technique for assessing the efficacy of government projects and programs. The DBM has since then used the results of PIDS impact evaluation studies in budget review and formulation. Subsequently, PIDS became the country's leading institution on impact evaluation. It also conducted several training courses on impact evaluation for the technical staff of the NEDA, DBM, and other government agencies due to the strong interest that the PIDS impact evaluation studies had generated among those agencies.[8]

In writing this chapter, I had to choose between rendering a comprehensive account of my experiences as senior fellow and later as PIDS president, and providing a detailed narrative of a particular episode, which illustrates how a policy researcher can use his craft to influence policymaking in the country. I chose the latter option.

Narrating my journey across the shallows and depths of the complex policymaking process may draw out a few practical lessons for the next generation of policy researchers at the PIDS. This chapter will feature a detailed account of policy reforms in microcredit, microfinance, and rural finance. The narrative, which describes only a slice of a rich and fulfilling career in harnessing policy research to develop good policies, illustrates how a policy researcher can use his craft to create a public good (good policies) in the complex policymaking ecosystem. Specifically, the outcomes of credit policy reforms described herein really went beyond expectations, and this shows that good policies do make a difference and that policy studies are a crucial input to making good policies. However, there is always the risk of policy reversal, such that gains previously achieved become compromised, and this is why the policy research community should speak out against bad policies.

I have always believed that a policy researcher's work should not end with the submission or publication of one's research output. Evidence-based policy studies need to be brought to the attention of the decisionmakers and, hopefully, an appreciation of the findings will nudge them toward good policies.

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[8] Senior Research Fellows Jose Ramon Albert, Aniceto Orbeta Jr., and Celia Reyes acted as principal trainors on impact evaluation.

Policy researchers need to get involved in the crafting of good policies and help policymakers with sound inputs for their decisionmaking. Going the extra mile will pay tremendous dividends in terms of real social and economic benefits arising from an efficacious policy change. If there is any opportunity to work with policymakers (legislators and bureaucrats) in crafting policy reforms, I advise young researchers: Seize the moment! It will not be an easy journey because the challenges and difficulties were tough, but the rewards will be enormous.

Celebrating microfinance and financial inclusion

On the occasion of the "Launch of the 2015 Citi Microentrepreneurship Awards on May 22, 2015, former BSP Governor Amando Tetangco reported the following:

> "Today we have 176 thrift and rural banks serving over 1.2 million microfinance clients with outstanding loans of PHP 11.4 billion, an average of PHP 9,500 per borrower. Thirty-five banks have set up 517 microbanking offices (MBOs) in 334 municipalities; 64 of those municipalities are served only by MBOs, defined as small banking units where microfinance clients can conveniently access a range of banking services, including loans, microdeposits and microinsurance. Microfinance banks have opened two million microdeposit accounts with nearly PHP 4 billion in deposits. There are 39 banks licensed as microinsurance agents, serving 1.4 million clients. Fifty-two microfinance-oriented banks provide e-banking and e-money services. The e-money ecosystem offers opportunities for microfinance institutions (MFIs) to participate as issuers or delivery channels. Today this ecosystem consists of more than 24,000 agents, which complement over 10,000 banking offices and over 15,000 automated teller machines as financial services access points. Of MFIs outside BSP regulation, 16 microfinance nongovernment organizations (NGOs) with a combined network of 2,190 branches have served 2.5 million borrowers with outstanding loans of PHP 11.6 billion, an average of PHP 4,640 per borrower. Sixty-eight percent of reporting 10,675 cooperatives regulated by the Cooperative Development Authority provide financial services to 6.5 million members.
>
> ... a significant factor in our growing harvest of successful microenterprise stories is a regulatory environment that enables MFIs to provide appropriate products and services.... the Philippine regulatory

framework for microfinance has been consistently ranked as one of the best in the world by the Economist Intelligence Unit (EIU).

More recently, the EIU ranked the Philippines as the top country in Asia, and the 3rd in the world, with the most conducive environment for financial inclusion."[9]

Back in 2000, when the BSP first issued microfinance regulations, microfinance was not in the financial mainstream because only a handful of microfinance NGOs were providing it to financially excluded small borrowers. What explains the phenomenal transformation of microfinance as a viable financial instrument to reach the financially excluded?

The problem with directed credit programs

It all started 20 years ago in a seminar-workshop in Byron Hotel along EDSA. In 1997, participants in a seminar-workshop organized by the government were in a serious huddle. They pondered: How could the many issues surrounding the government's directed credit programs (DCPs) be solved?

DCPs were the mechanism used by government to provide subsidized credit to target borrowers for a variety of reasons. In the 1970s–1980s, subsidized agricultural credit programs were the solution propounded by local and international experts to the perennial complaint about lack of [formal] credit of small farmers who had depended on moneylenders since time immemorial. The flagship DCP was the subsidized loans in support of the government's rice program called *Masagana 99*. Through DCPs, the government had appropriated the role of lending institutions. Subsequently, the DCPs were expanded to cover targeted borrowers and commodities such as corn, orchard fruits, fisheries, and an assortment of other commodities (Table 1), and the DCPs had grown in number with various government line agencies engaged in providing loans directly to targeted borrowers.

When the Philippines started the process of financial liberalization in the 1980s, which included the deregulation of interest rates and the CBP relinquishing its role in development finance, the DCPs were retained. This had adverse effects on financial intermediation and financial sector development, not to mention their high fiscal costs. Many rural banks that participated in government DCPs faced deteriorating balance sheets with mounting problems of high loan defaults and arrears and inability to recapitalize.

[9] http://www.bsp.gov.ph/publications/speeches.asp?id=496 (accessed on April 24, 2017)

Table 1. Directed credit programs and interest rate structure

Program		Central Bank		
		STD	Rediscounting	Bank Lending
Special financing program				
	Rediscountable			
1	M-99 rice production	3%	MRR (90) less 12	MRR (90) less 2
2	*Masaganang Maisan*	3%	MRR (90) less 12	MRR (90) less 2
3	*Gulayan sa Kalusugan*	3%	MRR (90) less 12	MRR (90) less 2
4	Ipil-ipil	3%	MRR (90) less 12	MRR (90) less 2
5	Backyard piggery	3%	MRR (90) less 12	MRR (90) less 2
6	Backyard poultry	3%	MRR (90) less 12	MRR (90) less 2
7	Duck	3%	MRR (90) less 12	MRR (90) less 2
8	Goat (backyard)	3%	MRR (90) less 12	MRR (90) less 2
9	Cattle (backyard)	3%	MRR (90) less 12	MRR (90) less 2
10	*Pukyutang Barangay*	3%	MRR (90) less 12	MRR (90) less 2
11	*Biyayang Dagat*	3%	MRR (90) less 12	MRR (90) less 2
12	Orchard	3%	MRR (90) less 12	MRR (90) less 2
13	*Kalabaw Barangay*	3%	MRR (90) less 12	MRR (90) less 2
14	Integrated agricultural financing	3%	MRR (90) less 12	MRR (90) less 2
15	CB Supervised Farming Project	3%	MRR (90) less 12	MRR (90) less 2
16	Cottage Industry and Loan Fund	3%	MRR (90) less 12	MRR (90) less 2
17	Small Fishermen's Special Credit Program	3%	MRR (90) less 12	MRR (90) less 2
18	DAP fishermen financing	3%	MRR (90) less 12	MRR (90) less 2
19	Food Quedan	3%	MRR (90) less 10	MRR (90) less 6
	Nonrediscountable			
1	*Maisagana*	3%	-	15%
2	Cotton	6%	-	15%
3	IAF Virginia tobacco	3%	-	12%
4	Burley tobacco	3%	-	12%
5	Expanded yellow corn	3%	-	15%
6	Special Agricultural Rehabilitation Fund	3%	-	10%
7	Second Rural Development-Land Settlement Project	7%	-	12%

Table 1. (Continued)

Program		Central Bank		
		STD	Rediscounting	Bank Lending
8	Cooperative Marketing Project: Commodity Loan (short term)	4%	-	9%
9	Cooperative Marketing Project: Development Loan (medium–long term)	5%	-	8%
10	IRF			
a)	Single/Multiple project borrower	3%	-	12%
b)	Emergency borrower	3%	-	16%
c)	Agro-based industries in IRF areas	3%	-	14%
Regular discounting				
1	Agricultural and cottage industries			
a)	Supervised	-	MRR (90) less 12	MRR (90) less 2
b)	Nonsupervised	-	MRR (90) less 8	MRR (90) less 2
	Special programs			
a)	National Food Authority	-	MRR (90) less 10	MRR (90) less 6
b)	Food Terminal, Inc.	-	MRR (90) less 10	MRR (90) less 6
c)	Food Quedan	-	MRR (90) less 10	MRR (90) less 6
2	General purpose working capital financing and other short-term loans*	-	MRR (90) less 6	MRR (90)
3	General purpose working capital financing medium and long term	-	MRR (90) less 3	MRR (90) plus 3

* This category includes traditional and nontraditional exports.
STD = special time deposit; CB = Central Bank; MRR = Manila Reference Rate;
DAP = Development Academy of the Philippines; IAF = integrated agricultural financing;
IRF = integrated rural financing
Source of basic data: Table 2 in Neri and Llanto (1985)

The government had provided huge funding to DCPs but the objective of providing target borrowers with credit had not been attained. The fiscal cost of DCPs was also staggering and now the government had to determine what to do with them. Some thought that DCPs should be continued because there was no other way to provide small borrowers such as small farmers, microentrepreneurs, and others with credit. Others believed there was a better way to reach the financially excluded.

In that workshop, a professor of a local business school argued that the issue of the DCPs was a management problem and that a redesign along accepted management principles of the day would solve the problem. I immediately chimed in and explained that we should not reduce the problem of DCPs into a simple management problem. On the contrary, at the core of the lack of credit accessibility by small borrowers were policy and regulatory issues that adversely impact financial intermediation.

After the ensuing lively discussion, DOF Undersecretary Soriano, chairperson of the seminar-workshop, took the line that I pitched. The essential challenge was not simply to redesign the DCPs along accepted management principles but fundamentally, it was about reforming credit policies and the regulatory framework. It was time for the policy researcher in me to get to work.

Policy research

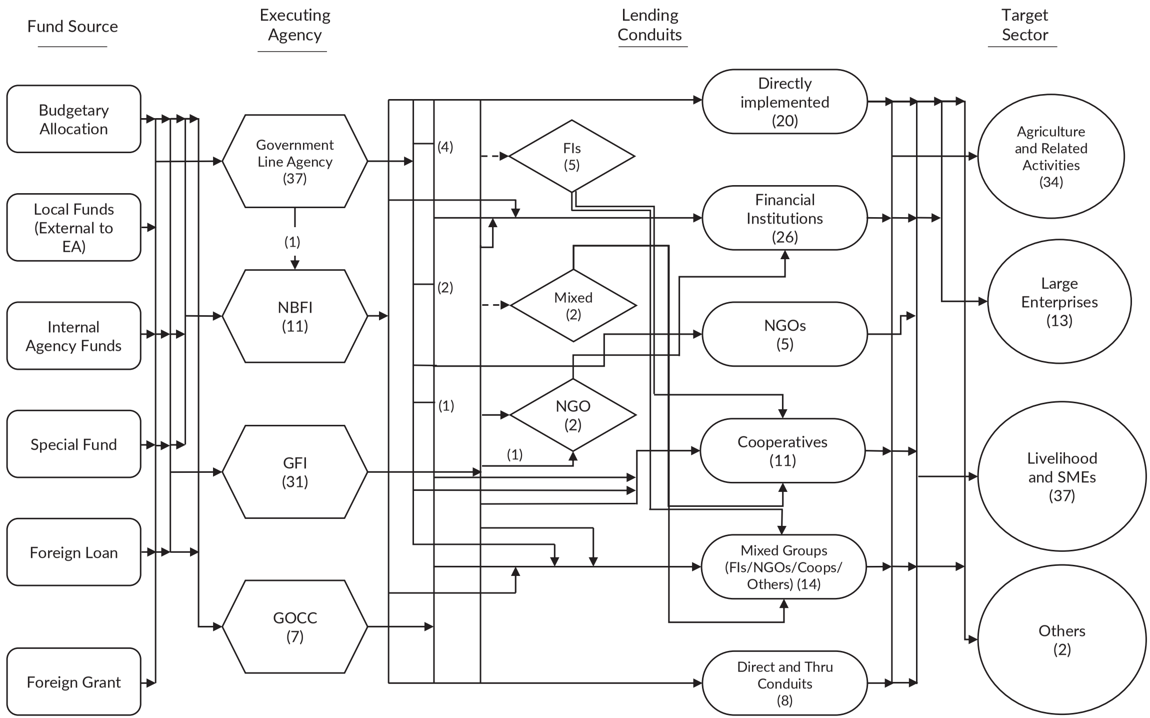
Understanding the problem: A fulcrum for reform

In the 1970s–1980s, the government and the CBP had provided the agriculture sector with hefty credit subsidies. There were three funding sources for DCPs: (1) special time deposits of the government at the Special Financing Program administered by CBP, (2) regular rediscounting window of CBP, and (3) other special credit programs such as those implemented by the Farm Systems and Development Corporation and the Ministry of Human Settlements. Under the Ministry of Human Settlements were the following (not listed in Table 1): *Kilusang Kabuhayan at Kaunlaran* Lending Program, the Local Government Special Fund, the Guaranty Fund for Small and Medium Enterprises, *Pagkain ng Bayan*, Cotton Loaning Program, and the Agro-Industrial Technology Transfer Program (Neri and Llanto 1985).

The dominant belief of the day was that subsidized credit would enable small farmers to invest in modern inputs and technology that will boost farm productivity. However, various researchers had pointed out that most of the DCP loans would not be repaid, most of those DCPs would disappear over time and many targeted borrowers would not be assisted in the long term (Adams et al. 1984; Adams and Von Pischke 1991, among others). Unfortunately, governments in developing countries implementing those political programs would not listen to the advice of research studies.

True enough, the Philippine DCP experience showed that government loans at the retail level were taken as dole outs that need not be repaid. In fact, many

Figure 1. Flow of funds in directed credit programs



EA = executing agency; NBFI = nonbank financial institution; GFI = government financial institution; GOCC = government-owned and -controlled corporation; FI = financial institution; NGO = nongovernment organization; SMEs = small and medium enterprises
Source: Llanto et al. (1999)

of those DCP loans were left unpaid. The DCPs failed to achieve their intended objectives and channeling more money to the programs, as politicians would want to, was like pouring water down the drain.[10] The complex structure and flow of funds of the DCPs led to weak accountability, poor repayment rates, and huge subsidies at great cost to the taxpayers (Figure 1). They were also susceptible to leakages and entailed a huge fiscal cost. Worse, they had become fragmented into many different uncoordinated and inefficient programs, resulting in wasteful use of scarce resources and the subsequent impairment of the rural banking system, which had grown very dependent on government infusion of cheap funds (Llanto 1990; 2005).

The peaceful 1986 EDSA revolution ended martial rule in the country and the new government under President Corazon Aquino immediately implemented various reforms. In 1987, a major reform was the termination of 42 subsidized agricultural credit programs, including those listed in Table 1, and the consolidation of the remaining fund balances into the Comprehensive Agricultural Loan Fund (CALF). The CALF was used as a loan guarantee scheme to encourage banks to lend to small farmers who could not provide collateral. This was managed by the Agricultural Credit Policy Council (ACPC).[11] The CALF would reimburse lending institutions up to 85 percent of the outstanding principal loan balance of a defaulting small farmer.

For a while it seemed that DCPs had been put to rest, but Cabinet Resolution No. 29 (issued in November 1988) opened the floodgates for a resurgence of DCPs. After one government agency managed to establish its own subsidized lending program directed to small borrowers outside the agriculture sector, other line agencies, like a mindless herd, followed. This policy reversal was a bad decision as history repeated itself, but it was worse this time: DCPs had come back with a vengeance despite the 1987 consolidation of agricultural DCPs into the CALF! Meanwhile the government discovered the NGOs as willing credit conduits (Llanto et al. 1999; Llanto 2005).

[10] Various ACPC and PIDS research studies documented the rise and fall of DCPs (Neri and Llanto 1985; Abiad and Llanto 1989; Llanto 1990; Esguerra 1996; Llanto et al. 1999; Adams and Lim 2000; Vogel and Llanto 2005; among others).

[11] Executive Order No. 113 (issued by President Corazon Aquino) created the ACPC. I was ACPC deputy executive director in 1987–1989 and was executive director in 1989–1992. In July 1992, I transferred to the PIDS and was appointed senior research fellow.

DCPs simply did not work and this led to questions about how to increase the flow of credit to target borrowers. The Social Pact on Credit[12] recommended, among others, the rationalization of credit programs (Llanto et al. 1999). The government heeding the popular clamor for accessible microloans established the National Credit Council (NCC) and the People's Credit and Finance Corporation (PCFC). The government used PCFC to provide loans to MFIs for relending to the latter's target borrowers. I worked with Carl Amerling of the Asian Development Bank in designing the first-ever microfinance loans to MFIs through the PCFC. Orlando Sacay, Jose Medina, and Edgar Generoso (successive PCFC presidents) made it a major institutional wholesaler of funds to MFIs long before commercial banks tried to do the same after discovering microfinance to be a profitable enterprise.

By 1997, a survey that I managed for the DOF-NCC reported as many as 86 DCPs implemented by those government agencies and government financial institutions. Half of these were in the agriculture sector. The survey also found that the initial funding allocation of 63 of the 86 DCPs amounted to almost PHP 40.5 billion, equivalent to almost 2 percent of the gross domestic product in 1996.[13] Funding for six of the surveyed programs, amounting to around PHP 542 million came from the countryside development funds (pork barrel) of politicians (Llanto et al. 1999). Note that the information on the amount of funds channeled to those DCPs was incomplete because some DCP implementers simply refused to cooperate with the NCC.

Client outreach relative to the target population was abysmally small, notwithstanding large-scale infusion of government funds. Most of the programs reported very limited outreach. In 1995–1996, the DCPs implemented by government line agencies (nonfinancial government agencies) had an average outreach of 22,721 beneficiaries per program. Government financial institutions had an average outreach of 38,332 beneficiaries per program. Loan repayment performance[14] differed across credit conduits ranging from relatively good (90% or better) for DCPs implemented by government banks to relatively very

[12] This is a broad alliance of government, nongovernment, and people's organizations concerned with the delivery of credit to the countryside that was established on October 8, 1993.
[13] Only 4 out of 86 DCPs had a complete set of data. Most of the surveyed DCPs only had a basic data set while around one-third did not bother to submit any information to the DOF-NCC. A study by the Overseas Economic Cooperation Fund (1995) counted 111 government-sponsored credit programs covering a vast area: agriculture, livelihood, forestry, young professionals, students, technology transfer, exports, business, hospitals, education, health, and others.
[14] Only 42 of the 86 DCPs volunteered this information. Many others ignored the request for information.

poor (50–76%) for DCPs implemented by government-owned corporations and line agencies. Deposit mobilization among rural banks was neglected due to the availability of cheap funds from the government (Llanto et al. 1999).

Meanwhile, during this period, cause-oriented local NGOs found space to address many social issues. A few of them were experimenting with group loans without collateral secured only by a group guarantee, which were inspired by a microlending technique for poor women engaged in various microenterprises successfully pioneered by Grameen Bank in Bangladesh. In case of loan default by a group member, the rest of the group are jointly and severally liable for the repayment of the loan in default. Muhammad Yunus' Grameen Bank lending technique revolutionized microlending because at that time, microlending by local NGOs was, more often than not, seen as some sort of a "charitable" gesture or a highly specialized type of uncollateralized lending to small borrowers that had no universal application, and was better done by NGOs with funds provided by some donor.[15] However, in the case of Philippine microlending NGOs, there were issues of sustainability and transparency of operations (Llanto 1997). Some of them managed to provide microenterprise credit that seemed like a feasible alternative to bank loans typically secured by collateral. The Philippine microlending NGOs took notice of the policy research I was doing then in the field of rural finance and agricultural credit. I was able to work with those NGOs, closely observing their microcredit operations and governance framework.[16] Through this experience I was able to establish strong linkages with them, which proved very useful during my work with the DOF-NCC on credit policy and regulatory reforms described below.

The critical policy reform issues in rural financial markets were crystallized in my mind during my stint at the ACPC and later at the PIDS in the course of collaborative work with several local and foreign scholars. Many developing

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[15] In Latin America, Banco Sol, ACCION International, and other NGOs had also successfully provided microloans to hundreds of thousands of urban microenterprises.

[16] The microfinance NGOs with the biggest outreach in the 1990s were those under the association called the Alliance of Philippine Partners in Enterprise Development (APPEND). Their funding came mostly from Opportunity International. In 1991, APPEND was formally organized with nine NGOs. Today it has a membership of ten microfinance NGOs and one thrift bank. The APPEND Network has an outreach of more than 500,000 clients through 170 branches in 127 key cities and provinces all over the Philippines (Source: https://www.facebook.com/APPENDinc/?ref=page_internal). Eduardo Jimenez, currently BSP microfinance consultant introduced me to this group. Later on I helped this group (composed of Benjamin Montemayor, *Tulay sa PagUnlad*; Rolando Victoria, *Alalay sa Kaunlaran* [Nueva Ecija]; Angel de Leon, *Taytay sa Kauswagan* [Iloilo]; and others) with some technical work on how to transform a microfinance NGO into a bank.

countries have used DCPs as a policy tool to reach the financially excluded. They firmly believed DCPs could help small clientele with their financing problem. But DCPs could easily degenerate as an expedient political tool because they are easy to implement and can be highly visible proofs of government's commitment to serve the financially excluded despite the empirical evidence that the many targeted clientele have not benefited from those interventions.

At PIDS, Mario Lamberte and I implemented the project called "Dynamics of Rural Development", which deepened the understanding of rural development issues in the country, including rural finance issues, and the necessary policy reforms that will address them. At the ACPC, our research staff wrote policy papers on agricultural credit and rural finance markets. With Jaime Aristotle Alip[17] and Ramon Yedra, we secured funding for an ACPC project on replicating the Grameen lending technique in a select group of Philippine microfinance NGOs.[18] Through the ACPC replication project, local microfinance NGOs learned the rudiments of providing uncollateralized loans in a sustainable and profitable manner, the importance of building social capital (trust) in those microcredit markets, and the importance of developing a strong network among local groups to share information and instill group discipline.

In my mind, however, this type of experimentation could not substitute for a comprehensive credit policy reform that would create the environment for sustainable private participation in the rural and microenterprise financial markets. Cheap government funds had become a disincentive to efficient financial intermediation and the credit conduits, basically the rural banks and cooperative rural banks, had become overly dependent on government fund infusions. The challenge, therefore, was to establish an enabling environment that would create incentives for private economic agents to implement viable saving and lending programs in rural and microenterprise financial markets. The enabling environment was to be market based, which would allow private banks and different types of lending institutions to develop and customize financial products and services that respond to different types of clients and to recover costs with sufficient margins to sustain their operations. The regulatory framework should enhance the functioning of the credit markets and be open

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[17] Aris Alip was then ACPC deputy executive director. He later became the chairman of the Philippines' largest and most successful microfinance rural bank, the CARD Rural Bank, and managing director of the CMDI Group of Companies.

[18] For example, Project Dungganon is a Negros-based initiative headed by Cecile del Castillo. This project would later organize a microfinance bank.

to developing appropriate regulation and supervision of new types of financial products, services, and institutions.

Policy window

Carpe diem: Seize reform opportunities

Dismantling the DCP policy and program structure was a tough nut to crack, but the tough nut will break. A policy window to introduce reforms opened with the establishment of the Credit Policy Improvement Program (CPIP), a technical assistance grant to the NCC. The CPIP was an excellent vehicle with the following goals:[19] (1) effective functioning of the NCC, (2) rationalization of government policies on credit, savings, and loan guarantees, and (3) creation of an enabling policy environment to increase private sector participation in the delivery of financial services to the poor. The CPIP will conduct policy review and analysis of all government DCPs in order to remove distortions in financial intermediation and to indicate viable alternatives to DCPs. But CPIP will also push for the advocacy to implement the policy changes.

For me, this was a privileged moment: To influence financial and credit policy by bringing to the policymakers' attention the results of many years of policy research. I had the privilege to be its team leader during the first three years of implementation, when all the major credit policy reforms took place.[20]

Tracing the policy reform process

Identifying policy champions

CPIP was the government's vehicle for its credit policy reform agenda but it needed an effective leadership to prosper. It was important to have a policy reform champion in the government agency I would work with and to have broad support within the lead government agency. I remember a particularly long meeting at the office of Undersecretary Soriano with Mahlon Barasch[21] where

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[19] Administrative Order No. 86 (issued on October 8, 1993) created the NCC. The Philippine government subsequently requested technical assistance from the United States Agency for International Development (USAID) to strengthen the NCC, rationalize the government's credit and loan guarantee programs (i.e., the DCPs).

[20] Ma. Piedad Geron succeeded me as CPIP chief of party after I reported back to PIDS.

[21] Initial USAID cognizant technical officer in charge of CPIP.

we threshed out what the technical assistance grant to the NCC was intending to achieve and how this would be achieved. That meeting ensured that each of the players (the government agency, the donor, and the technical experts assigned to help the government) was on the same page. I was fortunate to have as policy reform champions DOF Undersecretaries Chil Soriano and Gil Beltran who provided oversight, ownership, and support of the policy reform process.[22]

The steering was done by the policy reform champions while our CPIP team, with support from the NCC staff, performed the enabling role by producing credit policy studies, organizing seminars and workshops, helping with public hearings in the legislature, and supporting the technical working groups created by NCC. In public seminars and workshops, the official spokesperson for the credit policy reform agenda was Joselito Almario. I made it explicit that our CPIP team would do the technical and facilitation work and remain in the background while Mr. Almario provided the government's face for the policy reforms.[23] Clear and strong government ownership of the credit policy reform agenda increased the likelihood of success in achieving the envisaged policy changes.

Crafting the National Strategy for Microfinance

Before anything else, CPIP needed a strategy, a road map that charted the journey toward market-based credit policies. I drafted a strategy paper for microfinance and presented it to DOF Undersecretary Soriano. The NCC accepted the draft and issued the National Strategy for Microfinance in 1997.

The National Strategy for Microfinance paper provided a road map for the credit policy reform agenda. The key provisions of the strategy document were as follows: (1) market orientation of interest rates, (2) rationalization of the DCPs, (3) noninvolvement of government line agencies in credit provision, (4) utilization of private banks and microfinance institutions in credit provision, (5) savings mobilization as an important activity in rural financial markets, and (6) delineation of the role of donors as providers of technical assistance. These same points would later find expression in Executive Order (EO) No. 138, which President Estrada issued on August 10, 1999. EO 138 was a directive to terminate DCPs in all government line agencies and shift the government's lending strategy from retail (direct loans to target borrowers) to wholesaling funds by government

[22] Gil Beltran was also the NCC executive director, ably assisted by DOF Assistant Secretary Teresa Habitan and Director Joselito Almario.

[23] Under the tutelage of Dr. Piedad Geron and me, Mr. Almario transformed into a very effective credit policy reform advocate.

banks to private lending institutions (e.g., private banks or cooperatives) that in turn will directly lend to small borrowers.

Using data versus dogma

A policy reform process was a sensitive matter and the initiative and the whole process should be owned and driven by Filipinos. With a strong preference for local talent, our team carefully selected the researchers who would do the studies.[24] Assisted by a small team,[25] I prepared a work program that mapped out the activities, inputs, and the planned outcomes of the technical assistance.

The work program was vetted by the DOF-NCC, and it was important to have the official sanction to give our activities legitimacy. Having legitimacy meant that when the CPIP team spoke about credit policies, it was on behalf of the government. This enabled the team to navigate more effectively the bureaucratic and political maze during the implementation of various CPIP activities. Guided by Mahlon Barasch's idea of "data versus dogma", the team conducted various studies[26] to serve as evidence to support the proposed reforms against making empty assertions or mere reference to authority.

Using advocacy and communication

A policy researcher needs to go beyond submitting the report because the people who need to read your research will not necessarily read it. This is just the way it is. Communicating the proposed policy reform clearly and effectively is, therefore, an indispensable part of the process. The CPIP needed to also convince the public about the merits of the proposed credit policy reforms.

The CPIP started with the production and distribution of easy-to-read policy notes based on technical studies conducted by selected researchers. The policy notes were useful in disseminating information and awareness of the policy reform issues at hand. The reform message is placed in an understandable and appealing format. Think of the effects of tweets and other social media tools on shaping public opinion.

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[24] A few foreign experts with highly demonstrated technical skills, e.g., Robert Vogel, Dale Adams, Thomas Fitzgerald, helped with the studies. Tom Fitzgerald introduced the new idea of risk-based supervision as an innovative approach to traditional bank supervision.

[25] Ma. Piedad Geron, Susan Elizondo, Mary Ann Rodolfo, Wilfred Tagud, and Amor Colina. Ed Jimenez joined later as consultant.

[26] The results of the studies listed in Annex 1 showed the inefficiency and ineffectiveness of DCPs and government's credit policies.

While our team tried to produce easy-to-read policy notes, we also exerted a lot of effort in communicating the objectives and expected results of the credit policy reform agenda in meetings, seminars, and workshops. Seminars and workshops generated awareness of the credit policy reform issues, and acceptance of and consensus behind the policy recommendations made by the studies and policy notes.

Our team made a key decision to create technical working groups (TWGs)[27] with representation from concerned stakeholders. DOF-NCC-CPIP used the TWGs as an instrument for discussing the rationale and benefits of proposed policy reforms, and generating consensus among the stakeholders to support proposed policy changes. This was an effective way to enlist the support of the concerned government agencies that would be affected by the termination of the DCPs. It was not an easy process because there could be as many strong opinions as participants in those TWG workshops and our CPIP team had to really work hard to generate support for the envisioned policy reforms. Managing bureaucrats with varying levels of understanding of the policy issues and commitment to reform during TWG workshops was a great challenge.

Winning the trust

A novel approach that our team also took was to help NCC discuss with donor agencies the need to align their assistance with the credit policy reform thrusts. This meant seeking out their views and understanding carefully their package of assistance to the government. The DOF-NCC took seriously the need to align donor policies and programs with the credit policy reform agenda. Recall that in the past donor funding was used to support those DCPs but this time, a paradigm shift toward market-based credit policies was taking shape with support of a donor. There must be consistency in what the government is trying to achieve and the proposed official development assistance from donors.

A particularly challenging task was meeting with legislators, attending public hearings on proposed legislation with provisions on credit policies and programs. Appearing in Congressional public hearings could be an unnerving experience. Sometimes the legislator would not brook any disagreement with their views, but other times, they would appear to be receptive to good ideas or proposals. Some legislators and bureaucrats could be pugnacious during deliberations of proposed policy reforms but, rather than being repulsed, I met with them bearing in mind that everyone had something to say and contribute.

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[27] Annex 2 lists the membership of the TWGs.

Before coming to the hearing, I did my homework by trying to arm myself with reading available studies, doing a quick review of literature, and keeping in mind that good policies should be evidence based. I tried to visualize how legislators would argue against or in support of certain policy issues, and how I would try to answer if asked to testify. Maintaining an open, honest, and objective mind helped a lot in easing tense moments during public hearings. I found that some legislators appreciate candor and evidence-based policy positions during public hearings. I told myself that this was an adventure akin to picking gold nuggets from among a bundle of coarse rocks.

It is also important to gain the legislators' confidence about the credit policy reform agenda and convince them of the welfare effects of the proposed policy changes. They have to clearly understand what the credit policy reform agenda was and to be convinced that the policy changes will redound to the benefit of the majority.

With respect to building confidence and convincing legislators and bureaucrats, a particularly memorable experience was the CPIP's 1999 study visit in various MFIs in Guatemala, Peru, and Bolivia to familiarize some legislators and key government officials on how Latin American MFIs/NGOS had used microfinance to reach microentrepreneurs who had no access to banking services.[28] I used the long waits in several airports between flights to familiarize my travel companions on microfinance and to gain their confidence on NCC-CPIP's advocacy that the government's role was to provide the enabling environment for efficient functioning of the financial markets. Light conversations, anecdotes, and open discussions where each member of the study visit was free to pitch an idea or two proved useful. By the time we arrived in Manila back from the study visit, the members of the group had acquired a very good grasp of Latin American microfinance and how a similar situation could evolve in the Philippines with the adoption of proposed credit policy reforms.

A major harvest of good policies

In my experience, it is very critical to maintain initiative and vigilance over any proposed policy or regulatory change affecting a sector of interest. Our CPIP

[28] CPIP organized several study visits in the United States, Guatemala, Peru, and Bolivia and the lessons learned from this Latin American trip are described in Llanto (1999).

team maintained an excellent contact with bureaucrats, NGOs, farmer groups, cooperatives, and Congressional technical staff on credit policies, credit programs, and rural and microfinance issues. We monitored the progress and status of proposed legislation affecting credit policies, credit programs, microfinance, and related topics and we did not hesitate to interact with legislators and Congressional staff.

I visualized that the policy reform effort was like working with a complicated machine with many moving parts whose movements have to be efficient, coordinated, and synchronized. The DOF-NCC-CPIP used various components to convince stakeholders to work in sync toward a common goal and helping to build a market-based policy and regulatory architecture for microfinance took a lot of time and patient work. To coordinate the many moving parts of a policy reform machine in sync toward a common goal, I had to draw on the skill set that I had developed over the years while working in various agencies and in coordination with bureaucrats, government officials, legislators, academics, farmer groups, cooperatives, donor agencies, NGOs, and civil society.[29]

Policy dividends

In the end, the hard work was handsomely compensated by huge "policy dividends" (Table 2). The combined effort of the stakeholders paid off in terms of the National Strategy for Microfinance, EO 138, and several laws with provisions affecting microfinance, the basic sectors, and small borrowers and savers, which I believed, all led to the establishment of a conducive policy and regulatory environment in rural and microenterprise financial markets.

Social Reform and Poverty Alleviation Act (Republic Act 8425)

Our team made sure that the policy declaration adopted in Section 13 (Microfinance program) of Republic Act (RA) 8425 was consistent with government's policy framework for microfinance that was enshrined in the 1997 National Strategy for Microfinance. Our CPIP team worked with Marietta Goco, lead convenor of the Social Pact on Credit, Chito Novales, and Chuki Miranda (from the NGO sector) in providing inputs to legislators in crafting the law. Bernard Agawin acted as our magic link to Congressional staff for meetings and consultations.

[29] This is the occasion to pay tribute to my former supervisors: Mina Ramirez (Asian Social Institute); Angel Yoingco†, Ruben Trinidad, Vicente Quintos†, and Rosalinda Dikitanan† (National Tax Research Center); Purita Neri, Gerardo Tison, and Mercedes Suleik (CBP); Bruce Tolentino (ACPC); Mario Lamberte (PIDS); and Dante Canlas (NEDA). I learned a lot from you, guys! Thank you so much.

Table 2. Major policy measures accomplished with CPIP Technical Assistance

Policy Measures	Key Provisions
National Strategy for Microfinance (1997)	Market orientation of interest rates
	Rationalization of directed credit programs
	Government to provide the enabling policy and regulatory environment for the effective delivery of microfinance services by the private sector
	Donors primarily as providers of technical assistance, e.g., capacity building
	Emphasis on savings mobilization
Social Reform and Poverty Alleviation Act (December 11, 1997)	Defining capacity building to exclude any and all forms of seed funding, equity infusion, and partnership funds from government to microfinance institutions
	People's Development Trust Fund, a trust fund created to fund capability-building activities of microfinance institutions
	Rationalization of directed credit and guarantee programs
	Emphasis on savings mobilization
Agriculture and Fisheries Modernization Act (December 22, 1997)	Phaseout of directed credit programs in the agriculture sector
	Rationalization of loan guarantee programs
	Adoption of market-based interest rates
	Nonprovision of credit subsidies
	Review of mandates and performance of government agencies and government financial institutions
Executive Order No. 138 (August 10, 1999)	Nonparticipation of government nonfinancial agencies in the implementation of credit programs
	Government to provide the enabling policy and regulatory environment for the effective delivery of microfinance services by the private sector
	Adoption of market-based financial and credit policies
	Increased participation of the private sector in rural financial markets
Agriculture Modernization Credit and Financing Program (AMCFP)	Limit lending decisions only to banks, viable cooperatives, and microfinance nongovernment organizations
	Adoption of market-based lending rates to enable conduits to cover their costs and achieve sustainability in the long run
	Focus on the monitoring and evaluation of the AMCFP, provision of infrastructure, institution building, research and extension, and an appropriate policy environment conducive to increased private sector participation

Table 2. (Continued)

Policy Measures	Key Provisions
General Banking Law (May 23, 2000)	Lifting of the moratorium on branching, specifically by microfinance banks
	Issuance of BSP Circular 272 on January 30, 2001 implementing the microfinance provisions of the General Banking Law
	Review of the supervision and examination process in light of the nature of microfinance

BSP = Bangko Sentral ng Pilipinas
Source: Author's compilation

Thus, the policy declaration stated the following:

- Development of a policy environment, especially in the area of savings generation, supportive of basic sector initiatives dedicated to serving the needs of the poor in terms of microfinance services;
- Rationalization of existing government programs for credit and guarantee;
- Utilization of existing government financial entities for the provision of microfinance products and services for the poor; and
- Promotion of mechanisms necessary for the implementation of microfinance services, including indigenous microfinance practices.

Reading RA 8425, one gets the sense that the policy framework for developing the microfinance market drew from a simple idea that government's main role is to provide the policy and regulatory environment for the efficient functioning of markets and public goods, e.g., hard infrastructure such as roads, etc., or soft infrastructure like a credit information bureau, that will address certain market failures.

Agriculture and Fisheries Modernization Act (RA 8435)
Section 20, Chapter 3 (Credit) enjoins market-based interest rates in rural financial markets, "provided that existing credit arrangements with agrarian reform beneficiaries are not affected. Emphasis of the credit program shall be on proper management and utilization. In this regard, the state enjoins the active participation of the banking sector and government financial institutions in the rural financial system." This law phased out the DCPs in the agriculture sector and established the Agricultural Modernization Credit and Finance Program

that would provide a package of credit assistance to be implemented through financial institutions (Section 21). The law designated government financial institutions as wholesalers of credit funds and private sector MFIs as retailers of loans to small borrowers.

The point legislator for credit reforms under this law was Congressman Margarito Teves[30] whom I assisted in framing the pertinent provisions. We met with no less than House Speaker Jose de Venecia at the sides of the bicameral conference committee on the proposed legislation at the Hotel Intercontinental to get his support for the proposed credit reform provisions in the Agriculture and Fisheries Modernization Act (AFMA). Bernard Agawin created opportunities for our team to touch base with Congressman Teves. The debates on the credit reforms especially on Chapter 3 of AFMA were passionate. One congressman stood pat on shielding agrarian reform beneficiaries from market-based interest rates. The reform provisions would not pass unless some sort of compromise was taken favoring these target groups. At the end of the day what mattered was the larger picture, a policy and regulatory environment for the efficient functioning of financial markets. The AFMA was enacted into law with the exception, a compromise assiduously guarded by that legislator.

EO 138 (August 10, 1999)

The CPIP team and NCC were worried that credit policy reforms enshrined in the Social Reform and Poverty Alleviation Act and the AFMA covered only the agriculture sector. Recall that Cabinet Resolution No. 29 (issued in 1988) opened the way for many government agencies, not just the agriculture department, to create and implement DCPs. The credit policy reforms must cover the nonagriculture sector as well. There was a need for consistency of policies in the credit markets and to align the provisions of the EO with the National Strategy for Microfinance.

Toward this end, Undersecretary Gil Beltran and I submitted a draft EO to Executive Secretary Ronaldo Zamora in Malacañang Palace. I explained to Secretary Zamora the intent and rationale for terminating government's deep involvement with DCPs and the proposed EO's likely impact on the credit markets. President Estrada issued EO 138 on August 10, 1999. The key provisions of the National Strategy for Microfinance were successfully reflected in EO 138 that spelled out the new credit policy framework of the government.

[30] Secretary of Finance during the Arroyo administration

The salient provisions of EO 138 are as follows: (1) nonparticipation of government nonfinancial agencies in the implementation of credit programs, (2) government banks to be the vehicle for providing wholesale loans to private banks and MFIs that will lend directly to small borrowers and microenterprises, (3) adoption of market-based financial and credit policies, and (4) increased participation of private financial institutions (PFIs) in the delivery of financial services in rural financial markets. EO 138 opened the way for greater participation of small banks, especially microfinance banks and rural banks with microfinance operations in rural financial markets.

EO 138 was a wise and bold policy decision by President Estrada and it bore fruitful results. Further fiscal losses arising from DCPs were averted. Government involvement in direct credit delivery, which had competed with private sector effort, was stopped while the PFIs led the way to develop the microfinance market. In 2000, the DBM stopped all budgetary allocations for credit programs implemented by government nonfinancial agencies. In the 2001 budget call, the DBM stressed the termination of funding for DCPs, that is, new credit programs or existing credit programs of government nonfinancial agencies (line agencies) and government-owned and -controlled corporations (GOCCs). The resident Commission on Audit auditors of government nonfinancial agencies and GOCCs engaged in direct lending to the target sectors launched an audit of the DCPs.

General Banking Law (GBL) of 2000 (RA 8791)

Sections 40, 41, and 44 of this law paved the way for the issuance of BSP circulars on microfinance and opened the way for private bank participation in microfinance. These sections became the legal basis for BSP to configure appropriate regulation and supervision of banks engaged in microfinance. Section 40 states: "in formulating rules and regulations under this Section, the Monetary Board shall recognize the peculiar characteristics of microfinancing such as cash flow based lending to the basic sectors that are not covered by traditional collateral." Section 41 authorizes the Monetary Board to "issue such regulations as it may deem necessary with respect to unsecured loans or other credit accommodations that may be granted by banks". Microfinance is basically a loan given to basic sectors without (the traditional) collateral! Section 44 states: "the amortization schedule of bank loans and other credit accommodations shall be adapted to the nature of the operations to be financed … in the case of loans and other credit accommodations to microfinance sectors, the schedule of loan amortization shall take into consideration the projected cash flow of the borrower and adopt this into the terms and conditions formulated by banks."

Indeed, the framers of the GBL have understood the "peculiar characteristics" of microfinance loans and the type of borrowers using microfinance. For the first time, the terms "microfinancing", "cash flow based lending", "basic sectors", "not covered by traditional collateral" found their way in the snooty world of banking. These sections of the GBL opened the way for the BSP's adoption of proportionate regulation on microfinance.

Behind the scenes, at the House of Representatives, I worked with the chairman of the Committee on Banks and Financial Institutions, Hon. Macario Laurel, in drafting the above-cited provisions in the GBL 2000.[31] The intention was to establish an official and legal recognition of microfinance as a legitimate area of play for banks interested in providing financial services to the financially excluded. A counterpart provision was also prepared in the Senate.[32] These efforts apparently worked! Market-based microfinance became part of mainstream banking in the country through the enactment into law of the GBL of 2000.

Coalition on performance standards and cooperatives

This chronicle would not be complete without saying a word about another important initiative in the emerging microfinance community. Starting in the late 1990s, microfinance NGOs had generated much public interest because of their willingness to provide microentrepreneurs and other small borrowers whom they call the "entrepreneurial poor" with loans to support or expand their microbusinesses. However, many of them were trying to cope with problems of outreach and sustainability. In 1997, a policy note that I wrote called the attention of the microlending NGOs and the late Washington Sycip, a foremost reformer and visionary who provided substantial assistance to key NGOs. Llanto (1997) urged NGOs to develop sustainable lending practices by adhering to operational and financial performance standards.

Briefly, the initiative was all about convincing those microfinance NGOs to adhere to a common set of performance and reporting standards in order to improve and eventually sustain their worthy operations. I was involved in many meetings with those microfinance NGOs under the Coalition for Performance Standards and to cut a long story short, the coalition succeeded in producing a

[31] Congressman Macario Laurel joined the 1999 study visit to Guatemala, Bolivia, and Peru, which familiarized him with the welfare effects of market-based microfinance.

[32] I worked with Mario Lamberte in reaching Senator Roco to support the new provisions in the GBL.

set of performance standards for microfinance NGOs. The coalition decided to formally organize itself into the Microfinance Council of the Philippines, of which I was a founding member. Working with the coalition took a lot of time but looking back it was worth the effort. The performance standards and monitoring system developed by the major microfinance NGOs proved very useful in disciplining their ranks and improving their image as credible lending institutions.

Under CPIP, I worked with Piedad Geron, Joselito Almario, Lecira Juarez, and Cresencio Paez in convincing the savings and credit cooperatives (SCCs) to accept a standardized chart of accounts and the performance standards for those cooperatives. CPIP developed a manual of rules and regulations for SCCs, established the cooperative information infrastructure system, and drafted a manual of supervision and examination for SCCs, all the time working with the cooperative regulator, the Cooperative Development Authority. The basic study on the regulatory environment for credit and deposit-taking cooperatives was undertaken in the CPIP (Arbuckle et al. 1998). The overall intent of the CPIP team was to have healthy competition among different types of financial institutions, namely, private banks (rural, thrift, commercial, cooperative), microfinance NGOs, and SCCs, in the rural financial markets. The end beneficiaries of competitive markets are the small borrowers and savers.

Dead flies spoil a bowl of ointment (Ecclesiastes 10:1)

A mentioned above, the gains to discontinue the unsustainable DCPs in the 1980s were easily reversed by Cabinet Resolution No. 29. History repeated itself when in 2006, EO 138 was revoked by EO 558. However, due to the vigilance of the NCC and the microfinance community, the government issued EO 558-A on October 27, 2006 "clarifying the overall framework in the implementation of government credit programs as contemplated under EO 558". The clarifications were as follows:

- Credit programs to be implemented under the auspices of EO 558 shall focus only on municipalities and barangays currently identified by the PCFC as areas where there are no PFIs, cooperatives, nor NGOs serving the poor and the marginalized sectors (so-called "unserved areas"); and
- The Department of Social Welfare and Development shall immediately implement and provide the necessary credit assistance and other support services in the unserved areas.

There is a need to revisit EO 558-A in the light of the narrative of this chapter and the evidence shown by many empirical studies, namely that: (1) financial institutions, SCCs, and microfinance NGOs have the comparative advantage in lending; they do it better than government line agencies; (2) government credit assistance is seen as dole-outs, which are easily politicized; (3) marginalized sectors are better helped by cash transfers and other forms of social protection, and not by burdening them with debt that they could not repay precisely because they are "marginalized" or exist at a subsistence level; (4) government DCPs crowd out private initiative in lending; (5) DCPs have bred dependence on government funds, which entail a huge fiscal cost; and (6) investing in public goods in those unserved areas, e.g., education, health and nutrition, local infrastructure (e.g., roads or bridges) would be more beneficial to the poor and marginalized sectors than a fistful of borrowed money.

Conclusion: Some lessons learned

This chapter hopes to impress the importance of policy research and how the results of studies can be used to inform policymaking in the country. I believe that there are some lessons from the simple experience narrated in this chapter.

- Policy studies can inform policy or decisionmaking. Conducting policy studies is a great service to the country and our people because of the beneficial impact arising from good policies.
- Policy researchers propose policy reforms but at the end of the day, it is the politicians who make the decision to accept, modify, ignore, or reject the proposed policy reforms. No matter how hard the policy reform process is, it is important to provide policymakers with the right recommendations generated through policy studies.
- Finding the appropriate incentives to nudge policymakers toward the desired policy goal is a critical component of the policy reform process.
- Be aware of policy windows and once they present themselves, seize the opportunity to introduce well-argued and evidence-based proposals for reform.
- Use interpersonal relationships with bureaucrats and politicians, advocacy, and effective communication to forward policy reforms.
- A necessary precondition is the government's commitment to and ownership of the proposed policy reform. There are policy reform champions in government, find them.
- External assistance that is well coordinated with government's policy reform thrusts is important. Tap and use it well.

- Be conscious of policy reversals and use all friendly means to thwart them. Losing a skirmish does not mean losing the war. There is always a scope for working toward good policies.

The chapter highlights the need for constant vigilance against the introduction of flawed policies. Any policy researcher should know that any policy directive based on a mere executive order is vulnerable and could be easily revoked for political expediency. In fact, any policy is vulnerable as even laws can be revoked although amending or revoking a law is a tedious process. Constant vigilance will help to ensure that flawed policies do not gain a foothold in the policymaking process and to direct the public's attention to necessary policy reforms.

Could the successful credit policy reform experience be considered a mere case of good timing when various stakeholders of a reform agenda including government all agreed to work on a policy reform? Here it is good to point out the importance of a "policy window" (Rutters et al. 2012),[33] which was exploited to push a successful policy reform agenda.

In the Philippines, a change of administration creates a policy window for change. The Ramos administration (1992–1998) created the NCC as an oversight agency over credit policies, tasking it with the rationalization of credit programs. Under the Estrada administration (1998–2001), the momentum for credit policy changes did not waver primarily because there was an institution, the DOF-NCC, which was supported by policy research and advocacy to stay on course. The NCC-CPIP effectively used a technical assistance grant to produce the envisioned credit policy reforms.

Could the policy reform efforts described in this chapter be considered a success? Successful policy reform needs to ensure not only the achievement of stated goals without generating major "collateral damage" or unintended consequences, but also the sustainability of that reform (Banks 2010). Policy change should not be vulnerable to being reversed or substantially amended in ways that negate its objectives.

On the first condition, former BSP Governor Tetangco's testimony is a ringing endorsement. The credit policy changes have stopped the financial hemorrhage of unsustainable DCPs. The private sector has actively developed the microfinance

[33] Rutters et al. (2012) in their influential paper observed that the concept of "policy window" was originally articulated by John W. Kingdon (*Agendas, alternatives, and public policies*) where he identified the importance of policy windows that may exist at a change of administration when the time is ripe to put forward an agenda for policy reform.

industry under a proportionate regulation and risk-based supervision stance adopted by the BSP. Proportionate regulation means "adjusting prudential norms basically covering capital requirements, loan provisioning, reporting, and loan documentation to conform to the specialized character of microfinance" (Llanto 2015, p. 20). Under a favorable policy and regulatory framework, financial deepening among the excluded segment of the population has started to take root. Financial inclusion has started to expand although there are challenges ahead (Llanto 2015).

The credit policy reforms embedded in several laws, to wit, RA 8425, RA 8435, and RA 8791, satisfy Banks' second condition. The laws provided a consistent policy framework that terminated DCPs, introduced market-based credit policies, and allowed the regulator (BSP) to develop an appropriate regulatory regime for microfinance. The enactment of those laws minimized the threat of policy reversal. Based on the second condition of Banks (2010), the CPIP reforms were successful. Indeed, embedding policies in laws is a good criterion of a successful policy reform because the policy change will not only endure a change of administrations; it will also be the basis of future policy developments (Rutter et al. 2012) as shown by the development of proportionate regulation and supervision over microfinance and the mainstreaming of microfinance in the country's financial system.

In closing, I submit that doing policy research is a worthy and interesting journey to take. Good policies will result in huge benefits to society. It is critical that young researchers pick up the gauntlet in view of the emerging challenges and opportunities in today's rapidly changing society.

Each generation has its own share of existential challenges. Present developments in big data, advanced analytics, artificial intelligence, robotics, and other disruptive technologies presage a future quite unlike what has been seen before. A very clear divide exists between what society has seen and experienced in pre-21st century and now at beginning of the third millennium. In different spheres of society, we now witness the rising impact of "sociotechnical systems" where "data-driven technologies are increasingly integrated into many different parts of society from judicial decisionmaking processes to automated vehicles to the dissemination of news."[34] How do we make such sociotechnical systems predicated on sophisticated algorithms,

[34] Danah Boyd, principal researcher in Microsoft Research in her comments to British Broadcasting Corporation's query on the grand challenges for the 21st century. (Source: http://www.bbc.com/future/story/20170331-50-grand-challenges-for-the-21st-century, accessed on October 26, 2017).

machine learning, and development of interactive social robots that can displace human effort in different spheres of society to be responsive and responsible to human needs and aspirations? What societal policies and regulations should we adopt to ensure human development and welfare, especially of the poor and the vulnerable, amid those radical changes?

Annexes

Annex 1. CPIP policy studies and policy notes, 1997–2000

	Title of Study	Brief Summary
1	Directed Credit Programs: The Experience and Policy Reform Issues (Gilberto Llanto, Piedad Geron, and Christine Tang)	Almost half of the 86 DCPs are implemented by GNFAs (line agencies). Majority of the DCPs source their funds from budgetary allocation and foreign loans and grants from donors. The study pointed out the huge fiscal costs of DCPs, poor implementation, and limited outreach.
2	Assessment of the Performance of Government Financial Institutions and Government-Owned and -Controlled Corporations/Nonbank Financial Institutions in Implementing DCPs (Thomas Fitzgerald, Feliciano Miranda Jr., David Murphy, and Gerald Schulz)	Compared to GNFAs, government financial institutions had larger outreach and are more efficient. Wholesale lending to financial institutions that will lend to borrowers seems to be a more effective approach.
3	Assessment of the Performance of (GNFAs in Implementing DCPs (Mario Lamberte, Magdalena Casuga, and Doreen Carla Erfe)	Most of the DCPs implemented by GNFAs were neither operationally nor financially efficient. They recommended that the government should prohibit GNFAs from implementing DCPs. They should instead focus on their primary functions. Financial institutions are better organized to provide financial (credit) services.
4	Policy Framework for Rationalizing DCPs (Gilberto Llanto, Piedad Geron, and Christine Tang)	The study found out that DCPs had low outreach; they were not financially unsustainable. Implementing them entailed huge fiscal costs. The study recommended the following: (1) rationalize DCPs by phasing out the participation of GNFAs in the implementation of DCPs, (2) encourage private sector participation by mandating government financial institutions to only focus on wholesale operations, (3) adopt market-based interest rate, and (4) adopt alternative delivery mechanisms for credit.

Annex 1. (Continued)

Title of Study		Brief Summary
5	Review of Financial Laws and Regulations Affecting the Provision of Financial Services to the Basic Sectors (Clarence Dingcong)	The study covered laws and regulations relating to intermediation taxes, interest rates, mandatory loan allocation prudential regulations, bank entry and branching, deposit insurance, and those creating specialized government and nongovernment financial institutions including specialized banks and guarantee institutions, and the role of loan guarantee schemes, GNFAs as well as cooperatives in the rural financial market. The study gave specific recommendations to improve and rationalize the credit policy environment.
6	Regulatory Barriers to Innovative Lending Services: Traditional Approaches to Bank Supervision (Thomas Fitzgerald, Feliciano Miranda Jr., David Murphy, and Gerald Schulz)	The study pointed out that there are no provisions of the law which mandate that small loans be secured and supported by formal financial statements. However, bank examiners ask for collateral and loan documentation requirements in evaluating the quality of the bank's loan portfolio. Banks are unclear about the stance of the regulator on small clean loans supported by Informal financial Information. This has discouraged banks to provide such loans. Microfinance has a unique risk profile. The study recommended the use of risk-based management techniques in evaluating loan portfolio quality so as not to discriminate against small clean loans.
7	Interest Rates, Subsidies, and DCPs in the Philippines (Dale Adams and Joseph Lim)	The study showed that DCPs provided large subsidies to executing agencies to cover their transaction costs, but the subsidies given to financial conduits and target borrowers were relatively smaller. The study recommended the estimation of the costs of financial Intermediation under the DCPs (including costs of government subsidies and administrative costs) to make them more transparent.
8	The Impact of Mandated Credit Programs in the Philippines (Felipe Medalla and Johnny Noe Ravalo)	The study showed that mandated credit allocation has increased the cost of funds. It is unclear who bears the cost. The study observed that a market-based compliance to those loan quotas might instead be adopted because it could be politically costly to lift mandated credit allocation.
9	Loan Guarantee Programs in the Philippines: The Dilemma of Sustainability and Outreach (Dale Adams, Aniceto Orbeta Jr., and Cristina Lopez)	The study showed the limited outreach of the loan guarantee institutions. The loan guarantee schemes were dependent on subsidies.

Annex 1. (Continued)

Title of Study		Brief Summary
10	Case Study on the Best Practices of GNFAs Implementing DCPs (Jocelyn Alma Badiola and Arelis Gomez-Alfonso)	The study focused on two microfinance programs directly administered by GNFAs. The study found out that the programs were able to provide credit to the poor. However, they were unsustainable due to the high fiscal costs of implementation.
11	Review of the Regulatory Environment for Credit and Deposit-Taking Cooperatives (Lee Arbuckle, Rescina Bhagwani, Gilberto Llanto, Ma. Piedad Geron, and Zeno Ronald Abenoja)	The study identified several measures to improve the regulatory environment for deposit-taking cooperatives. It recommended the development and adoption of a standard chart of accounts for deposit-taking cooperatives.

CPIP = Credit Policy Improvement Program; DCP = directed credit program
GNFA = government nonfinancial agency
Source: Credit Policy Improvement Program, Department of Finance

Annex 2. Members of the different technical working groups

Agricultural Credit Policy Council
Bangko Sentral ng Pilipinas
Cooperative Development Authority
Credit Policy Improvement Program
Credit Union Empowerment and Strengthening Program (Mindanao)
Department of Finance–National Credit Council
Development Bank of the Philippines
Land Bank of the Philippines
Microenterprise Access to Banking Services (Mindanao)
National Anti-Poverty Commission
National Confederation of Cooperatives
National Economic and Development Authority
People's Credit and Finance Corporation
Philippine Deposit Insurance Corporation
Rural Bankers' Association of the Philippines
Securities and Exchange Commission

Source: Credit Policy Improvement Program, Department of Finance

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Chapter 8

On the Road to Being a Policy Researcher and the People I Met Along the Way

Rosario G. Manasan

Introduction

2017 marked the 40th anniversary of the founding of the Philippine Institute for Development Studies (PIDS). As one having the dubious distinction of being the first fellow to join the Institute, I have been asked many times to talk about policy research and what it is like to be a policy researcher in the Philippines.

I am writing this piece as a way of documenting the journey I have taken as a full-time policy researcher in the last 37 years with the hope of nudging at least a few students and young professionals to consider a career in public policy research. While my own story unfolded in a rather serendipitous fashion without the benefit of an overarching road map, I also hope that would-be public policy researchers will be able to pick up a few nuggets that will give them a greater appreciation of the policy reform process, the role that policy researchers play therein, and what it takes to play that role well.

In the beginning: Before PIDS

I earned my undergraduate degree from the University of the Philippines (UP) Statistics Center (now School of Statistics). My academic discipline gave me a healthy appreciation and respect for how data are generated and the limitations that result therefrom. I also acquired skills to apply the scientific method to a wide range of questions and subject matter areas (not just the natural sciences). In other words, I was ready to face the world with a data-driven perspective.[1]

[1] At the UP Stat Center, I also learned many analytical tools that have served me well to this day.

My foray into policy research started when I joined the Economic Planning and Research Staff of the National Economic and Development Authority (NEDA) as a research assistant. By a stroke of luck, I was assigned to assist Ponciano Intal who provided me with many opportunities to be exposed to economic policy discussions. I was assigned to serve as a rapporteur (translation: note taker) to an interagency task force that included awe-inspiring personalities like Armand Fabella (of the Special Presidential Reorganization Committee) and Juanita Amatong (a former undersecretary at the Department of Finance), among others. I was also tasked to assist in drafting portions of the NEDA's socioeconomic report, and part of that job included keeping abreast of macroeconomic trends and policy developments, which eventually became a habit. Consequently, it prompted in me a curiosity, then an almost instinctive desire to further understand the implications of some of these policies. Considering the available technology back in those days, I also ran countless multivariate regression analysis for Pons by inverting matrices with the use of my tiny calculator.

After a year in NEDA, I was off to the UP School of Economics on a NEDA scholarship to get my master's degree and then, after some hesitation, my doctoral degree.[2] This marked the beginning of my lifelong learning in economic theory and practice. At the school, I picked up a nugget from then Dean Jose Encarnacion that I treasure up to this day. I remember when he chided a bunch of us who were able to easily navigate the mathematics and the econometrics part of various articles we were assigned to report on but stumbled on the economics part by saying: "Say that to me in English, please." This is a lesson that every policy researcher should take to heart.

Early years in PIDS: From policy research to policy reform

Although I officially joined PIDS in June of 1980, I was very fortunate to have been part of the Industrial Promotions Policies in the Philippines (IPPP) project soon after I passed the PhD comprehensive exams in 1977. The IPPP, one of the first projects funded by the Institute, was led by John Power (who was my dissertation adviser) and Romeo Bautista. Working with John taught me the importance of having a solid foundation in economic principles and theory to anchor and frame many policy questions by providing a good understanding and appreciation of

[2] I have to thank Wilfredo Nuqui for the nudge to proceed to the PhD program.

the incentives that government actions (be it in the form of taxation, spending, or direct regulation) engender on the part of the business sector and households.[3]

The IPPP project provided an in-depth assessment of the protectionist, inward-looking policies of the 1950s–1970s that favored import substitution, penalized export-oriented industries, and dragged down the overall performance of the economy, particularly that of the manufacturing sector.[4] The findings and recommendations of the various studies that were completed under the IPPP contributed to the discourse on trade liberalization in the late 1970s. Eventually, these results led to the implementation of the 1981–1985 Tariff Reform Program (TRP) which reduced the peak tariff rate from 100 percent to 50 percent and increased the floor tariff rate from 0 to 10 percent.

I was involved in the adoption of two other industrial promotion policy reform measures a few years after the start of Phase 1 of the TRP. First, I worked with Director Wilhelm Ortaliz of the Department of Trade and Industry in 1982–1983 to provide technical support in crafting the Investment Incentive Policy Act of 1983 or *Batas Pambansa* (BP) 391. The fiscal incentives introduced under BP 391 in lieu of the income tax holiday and capital-related incentives that were granted under the Omnibus Investment Code of 1981 were factor neutral and contingent on their realized contribution to the economy (i.e., value added) rather than sales. These provisions were largely consistent with the thrust of the recommendations made in Gregorio (1979), one of the studies included in Bautista et al. (1979).[5] Second, I wrote a paper (Manasan 1983) which documented the link between internal indirect taxes and effective protection rates in the Philippine setting. This paper contributed to the policy discussions that resulted in the equalization of sales tax rates levied on imports and their locally manufactured counterpart in 1983–1985 as a complementary measure to support the first phase of TRP.

Expectedly, the "winners" in the import substitution regime that prevailed in the 30 years prior to the first phase of TRP and the revision of the fiscal incentive regime for industrial promotion in 1983 posed a strong opposition to said programs. In hindsight, the immediate policy reform process post-IPPP was less protracted than one might expect. The technocratic orientation of key

[3] More recent work, however, taught me that public policy analysis should be framed in a broader context than economics that necessarily includes the broader political context primarily because institutions at the statutory level are crafted by politicians who are driven by electoral incentives rather than considerations of the common good.

[4] The output of this project was the first book published by PIDS (Bautista et al. 1979).

[5] The implication of BP 391 on the rate of return and relative factor use of firms was subsequently documented in Manasan (1986).

economic managers at that time (which included Minister of Economic Planning Gerardo Sicat, Prime Minister Cesar Virata, and Minister of Trade and Industry Vicente Paterno) might have had something to do with it. The availability of solid research to back up the proposed changes in policy was also beneficial. Moreover, earlier studies which have come up with conclusions and recommendations similar to the IPPP project (e.g., Ranis 1974; Baldwin 1975) have also contributed to policy reform process.

PIDS, 1980–1987: A steep learning curve

As a fellow of PIDS, I was tasked to cover public finance, which I found disconcerting initially. First, I had not enrolled in any public finance or economics course in school. Second, my own interest at that time was leaning more toward international trade and development economics.[6] Much later, I realized that public finance research offers an invaluable side benefit. When one follows the money as one is forced to do when one studies public finance, one gains a better understanding of the workings of government. It also provides one with many opportunities to participate in numerous policy discussions. In my case, many colleagues from various government agencies and nongovernment organizations have shared with me useful insights which have greatly enriched my work.[7]

[6] Nonetheless, I continued to undertake international trade and industrial promotion policies over the years, e.g., a study of the export financing system in Lamberte et al. (1989), a comparative study of fiscal incentives in the Association of Southeast Asian Nations (ASEAN) in Manasan (1988a), a study of fiscal incentives for exports in the Philippines in Manasan (1990a), an assessment of the TRP in the 1990s in Manasan and Querubin (1997).

[7] I take this opportunity to acknowledge them here. They include: (1) from NEDA – former Director-General (DG) Solita Monsod, former DG Cielito Habito, former DG Felipe Medalla, Undersecretary (USec) Rolando Tungpalan, USec Adoracion Navarro, USec Rosemarie Edillon, former Assistant DG Marcelina Bacani, former Director (Dir.) Susan Jose, former Dir. Erlinda Capones, Cleofe Pastrana, and Marites Lagarto; (2) from the Department of Budget and Management – Secretary (Sec.) Emilia Boncodin, Usec Laura Pascua, Usec Luz Cantor, former Usec Cynthia Castel, Assistant Secretary (ASec) Myrna Chua, Dir. Rolando Toledo, Dir. Cristina Clasara, Dir. Dante Chavez, former Dir. Carmencita Delantar, and Assistant Dir. Yolanda Reyes; (3) from the Department of Finance – USec Karl Chua, former USec Juanita Amatong, former USec Romeo Bernardo, former USec Milwida Guevarra, former Usec Jeremias Paul Jr., ASec Ma. Teresa Habitan, Dir. Juvy Danofrata, Dir. Elsa Agustin, and Rowena Sta. Clara; (4) from the Department of Education – Sec. Leonor Magtolis-Briones, former Sec. Brod. Armin Luistro, USec Victoria Catibog, USec Jesse Mateo, USec Lorna Dino, former USec Francis Varela, former USec Rey Laguda, former USec Dina Ocampo, ASec Nepomuceno Malaluan, Dir. Roger Masapol, Dir. Mandy Ruiz, former Dir. Theresa Anne Manalastas-Menardo, Selwyn Briones, Mary Jane Feliciano, Marietta Atienza, Mercy Castro, Ariel Tandingan, Clarisse Lagunas, and Miriam Coprado;

But, like a good fellow, I took on the challenge. First, I buckled down to work on my obvious handicap and plodded through the required readings in the public finance and public economics courses at both the undergraduate and graduate levels. Second, I spent time trying to acquire a basic understanding of the agencies involved in taxation, government spending and the budget process, government borrowing and public debt management, as well as the institutions[8] that govern the way these agencies do business. Then I did a review of the literature related to taxation, government spending and the budget process, public debt and the public enterprise sector in the Philippines (Manasan 1982, 1984).

Third, a good deal of my time during this period was devoted to getting acquainted with the nuances of Philippine fiscal statistics.[9] There are four distinct ways of measuring government spending: (1) appropriations, (2) allotments, (3) obligations, and (4) disbursements.

Appropriation refers to the legislative authorization for spending. These data are available in the General Appropriations Act. Allotment refers to spending authority issued by the Department of Budget and Management (DBM) which allows government agencies to incur obligations up to a specified amount that does not exceed the appropriations authorized by law. Obligations refer to government spending reckoned at the time contractual liabilities are incurred and committed to be paid for either immediately or at some future date. Both allotment data and obligations data may be obtained from the DBM's Budget of Expenditures and Sources of Financing. Disbursements refer to government spending reckoned

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(5) from the Department of the Interior and Local Government – Usec Austere Panadero, Dir. Anna Bonagua, Richard Villacorte, and Glenn Miranda; (6) from the Department of Health – Sec. Enrique Ona, USec Mario Villaverde, USec Lilibeth David, Maylene Beltran, Laureano Cruz, Agnes Marfori, Frances Mamaril, Ligaya Catadman, Josephine Salangsang, and Gina Ramiro; (7) from the Department of Social Welfare and Development – Sec. Esperanza Cabral, former USec Alicia Bala, former USec Mateo Montaño, former Dir. Deseree Fajardo, and former Dir. Finardo Cabilao; (8) from the Bureau of Local Government Finance – Executive (Exec.) Dir. Niño Raymond Alvina, Deputy Exec. Dir. Jose Arnold Tan, Dir. Pamela Quizon, former Dir. Erlito Pardo, and former Dir. Norlito Malvar; (9) from the Bureau of Internal Revenue – former Commissioner (Comm.) Guillermo Parayno, former Comm. Kim Henares, former Deputy Comm. Lita Aguirre, Assistant Comm. Elvira Vera, and Dir. Nestor Valeroso; (10) from the Development Academy of the Philippines – Officer-in-Charge President Magdalena Mendoza and former President Eduardo Gonzalez; (11) from UP National College of Public Administration and Governance – Alex Brillantes Jr., Prospero de Vera, Edna Co, and Alice Celestino; and (12) from Social Watch – Marivic Raquiza.

[8] The more important formal rules in this regard include the National Internal Revenue Code and Presidential Decree 1177.

[9] Corazon Buenaventura and Andrea Morales of the National Statistical Coordination Board, which is now part of the Philippine Statistics Authority, provided me invaluable guidance in this regard.

at the time obligations are settled by cash. Data on disbursements are available from the Bureau of the Treasury's (BTr) Cash Operation Report (COR) and the Commission on Audit's (COA) Annual Financial Report (AFR).

Aggregate data on government revenues including tax revenues are reported in the BTr's COR and the COA's AFR, while more granular data on government revenues by type of tax or income are available from the reports of the various tax collections agencies (e.g., Bureau of Internal Revenue or BIR, Bureau of Customs) and other revenue-generating agencies (e.g., BTr). However, the information from these sources of data are not always consistent with each other due to reporting lags and inclusion of certain items in the report of some agencies but not in others.[10] Then, there is also the question of how fiscal information in the National Income Accounts relates with the fiscal statistics from the BTr and COA. Finally, it is also important to have a good understanding of related macroeconomic and micro-level statistics (e.g., measures of the base of various taxes).

After all the preparatory work, I was ready to take my tentative first steps in research in the area of public finance. The first one involved the estimation of tax forecasting models for the major taxes collected by BIR (Manasan 1981). This was followed by the estimation of various quantitative measures of fiscal performance[11] to arrive at a baseline characterization of the public sector in the Philippines in the period 1975–1985. On a personal level, the highlight of my output during this period relates to my contribution in the discussions of the committee on fiscal policy during the preparation of the "Yellow Report" (Alburo et al. 1986) as summarized in an unpublished note on a tax reform agenda for the Cory Aquino administration, significant portions of which found its way in the main report.

During this period, then PIDS President Dr. Filologo Pante gave us young fellows[12] ample time, space, and flexibility to do independent research within the spheres assigned to us. We were also allowed to help set the research agenda itself. This work environment was not only supportive but also truly empowering and provided the much-needed boost to my professional development at a critical stage in my career.

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[10] Noncash collections are included in the BIR reports but not in the BTr COR.

[11] Such as tax effort, tax buoyancy, tax elasticity in Manasan and Querubin (1987), the changing trend and composition of government spending as well as the elasticity of various components of government expenditures in Manasan (1987), and the economic impact of public enterprises in Manasan and Buenaventura (1987).

[12] Erlinda Medalla joined PIDS as a fellow in early 1981.

PIDS, 1988–onwards: Good times

Beginning 1988, my research started to take a more policy-oriented character. This was a very productive period for me professionally. The papers I wrote during this period may be classified into five strands: (1) macro fiscal policy assessment, (2) budget analysis, (3) review of tax policy and tax administration issues, (4) public expenditure review and program evaluation, and (5) analysis of various aspects of fiscal decentralization.

The busy reader may wish to skip the rest of this section altogether. The key message of this section is, perhaps, how the application of a consistent framework and approach in the analysis of various issues in public finance enabled me to build on earlier work and stay on message in terms of the overall direction that policy reform needs to take. It also offered me a longer term perspective in the area that has greatly enhanced my work.

In retrospect, I am convinced that building a body of work that is largely focused on a limited number of subject matter areas contributes substantially in raising one's profile as a policy researcher. This is not to argue that one confines oneself to only one area of specialization. Truth to tell, I did not really plan it this way, I suppose I am lucky that public finance has so many branches that I did not have the opportunity to get bored working on the same topic over and over again.

Periodic assessment of macro fiscal policy

The huge public debt overhang that was the legacy of the Marcos years severely limited the capacity of post-1986 administrations to finance infrastructure investments and basic social services. Consequently, it had been difficult to put the Philippines on a path of sustained high growth that is inclusive and poverty reducing. Given this background, the need to assess the fiscal policy stance of government, and to track its implications on fiscal sustainability over the years, cannot be overstated. In response to this need, I undertook the periodic assessments of fiscal policy with the timing of the said assessments typically coinciding with the midterm or the end of term of the various administrations.

While the specific context of the periodic assessments may vary, these studies generally applied a common framework and emphasized the importance for government to ensure the sustainability of its fiscal operations and financing thereof.[13] The assessments also reviewed key tax policy and administration issues and the allocation of government spending in relation to the government's stated goals with the end in view of promoting fiscal consolidation while being mindful of government's growth and equity objectives. I have done five assessments to date: an assessment of fiscal policy during the Marcos years (Manasan 1988b), a midterm assessment of fiscal policy under the Cory Aquino administration (Manasan 1990b), an end-of-term assessment of fiscal policy under the Cory Aquino administration (Manasan 1994), an end-of-term assessment of fiscal policy under the Ramos administration (Manasan 1998), and an end-of-term assessment of fiscal policy under the Arroyo administration (Manasan 2010a).

For instance, Manasan (1990b) presented empirical estimates of net fiscal impulse, a measure of the net stimulative effect of the discretionary aspect of the fiscal operations of government on aggregate demand given the expansionary fiscal stance taken by government in response to the severe recession in 1984–1985. It also reviewed the financing of the fiscal deficit and its impact on government interest payments and private investment. Furthermore, it presented an *ex post* evaluation of the implementation of the 1986 TRP in terms of its impact on tax elasticity and tax incidence (and highlighted remaining issues in the tax arena), assessed the distribution of government spending across sectors in relation to the stated objectives in the Medium-Term Development Plan, and reviewed the pace of the administration rationalization program for government corporate sector.[14]

On the other hand, Manasan (1994) was concerned with the fiscal challenge of reconciling lower fiscal deficits with growth. It emphasized that more revenues and less spending will both be needed. However, the potential gains from the former are greater than that from the latter because the fiscal adjustments that took place in earlier years was dominated by expenditure cuts that adversely affected public infrastructure investments. It argued for the importance of increasing government infrastructure investments by showing that government infrastructure expenditures Granger cause economic growth. The paper also offered some empirical evidence that public infrastructure investment crowds in (i.e., complements) private investment while public noninfrastructure investment

[13] Fiscal sustainability analysis is anchored on the dynamics of the evolution of public debt. Alternative variants of this analysis are available from Anand and van Wijnbergen (1989), Catsambas and Pigato (1989), and Fedelino et al. (2009).

[14] A comparative assessment of the country's fiscal policy in 1978–1988 in relation to that of other ASEAN countries is found in Manasan (1990a).

crowds out private investment. It pointed out that the biggest opportunity for increasing tax revenues prospectively lies in tax administration given high levels of tax evasion[15] while calling for a reduction in tax expenditures in the form of unnecessary fiscal incentives and poorly targeted rice or *palay* subsidies of the National Food Authority.

Analysis of the President's Budget proposal

In response to request from Congress for PIDS to comment on the President's Budget proposal, PIDS had attempted to undertake such an analysis on a yearly basis starting with an analysis of the 2001 President's Budget (Manasan 2000). This was followed by an analysis of the 2002 President's Budget (Manasan 2001), an analysis of the 2003 President's Budget (Manasan 2002a), and an analysis of the 2004 President's Budget (Manasan 2003a). These studies essentially applied the fiscal sustainability framework used in the periodic assessment of fiscal policy discussed earlier. These studies also provided an alternative view of (1) the revenue projection that underpins the proposed fiscal program of government, (2) the proposed revenue measures, and (3) budget allocation across sectors.

This effort proved to be truly challenging for me for a number of reasons. First, the time framework within which the analysis should be completed is short, insanely so. Ideally, the analysis should be available as soon as Congress starts its budget hearings after the president submits the proposed budget to Congress around the end of July of each year. Second, PIDS only gets access to data at best a week after the date of the president's actual submission of the same to Congress. To make matters worse, the data are given to PIDS in portable document format and, thus, a significant amount of time and effort is spent in encoding the data in Excel. At best, the output of this exercise becomes available only toward the tail end of the budget deliberations at the House of Representatives; at worst, the report will be ready at around the middle part of budget hearings at the Senate.

Fortunately, the Congressional Planning and Budget Office took on this task subsequently. However, PIDS would still receive requests for an alternative analysis of the President's Budget proposal from the Senate. I have continued to undertake this analysis on a semiregular basis—at times, making the analysis available to the public in the form of a PIDS discussion paper (Manasan 2011a,

[15] This paper also updated the estimates of tax evasion with respect to various types of taxes.

2013), and, at other times, coming up only with briefing materials for the benefit of the Senate Appropriations Committee.

Assessment of tax policy and tax administration issues

My studies on tax policy and tax administration issues generally apply a common framework that evaluates proposed tax measures in terms of their (1) revenue impact, (2) tax incidence (i.e., who bears the burden of the tax?), (3) efficiency (i.e., does the tax introduce distortions in the efficient allocation of resources?), and (4) administrative feasibility.

I wrote nine studies under this strand. One, Manasan (1988c) estimated the extent of tax evasion with respect to the individual income tax, taxes on passive income, the corporate income tax, and the sales tax. Two, Manasan (1997) evaluated the income tax proposal under the Comprehensive Tax Reform Program of 1996/1997. Three, Manasan (2002b) documented the varying importance of (1) changes in tax policy, (2) changes in economic structure, and (3) changes in tax collection efficiency in explaining the decline in tax effort in 1998–2001. Four, Manasan (2003b) estimated industry benchmarks that are intended to help improve VAT administration. Five, Manasan (2003c) reviewed the experience of different countries which have set up semi-autonomous revenue authorities to inform the public debate on proposals to do the same in the Philippines. Six, Manasan (2004) provides an assessment of the tax measures proposed by former President Gloria Macapagal-Arroyo in response to the widening fiscal deficit in 2002–2003. Seven, Manasan and Parel (2013) evaluated the various versions of the proposal to amend the sin tax law. Eight, Manasan (2015a) analyzed alternative proposals to amend the personal income tax. Nine, Manasan (2017a) provided an appraisal of the different components as well as alternative versions of the Tax Reform for Acceleration and Inclusion.

Public expenditure review of government spending in various sectors

A significant portion of my time during these years was also spent on the conduct of public expenditure reviews (PERs) in various sectors. This strand ranks second in terms of the number of studies completed during this period, including studies which I managed or supervised.

In general, PERs attempt to answer any one or a combination of the following questions. One, is government spending in the sector an appropriate instrument for public intervention? Two, is government spending consistent with the declared priorities of government? Three, how can public spending best meet its objectives with limited resources, i.e., are budgetary resources used efficiently and effectively in the implementation of the strategic priorities of government? Four, who benefits from government spending in the sector? The research work done under this strand also includes a number of studies related to the financing of basic social services.

Manasan et al. (1996) called for a restructuring of public policy and budget in favor of social programs. Manasan (2002c) reviewed general government spending on the 20/20 initiative in 1995–2000. Manasan (2002d) examined financing and service delivery issues in the education sector in relation to sectoral outcome indicators. Two studies, Manasan (2002e) and Manasan (2007a), estimated the financial requirements needed to achieve the Millennium Development Goals (MDGs).[16] These studies also compared the MDG resource requirements with the funding level that is likely to be made available to determine the funding gap for each of these goals under alternative macro and sectoral policy scenarios. In addition, these studies also included proposals to improve operational efficiencies and institutional arrangements in the delivery of MDG-related services so as to maximize the effectiveness of available budgetary resources.

In a study to make budgetary allocation more efficient, Manasan and Villanueva (2005) assessed the impact of the fiscal austerity measures on budgetary allocation for women's programs in 1997–2003. Manasan (2010b) reviewed and evaluated the major contributory and noncontributory social protection programs of government in terms of program coverage, size of the benefits or transfers, cost effectiveness/efficiency, and financial sustainability. Manasan (2011b) also reviewed the emerging issues and challenges in expanding the coverage of the social health insurance program.

Looking at higher education, Manasan (2012) focused on the rationalization of national government subsidies for state universities and colleges (SUCs). Another study (Manasan 2015b) reviewed and assessed the programs offered by SUCs in terms of the consistency of these programs with SUCs' mandates as per their charters, program duplication, and quality of instruction provided.

Also included under this strand are three studies that relate to benefit incidence analysis of government spending. The first of these studies focused on the food-for-school program (Manasan and Cuenca 2007).[17] On the other hand,

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[16] These two studies were used extensively by civil society organizations like Social Watch in their advocacy for increased budgetary support for the MDGs.

[17] The findings of this study directly led to the abolition of the food-for-school program.

another one looked at the education sector (Manasan et al. 2007) while the last one dealt with the health sector (Manasan and Cuenca 2010).

In addition, I managed and supervised PERs conducted by other authors. Ruben Mercado (2001) analyzed the regional budget determination and allocation. Alexander Michael Palma (2002) appraised the absorptive capacity of Department of Health.

Studies on fiscal decentralization in the Philippines

The enactment of the Local Government Code (LGC) in 1991 represents a major shift in local governance in the Philippines. As a whole, the LGC provides a framework in support of increased local autonomy. It includes far-reaching provisions affecting the assignment of functions across different levels of government, the revenue powers of local government units (LGUs), the revenue sharing between the central government and LGUs, intergovernmental transfers from the central government to LGUs, and the participation of civil society in various aspects of local governance.

My work in the area of fiscal decentralization ranks first in terms of the number of studies completed. Arguably, the breadth and depth of the combined contribution of these studies had been significant, particularly those that touch on the public discourse regarding the incentive effects of the 1991 LGC on local revenue mobilization, local service delivery, and local governance. These studies fall into two groups: (1) those which focus on major structural features of fiscal decentralization, including their internal consistency and policy implications thereof and (2) those which focus on the nuts and bolts of LGUs' operation and administration.

There were at least nine studies related to overarching policy and structural design issues in fiscal decentralization in the Philippines. One, Manasan (1992) provided a breakdown of the fiscal implications of the 1991 LGC. Two, Manasan (1995) assessed local revenue mobilization in the early years of code implementation and provided some evidence of the disincentive effect of the internal revenue allotment (IRA) on local revenue performance. Three, Loehr and Manasan (1999) made an attempt to assess the economic efficiency impacts of fiscal decentralization on the Philippines.[18] Four, Manasan (2002f) analyzed the spending of provincial and city governments on social sectors and documented the

[18] This paper focused on three dimensions of economic efficiency: (1) production efficiency, (2) allocative efficiency, and (3) fiscal efficiency.

vertical fiscal imbalance (i.e., inadequacy of IRA and tax assignment in financing expenditure responsibilities assigned to LGUs in the aggregate), horizontal fiscal imbalance (as reflected in the significant number of LGUs that have had negative net resource transfers after the implementation of the 1991 LGC), and the determinants of LGU spending on various types of services or sectors. Five, Manasan (2005) evaluated how the key features of the LGC have contributed to (or detracted from) achieving some balance between local autonomy and accountability. It also highlighted the following weaknesses in the design of fiscal decentralization under the LGC: (1) overlapping, and at times, unclear assignment of functions across various levels of government which tends to result in the waste of resources, (2) numerous unfunded mandates which result in relevant services being delivered either in insufficient quantities or not at all, (3) weak revenue autonomy under the 1991 LGC, (4) LGUs not utilizing the local taxing powers that have been assigned to them under the LGC to the fullest, (5) vertical fiscal imbalance given the mismatch between tax assignment and intergovernmental transfers, on the one hand, and expenditure assignment, on the other, and (6) limited ability of the IRA to equalize the net fiscal capacity of LGUs in the sense of providing more resources to LGUs with lower revenue capacity relative to their needs and less to LGUs with greater revenue capacity relative to their needs. Six, Manasan and Avila (2015) provided an analysis of the possible LGC amendments in the area of local taxation that are intended to increase the revenue autonomy of LGUs without unduly increasing the cost of doing business. Seven, Manasan (2015c) provided an analysis of possible LGC amendments that will facilitate LGU access to credit while at the same time mitigating the fiscal risk involved therefrom. Eight, Manasan (2017b) presented possible design options for each of the four pillars of intergovernmental relations in a federal form of government so as to ensure that the federal government and state governments face the right incentives to deliver local public services efficiently and equitably and to be more accountable to their constituents. Nine, Manasan and Chatterjee (2003) reviewed the trends in regional convergence in 1975–2000 and explored the implications of fiscal decentralization on the same while Manasan (2007b) looked at the issues related to the financing of regional development under a decentralized regime. On the other hand, Wallich et al. (2007) explored the link between local autonomy and solidarity in the Philippines.

Studies related to the detailed rules and procedures that govern LGU operations were also produced. One, Mercado and Manasan (1998) reviewed the evolution of the various metropolitan arrangements in the country. It also looked at the various functional areas where metropolitan arrangements have been or can be effective and efficient in the delivery of urban services. In addition, it identified and analyzed the problems confronting these groupings in the area of institutional strengthening and coordination, finance, management operations, and local autonomy. Lastly, it considered the advantages and disadvantages of alternative metropolitan structures of metropolitan arrangements. Two, Manasan and Villanueva (2006) documented good practice (i.e., gems) in LGU fiscal management that other LGUs may emulate. Three, Manasan and Castel (2010a) reviewed current practice in budgeting for personal services expenditure at the local level with the objective of recommending changes in existing policies that will promote more effective and transparent LGU budgeting processes and procedures related to local personnel. Four, Manasan and Castel (2010b) assessed the existing financial management and budgeting systems that govern the operation of local economic enterprises with the end in view of amending these so as to engender greater efficiency in their operations. Five, Manasan and Castel (2010c) attempted to shed light on the reasons why LGUs in the aggregate post fiscal surpluses year after year even if many of them persistently complain about the vertical fiscal imbalance. Six, Manasan et al. (2011) examined the management of the Special Education Fund in terms of collection, allocation, and utilization in order to maximize LGUs' support for the Education for All initiative and to promote a more equitable allocation of resources for basic education.

In addition to the above studies, I also managed and supervised some 17 studies that document good practice in urban service delivery and management including seven studies on emerging metropolitan arrangements, eight studies on health service management strategies, one study which reviewed local effort in housing provision, and another study which documented various city program innovations in environment and natural resource management. These studies are compiled in Manasan (2002g).

Some reflections

On PIDS' role and contribution in policymaking, how to measure its performance and, by extension, that of PIDS policy researchers

The tagline for the PIDS 40th anniversary is "from policy research to nation building". However, there is a wide divide between policy research and nation building. By nation building, are we referring to the process of nation building or the outcome of nation building? The bar is obviously set lower if we are referring to the former rather than the latter.

As articulated in its charter, the mandate of PIDS is the conduct of policy-oriented studies that will assist policymakers and planners in crafting development policies, plans, and programs. This is in line with Dr. Sicat's vision for PIDS as: "a research institute that undertakes reliable evidence-based research [that] would immensely help improve the content of public discourse on national economic policy. ... Good research studies would produce allies by coalescing disparate voices and improve the issues for discussion" (Chapter 2 of this volume).

Given this perspective, the success of PIDS in fulfilling its mandate relates to (1) the production of quality policy-oriented and evidence-based research studies and (2) how well PIDS research outputs have informed the policy debate and reached the wider public. The production of quality research studies is obviously measurable. Although one can quibble about the quality of the studies, quality may be assured by putting in place a systematic peer-review process. However, current attempts to measure how well PIDS research outputs have actually informed the public debate are weak, especially with respect to indicators which are being measured on a regular basis (e.g., number of hits on PIDS website). Nonetheless, it is worth noting that translating PIDS' research outputs into more understable and accessible formats, broadening the reach of PIDS' research dissemination activities, and giving more explicit recognition of the "outreach" activities of fellows are important elements of the second aspect of PIDS' success indicator.

Strictly speaking, the extent of PIDS' influence on policy changes actually made by policymakers should not form part of PIDS' success indicator. The Institute does not have full control over the action of policymakers. As Alburo (2003, p. 153) argues: "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."

Nonetheless, within and outside of PIDS, the question regarding the impact of PIDS' research outputs on the outcome of the policymaking process cannot be avoided. For instance, Alburo (2003, p. 153) also states:

> "...the more important question is the impact of these [PIDS'] 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?"

Likewise, during light moments among PIDS fellows, some of us would sometime joke around about our individual "success rate". This is measured in terms of the number of observable policies that may to some extent be attributable to our research outputs. The satisfaction and sense of fulfillment policy researchers get during the rare times that their research outputs somehow make the transition into policy are priceless. In contrast, the frustration level of fellows rises when the policy advice given in specific PIDS research outputs fail to result in the expected policy change. On a personal level, I oftentimes felt the need to keep my expectations low in terms of policy researchers' ability to influence policymakers, if only to help me keep my sanity.

What makes policy researchers effective? What will enhance their performance? One, it is a given that one has to be equipped with an educational background that provides one with both the theoretical framework and the tools to analyze public policy issues if one is to be effective as a policy researcher. Just as important is keeping oneself updated on developments and trends not only in the theory and practice of one's chosen field of specialization but also in other areas.[19] In other words, lifelong learning is a must.

Two, having the passion to do research is critical. Where does one derive the passion? Passion comes from finding joy in what we do. In this regard, a quote attributed to Paul Samuelson is particularly relevant: "Never underestimate the vital importance of finding early in life the work that for you is play. This turns possible underachievers into happy warriors" (Robinson 2009, p. 26). For some policy researchers, passion may also be derived from the realization that good policy research has the potential to contribute to the common good. Thus, public policy research can be especially gratifying when policy research directly transforms into policy reform or change.

Three, doing research right starts with asking the right question. The research agenda of the Institute has always been defined in fairly broad terms. This means that fellows are given a lot of discretion in choosing the research topics they

[19] In the last couple years, behavioral economics featured highly in my nonwork-related reading list. Today, it is political economy.

will focus on at any one point in time. Upon reflection, I think that, among the many papers I wrote, the ones that resonated the most with policymakers and the public at large are those that focus on finding solutions to or shedding more light on specific problems or issues of some significance at the national level. In other words, studies that are problem driven from the start.

From my experience, the following help in identifying and scoping such problems: (1) being able to anticipate emerging problems in a particular policy field based on a good understanding of the overarching reform direction that is needed in the said area, (2) having the opportunity to hear policymakers talk about the problems and issues that vex them, and (3) being attuned to the problems that appear to concern the public the most. Every once in a while, of course, one gets a little help from one's friends. For instance, I was persuaded to work on the estimation of tax evasion in the Philippines after Bienvendio Alano, my classmate in grad school, and Guillermo Parayno, who was then deputy commissioner at the Bureau of Customs, introduced me to General Jose Almonte, who was head of the now-defunct Economic Intelligence and Investigation Bureau at that time. General Almonte was then interested in tax evasion and smuggling as forms of economic sabotage.

Four, earning the credibility and respect of policymakers, practitioners, other researchers or analysts, and the wider public is essential. Credibility and respect are a function of one's track record, including quality of the output, independence in the conduct of research, and objectivity in presenting findings. Objectivity requires that the positive as well as the negative implications of an existing or a proposed policy change are presented as fairly as possible. I have been surprised in a number of occasions when groups on opposing sides of the debate have used my paper as reference. On the other hand, it is important to be aware that the source of the research funding may at times taint the public's perception of the independence of the research output from outside influence.

Five, communicating well to policymakers and the wider public is critical because tools and techniques that policy researchers use may sometimes get in the way of reaching out to our target audience.

Six, policy research requires the humility to admit and rectify errors and to modify conclusions and recommendations on the basis of comments received from policymakers, practitioners, other researchers or analysts, and the wider public. Many times in the past, I have been known to have asked the Research Information Staff of the Institute to upload revisions of my papers on the PIDS website in lieu of earlier versions.

Seven, policy research also requires perseverance and persistence. To the extent that public policy research does not always make the transition into policy reform, it can be frustrating. Unfortunately, the reality is that for most of us policy researchers, there are fewer hits than misses. Also, public policy research is far from being one of the more lucrative occupations given the relatively low valuation that government itself apparently attaches to "knowledge creation".

Eight, having a supportive work environment enabled me to make full use of my time in productive activity instead of interoffice intrigue and competition. It also provided me the venue for sustained intelligent and stimulating exchange of ideas and views on a broad range of subjects. For all these, I thank present and past PIDS presidents, namely, Gilberto Llanto, Filo Pante, Pons Intal, Mario Lamberte, and Josef Yap; present and past PIDS Mancom members, namely, Marife Ballesteros, Andrea Agcaoili, Sheila Siar, Renee Ajayi, Jennifer Liguton, Mario Feranil, and Isaac Puno III; and present and past PIDS fellows, namely, Linda Medalla, Celia Reyes, Ramonette Serafica, Aniceto Orbeta, Vicente Paqueo, Jose Ramon Albert, Roehlano Briones, Connie Dacuycuy, Sonny Domingo, Francis Quimba, Michael Abrigo, Danilo Israel, Rafaelita Aldaba, Adoracion Navarro, Rouselle Lavado, Gloria Pasadilla, Cristina David, Marian delos Angeles, Myrna Austria, Melanie Milo, Gloria Pasadilla, Dalisay Maligalig, and Edna Reyes. I also thank my present and past research associates and research assistants, namely, Catharine Adaro, Janet Cuenca, Danileen Parel, Laarni Revilla, Ruben Mercado, Virginia Pineda, Lovely Tolin, Miro Capili, Kirsten dela Cruz, Reinier de Guzman, Anicia Sayos, Eden Villanueva-Ruiz, Ross Quisao, William Bayona, Brenda Solis, Haison Yu, Don Thed Ramirez, and Larraine Zafe. Without their support, I would not have been as productive in my research undertakings. Finally, I thank Lucita Melendez for being an excellent secretary and taking care of the many mundane errands that would otherwise occupy much of my time.

In conclusion, one of my biggest sources of affirmation in recent years is finding out that students or technical staff of various offices read and learned from the papers I wrote. I also take great pleasure at observing how Janet Cuenca, my former research associate who is now completing her PhD dissertation, has slowly transformed and continues to grow as a policy researcher. Considering my 37 years in this field, I wonder if educating the next generation of policymakers and policy researchers is perhaps the best legacy that policy researchers can hope for.

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Chapter 9

Pass the Torch: Opening Minds and Markets

Erlinda M. Medalla

I did not plan to be an economist. My undergraduate course was mathematics and becoming an economist was not in my list of career choices at that time. However, as luck would have it, when I graduated in 1973, the National Economic and Development Authority (NEDA) was just founded with Dr. Gerardo Sicat as its first director-general and it was recruiting its first batch of new graduates. I joined NEDA, more curious than committed, but indirectly, Dr. Sicat would continue to nudge and set my career in economics by providing opportunities for doctoral and postdoctoral studies.

Subsequently, I would become part of an institute he founded, the Philippine Institute for Development Studies (PIDS). In 1979, I was part of a research project that produced its first book publication, the *Industrial Promotion Policies in the Philippines* (Bautista et al. 1979). I formally joined PIDS in 1981 as a research fellow, together with Dr. Rosario Manasan.

While Dr. Sicat set the direction, it was Dr. Filologo Pante, the first president of PIDS, who more directly cemented my career path. He gave me great leeway so I could develop the research niche that would simultaneously fit the PIDS agenda and would most suit me. During the early years of PIDS, the work style in the Research Department was not very structured, which for me was an ideal environment for nurturing and growing what I can do. This looseness encouraged creativity and helped me develop a research agenda I would be effective in.

Informally, I became a part of PIDS through its Industrial Promotion Policies in the Philippines (IPPP) project, where I wrote about shadow pricing for project evaluation and, in the process, completed my dissertation. During this period, I really understood and internalized the economic concepts and discipline. For the most part, I owe this to Dr. John Power who was the lead economist of the IPPP project and whom I was fortunate to have as my thesis adviser. His contribution was succinctly summarized by a tribute by Dr. Sicat (2017):

> "John was an American visiting professor from the University of Wisconsin who possessed powerful economic insight. He helped contribute to the understanding of the shortcomings and mistakes of Philippine industrial policy that have, however, taken long to correct."

Back then, the economic policies of the country were deeply protectionist. It was a time of pervasive market distortions, especially coming from a prolonged restrictive trade regime. Those of us old enough to remember would know first hand that in the supermarkets, choices (and supply) were very limited, far different from what we have now. We did not know that, in the guise of "Filipino First" slogan, we paid high prices for low-quality products. The economy was marked by a prevalence of government controls: trade restrictions, industry monopolies, state-owned enterprises and regulations—not just in public utilities but in major commodities as well (particularly, oil, steel, coconut, rice, and sugar).

The general justification for protectionism was industrial promotion but, after three decades, this rationale rang hollow as it failed to produce the envisioned industrialization. Instead, the inward-looking industrial policy became better known as "import-dependent, import-substituting strategy" that saw the Philippines overtaken by neighboring countries even as the general public bore the costs of protection. It became clear that the country badly needed reforms—trade reforms, in particular—but the question was how to make it happen.

Fresh from graduate school (and, to some extent, even long after), my understanding was only theoretical. The IPPP project was an eye-opener and an extremely valuable learning experience:[1] I started to understand the real (empirical) costs of protection.

As previously mentioned, my particular task for the IPPP project involved shadow pricing, specifically, I was to estimate the shadow price of foreign exchange. The concept of shadow pricing would now be unfamiliar to many young economists.[2] But when markets were as ridden with distortions as they were at that time, it is important to uncover what are the real costs to society—especially when caused by government policy itself (tariff and trade controls, for example).

For the project, the real (social) price of foreign exchange was a key indicator to be measured for economic analysis. The terminology used is "shadow exchange rate" (SER), as the official exchange rate might not reflect the true value of

[1] Again, a large part of this, I am deeply indebted to Dr. John Power.

[2] I know that this statement would reveal that I was a product of the 1970s and old-school economics.

foreign exchange. The distortion did not just come from exchange control which restricted the direct buying and selling of foreign exchange. Distortions also came from the tariffs and trade controls on imports (and exports) which restricted (and "artificially" dampened) the demand for foreign exchange. Consequently, this one price had far-reaching implications. My estimate (covering the 1970s) of the premium on foreign exchange ranged from 20 to 35 percent—clearly indicating how the protectionist regime penalized exports. In effect, the tax on imports is really a tax on exports. This is the so-called Lerner's Symmetry Theorem which we learn in graduate school. The IPPP project made it more concrete for me.

The results, findings, and recommendations of the IPPP project were presented by Dr. Romeo Bautista and Dr. Power to the economic managers at the time—Dr. Sicat (NEDA), Dr. Caesar Virata (prime minister), and Dr. Vicente Paterno (minister of Industry).[3] This gave Dr. Sicat further support to implement trade reforms.[4] Thus, the first Tariff Reform Program (TRP I)[5] came to be implemented over a five-year period from 1981 to 1985.

The struggles of a policy researcher

My experience with the IPPP project and writing on shadow pricing of foreign exchange led me to specialize in trade and industrial policy at PIDS. In coming up with the overall estimate for SER, I needed to see how specific sectors were affected by the trade regime, even just by looking at the applicable tariff rates and binding import controls. These were the hidden costs of protection and, because one output could be an input to another, all sectors were affected.

To illustrate, tariffs could be nominal protection for one sector (for producers of the particular output) but would be a penalty to another (a tax if used by another that is either a final consumer or another producer which used it as input). The impact would be even worse if tariffs were non-uniform. Then the effective protection would vary even more widely. Yes, tariff protection could give advantage to the local producer over the foreign competition counterpart,

[3] I remember being in the room with them, feeling awed in the presence of these revered technocrats.

[4] This was in the late 1970s and in a way it was easier to implement policy reforms then, as all that was needed was an executive order.

[5] It was supposed to be accompanied by a removal of quantitative restrictions on imports. But this was suspended (and reversed where implemented) because of the severe economic crisis that erupted in 1983. This rendered the trade reforms incomplete and virtually nonexistent.

but this advantage was paid for by the local buyer, who paid higher prices because of the tariff. This was just one cost of tariff protection.[6] What is not widely known is that if tariffs are uneven, then the protection system would not simply be favoring the Filipino producer over foreigners, but would actually favor one group of Filipino producers over another group of Filipino producers. This would induce resources to flow from less favored sectors to more protected sectors—sectors where the country would not be able to produce efficiently.[7]

Thus, the more adverse impact, especially of non-uniform tariff protection, was the misallocation of (scarce) resources. This is a major explanation why computable general equilibrium analysis of trade liberalization would tend to yield net positive impacts. That is, conversely, the overall benefit of trade liberalization would result from better allocation of resources.

Therefore, trade protection costs and the export sector is most adversely affected. Protection is relative, and an uneven tariff (and trade) protection structure costs the economy even more. This message was difficult to send across, but this was understandable. Individuals would be naturally concerned mainly with what affects them and view things from their perspective. It would be the task of researchers and policymakers to always look at the bigger picture and assess how policies impact on the economy as a whole.

The case of the automotive industry

The Progressive Car Manufacturing Program was a flagship industrial program of the government. This was in the early 1970s, making the Philippines among the first in the Association of Southeast Asian Nations [ASEAN] (at least ahead of Thailand and Indonesia) to embark on promoting the automotive industry. The general promotion package used trade controls, income tax holiday, and measured capacity, with a required local (domestically produced) content. Car manufacturers had to be registered with the Board of Investments (BOI) in order to receive the fiscal incentives (income tax holiday, duty-free importation of capital, accelerated depreciation). They were also protected from foreign

[6] Of course, there is tariff revenue which one could say would compensate for the loss in consumer welfare. However, the fact that the local producer is able to produce at higher costs would still yield a net positive cost of protection. See also dead weight cost or tariffs.

[7] That is, where the country has no comparative advantage in. Thus, there will be a waste of scarce resources.

competition by a high tariff rate (around 60% at the time) aside from a restriction on car importation. In return, the only obligation for the car manufacturer was the mandatory deletion for selected car parts. That is, car manufacturers were required to source these parts in the mandatory deletion list locally.

The program failed to meet its local content targets. One reason was the inefficiency of dictating which product to include in the deletion list. Costs could vary across model, product, or firm. A refinement was to let the market decide which should be sourced locally. This eased some of the constraint, but in the end, the local content actually achieved was still way below the target (which was less than 40% as far as I can remember).

Perhaps it was the right policy at the wrong time. The global production network which the Japanese automotive industry spearheaded was not yet there, and the technology that drastically lowered transport costs had not happened. Upon closer examination of the industry, we saw that the price of the completely knocked down (CKD kit) parts of the car was at least 15 percent higher than the completely built unit (CBU). This finding was surprising and did not make much sense. The explanation we got was that it was very costly to take parts out of the assembly line and it was cheaper to transport a CBU. We called this to the attention of the Department of Trade and Industry (DTI) and BOI. Their solution at the time was to require the CKD kits allowed for imports not to cost more than a specified ceiling (85% of CBU if my memory serves me right).

Notwithstanding the obvious drain on resources in car assembly in this case, the country may still choose to promote the industry for other reasons. The prestige of having a car industry was one that has been cited. This was a choice that can be rationally made. Who knows, perhaps this would have spillover effects for the economy as a whole in the longer run. The important thing was to be aware of the costs of promotion.

For this case, as a policy researcher who needed to explain the economic costs of the program, the key lesson here was the importance of networking with the relevant government agencies and policymakers. It is not just the private sector stakeholder that needed convincing. We needed to change the mind-set of people in government (those more directly involved in policymaking) as well. During that time, researchers like us were generally looked at more as adversaries. Who were we (armchair economists) to talk about what was good industrial strategy? I had to admit that they had a point. We needed an open mind as well.

My policy area most directly relates to the DTI (formerly Ministry of Trade and Industry). I especially remember Wilhelm Ortaliz, a former director of the then Bureau of Industrial Coordination, Ministry of Industry.[8] He provided a different perspective from the "real" world, but in the end, he was won over. Particularly that the country must move from inward-looking to an outward-looking approach. He became an effective advocate and ally for trade liberalization later on.

The mission to reform: Hard-won lessons and allies

After the derailed trade reforms in the early to mid-1980s came the change in government. The government of President Marcos under Martial Law ended and a new Constitution passed ushering in a democratic regime. The second half of the 1980s was a period of change, not only in terms of implementing economic reforms but also in the vastly different political system and process of governing. The private sector had greater voice in the policy debate. This meant that, as policy researchers, we needed to present our findings and listen more to the stakeholders in the private sector as well.

First of all, we needed studies that would provide both well thought-out reasoning and empirical evidence supporting our recommendations. I was fortunate to have funding for such studies.[9] The funding also enabled me to recruit young graduate students from the University of the Philippines School of Economics into my research team while they write their respective MA thesis. These included Rafaelita Mercado (now Aldaba), Loreli de Dios, Elizabeth Tan, and Ma. Virginia Pineda (I must add that I am proud of what they have all become). As we all know here at PIDS, Dr. Fita Aldaba has become one of our leading economists on trade and industrial policy, now applying her expertise as assistant secretary of the DTI and the name we associate with Industrial Road Map and the Manufacturing Resurgence Program. (She has also written numerous papers on competition policy.) I make special mention of her here because of another lesson I picked up along the way—the importance of developing and bringing in good people to work with you, especially those who can do so much more than you can.

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[8] He left DTI (around the latter part of the 1990s), joined the private sector and, soon after, became the deputy director-general for Policy and Planning of the Philippine Economic Zone Authority.

[9] Among our donors were the NEDA through its Technical Resources Project and the Development Incentives Assessment Project from the United States Agency for International Development.

In 1995, our work culminated with a two-volume PIDS publication titled, *Catching up with Asia's Tigers* (Medalla et al. 1995, 1996), that served as a sequel to the IPPP book.

With the studies, we were able to more meaningfully engage the private sector and, with the leadership of the NEDA secretaries (from Dr. Sicat to all the succeeding secretaries after the change in government), trade liberalization continued. Most substantial was the removal of quantitative restrictions from 1986 to 1988, followed by the additional four phases of the TRPs. The studies needed to show empirical results: How protection has been very costly, what it has meant, the unintended consequences and biases. Continued support, in terms of research, was necessary to sustain these reform efforts.

At the time, I tended to be more technical, as our task is to contribute to the policy debate using evidence-based research and using well-reasoned arguments with strong economic foundation, but there would always be lessons that can be learned from anyone. I remember one comment I received in one of the industry forums I presented in: the results we are presenting could not be taken as "gospel truth". It was humbling, and from then on, I tried to see things from different angles and be more concrete and practical. There would always be different viewpoints, mistakes can be made, important points (concerns) could be missed. This took me a long time to learn, and probably will never master. As previously mentioned, the important thing is to try to keep an open mind. Some may think that this could make you second guess yourself. On the contrary, it has made me send my message across with more conviction.

We needed to listen to the views from industry, learn how they manage, understand what measures work, examine what adjustment measures were useful. This latter part was more difficult. Engaging with actual people in industry would raise questions in my mind. There would always be winners and losers in any reform because adjustment costs are real and competition is worrisome.

I would always be grateful for the insights from engaging with industry and business groups. Due to the heterogeneous nature of industry, my experience had been varied. In the beginning, the general reaction was one of resistance, as most were inward looking at that time. Take note that this was to be expected coming from a protectionist regime. Eventually, different factions would soon appear, with the Philippine Chamber of Commerce and Industry leaning more toward reform and openness. At one extreme is the Philippine Export Federation, which was inward looking while the Federation of Philippine Industries focused on the domestic market as its market. Many declared wanting trade liberalization, but not in their own sector.

I encountered former DTI Secretary Jose Concepcion Jr. at the time he represented their family-owned companies, RFM Corporation and Concepcion Industries Incorporated (CII). These companies dealt with flour milling and air conditioning, respectively, both of which were among the highly protected sectors before reforms. At the beginning, he and his companies lobbied against trade reforms, but if ever I had apprehensions about the magnitude of structural adjustment costs outweighing the benefits from trade liberalization (and worry about how the affected firms would cope), I think about how they managed to grow from inward-looking to outward-oriented group. After reforms, RFM Corporation grew its core business and diversified, acquired companies. Years later, the company would divest some of its lines and become Swift Foods, Inc. CII grew and established its own brand (Condura) that consolidated air conditioning and refrigeration. Mr. Concepcion also became global in thinking, particularly a believer in ASEAN.

Trade policy could be hard to swallow in the beginning, but will this “bitter pill” be the cure that would produce sustainable and equitable growth in the end? Our hope was for growth to proceed even during the adjustment period, as was shown in the case of RFM and CII. A generally growing economy would be the best support measure for adjustment. We did not exactly call it “inclusive growth” then, but that was the intention: benefits from trade reforms would be as broad as possible and accompanied by support measures for adjustment. Trade reforms were to be implemented gradually to provide firms and industry time to change, adapt, diversify, or close down when necessary. The most important adjustment measure was to allow time for new players to respond to the new policy environment, for government to address displacement and provide public investments for human capital development by retraining and improving skills.

In terms of overall policy, our studies called for a complementary exchange rate policy. The rationale was that this would, to a certain degree, replace the loss from the removal of tariff protection. This would encourage industries with real comparative advantage that would provide general protection for efficient producers, both exporting and local. Removing tariffs without adjusting the exchange rate would unduly make imports and exports cheaper than they should be; forcing firms deal with price reductions, which would be more than what is called for. It was unfortunate that such complementary exchange rate adjustment did not happen during the reform period.

Ultimately, the reforms have not been perfect, but they almost never are. Delaying the reforms would have had costs of their own, possibly magnifying the inertia for change and the costs of adjustments. The bottom line was that the necessary trade reforms were implemented, and further refinement, calibration, or other adjustments could follow. It was also clearly important for the government and policymakers to remain committed and resist policy reversal (unless compelling reasons or conditions require them). Trade policy reversal at this level would create policy instability that would have been very detrimental to the investment environment. In addition, we would have paid the short-run costs of trade reforms without realizing and enjoying the potential longer-run gains.

Keeping the past protection regime of the Philippines would handicap its successful industrialization (Bautista et al. 1979). The domestic market was clearly limited and restricted under a protectionist regime.[10] The country under protectionism would be unable to catch up with technological change, while the global market offers abundant opportunities. In addition, offsetting the negative distortionary impacts of protection would require complicated and circuitous measures that may be self-defeating in the long run.

Further reflections on the raison d'etre of policy research

Providing the necessary policy research to support the trade reform process and avoid backsliding into protectionism was the role I thought we had to play at PIDS. Research efforts in this area should be a continuing endeavor. In particular, research should understand the short-run adjustment costs accompanying trade reforms: How much adjustment costs have there been? Another major task is to examine what has been the overall impact of past trade reforms.

While the country could use outside pressures to implement difficult reforms that have entrenched vested interests, there are disadvantages as well as it could be seen to be kowtowing to outside influence. Being open to the rest of the world was the gist of trade liberalization. It was so easy to label this at that time as simply an imposition of the International Monetary Fund or World Bank (as some sectors did). To counter these beliefs, it was also important to have robust empirical studies to support reforms that would come from an independent respected research institution—such as PIDS. I am proud to be part of such an

[10] Almost by definition, the market targeted by a protectionist regime is the domestic market. Especially for a small economy, this market would be small and limited, especially when compared with the world market.

institution, and I am grateful to have witnessed how it has become what it is now. Our tradition of independence has made our studies objective and credible. Our policy recommendations and findings do not come from any biased interests, and this is the reputation we have built at PIDS.

The measure we used for the series of studies that became inputs to the IPPP book and its sequel was domestic resource cost (DRC) of earning or saving foreign exchange. The DRC is just one variation of a benefit-cost criterion, a reconfiguration of the return on investment (internal rate of return), the net present value, and benefit/cost ratio. Among these measures, the DRC methodology seems to have become obsolete. However, during the period of analysis which was the height of trade protection and of high tariffs, the DRC measure was very insightful. This proved very useful in analyzing the impact of protection. The DRC would estimate how much domestic resources were used to earn (if output is exported) or save (if output substitutes for imports) a unit of foreign exchange. This is then compared to the (real) price of foreign exchange. It would be easy to understand that if the DRC is PHP 100 but the price of foreign exchange was only PHP 50, the activity was a loss to society. Why then did the activity proceed? The short answer was that the protection allowed or enabled it to, and this would be the computation for the direct cost of protection.

In addition, the variation in DRC across activities and sectors matters, that is, the higher the variation, the greater the room for better reallocation

Table 1. Distribution of firms in manufacturing according to DRC/SER ratios

DRC/SER Range	Efficiency Classification	Share in Production Value (%)			Share in Number of Establishment (%)		
		1983	1988	1992	1983	1988	1992
0<DRC/SER<1	Highly efficient	18.84	39.51	43.95	19.60	30.25	33.22
1.0<DRC/SER<1.5	Efficient–Mildly inefficient	28.75	22.76	29.48	17.16	27.73	31.17
1.5<DRC/SER<2.0	Inefficient	12.30	14.68	8.36	14.20	13.00	12.69
DRC/SER>2.0	Highly inefficient	39.58	21.77	18.07	46.01	26.61	21.87
Average DRC/SER		1.72	1.54	1.21			

DRC = domestic resource cost; SER = shadow exchange rate
Source: Medalla (1998)

of resources. In this regard, our studies indeed showed vast improvements in efficiency and resource allocation with trade reforms. First of all, the average DRC/SER ratio for manufacturing fell from 1.72 in 1983 to 1.54 in 1998, and even further down to 1.21 in 1992 (Table 1). This clearly showed a more efficient use of domestic resources in earning and saving foreign exchange with trade reforms. In addition, there was a marked decline in DRC variation across sectors indicating improvement in resource allocation.

When presenting these results of the study to the public, while appreciated, it was not what really caught attention of the audience. It was the simple price comparison for highly recognizable products that sent an even more powerful message; possibly because, at that time, very few people were able to go abroad and still very limited imported goods reached our domestic market. The gap between our domestic prices and how much these goods are priced abroad—the border prices—bring the public closer to recognizing the (hidden) cost of protection. I think, even then, people had a general idea that such gaps existed, but it is different to see actual figures and data. To give an example, our research showed the following (Table 2). Before trade reforms (1985–1986 data), the domestic price of toilet soap was twice the foreign price on average, similarly for detergent (1.9), air conditioning units almost triple (2.7), cooked ham and Vienna sausage more than double (2.1 and 2.2, respectively), just to highlight a few.

Table 2. Price comparison for some regulated products: Domestic versus border

Product	Price Ratio (Pd/Pb) 1985/1986
Ham, cooked	2.2
Vienna sausage	2.1
Butter	2.2
Yellow corn/grain	1.8
Wheat flour	1.9
Irish potato	2.2
Garlic	4.4
Onion, red	2.0
Toilet soap	2.0
Detergent	1.9
Aircon	2.7

Source: Raw data from de Dios (1995)

There would always be resistant protectionist tendencies, but after a decade or so into reform, I have seen the change in outlook and orientation in both public and private sectors. By the turn of the century and the new millennium,

Table 3. Frequency distribution of tariff rates with trade reforms

Tariff Rate (%)	Pre-reform	Pre	Post	Pre	Post	Pre	Post
		TRP I		TRP II		TRP III	
		1981	1985	1990	1995	1995	2000
Number of HS Lines							
Specific	2	2	2	0	0	0	0
0	1	3	3	33	43	0	0
3	0	0	0	0	285	1,938	2,933
5	2	14	14	42	16	14	0
10	319	380	334	1,635	1,957	892	1,789
15	0	0	0	0	26	0	0
20	204	282	335	1,273	1,036	996	787
25	0	0	0	0	19	0	1
30	218	194	284	1,226	1,971	1,561	73
35	0	0	0	7	0	8	7
40	5	87	100	544	0	37	13
45	0	0	0	2	0	2	43
50	203	151	331	1,431	208	90	18
55	0	0	0	0	0	0	1
60	0	59	0	0	0	0	50
65	0	0	0	0	0	0	7
70	119	139	0	0	0	0	0
75	0	2	0	0	0	0	0
80	0	58	0	0	0	0	0
90	0	29	0	0	0	0	0
100	228	2	0	0	0	0	0
Total	1,301	1,402	1,403	6,193	5,561	5,538	5,722

TRP = Tariff Reform Program; HS = Harmonized System
Source: Medalla (1998)

openness and a more global outlook had (more or less) become the norm for both the public and private sector. More than reform or policy research, information and communication technology changed business models, from aggregation to industrial fragmentation. The decrease in transportation costs also had an impact especially since it made the world smaller and the outside world more familiar.

Nonetheless, there will always be the need for evidence-based research. There would always be change as policies would need to be reevaluated and better policies need to be formulated to respond to the changing environment.

It has been three decades now since the series of substantial trade reforms were implemented, and the reforms were extensive (Tables 3–5).

There was a little wavering or stalling in the implementation, then eventually dropping, of the last TRP schedule (TRP IV) that was to have been effected from 1998 to 2004. By the end of the tariff reforms, the average tariff rates have gone down to around 7 percent in the 2000s, from around 35 percent at the start of TRP I in 1981 (Table 4).

At the same time, equally important reforms were also undertaken to remove core import controls (import licensing requirements, import bans, quantitative restrictions). From around a third of the original total Philippine Standard Commodity Classification (PSCC) lines regulated for importation (requiring import licenses) before reforms in 1980, less than 3 percent of total PSCC lines remained regulated by 1996, mainly for security and safety reasons (Table 5).

Table 4. Philippine average nominal tariff rate, 1981–2015

	Simple Average Nominal Tariff (%)			
Year	**Agriculture**	**Mining**	**Manufacturing**	**Overall**
1981	43.23	16.46	33.74	34.6
1985	34.61	15.34	27.09	27.6
1990	34.77	13.97	27.49	27.84
1995	27.99	6.31	13.96	15.87
2000	14.4	3.27	6.91	7.95
2005	11.85	2.47	7.29	7.81
2010	11.94	2.28	6.18	7.02
2011–2013	11.98	2.29	5.76	6.71
2014–2015	11.98	2.29	5.75	6.70

Source: Philippine Tariff Commission (2016)

Table 5. Annual remaining regulated commodities, 1980–1996

Year	Number of PSCC Lines Subject to Restrictions	Percent of Regulated Items (as to total PSCC lines)
Total PSCC Lines	5,632	100.00
1980	1,820	32.32
1985	1,802	32.00
1986	827	14.68
1987	653	11.59
1988	598	10.62
1989	470	8.35
1990	463	8.22
1991	439	7.79
1992	160	2.84
1993	253	4.49
1994	246	4.37
1995	222	3.94
1996	161	2.86

PSCC = Philippine Standard Commodity Classification
Source: Raw data from de Dios (1995)

There was a little backsliding a few years into the Arroyo administration but these were slight. There appears to be no turning back for now and the open trade reforms have taken root, which would be very difficult to dismantle.

On trade and the global arena

From the 1980s up to the 1990s, trade reforms for many countries across the globe leaned toward the unilateral and multilateral modes. Our studies supported the approach that unilateral trade reforms would benefit the country, being a small economy.

At the same time, it is crucial that there is in place a stable global trading order which we would be a part of. The General Agreement on Tariffs and Trade (GATT), which was established postwar in 1947, governed global trade which included the two basic principles of most favored nations (MFNs)[11] and national treatment and would bind member-countries not to increase their tariffs and use trade discriminatory measures according to agreed-upon commitments.[12] With growing membership and changing global environment, there was need to establish new rules and update the GATT coverage and its mandate. The conclusion of the Uruguay Round of negotiations was reached in 1994 with 123 as contracting parties. This established the World Trade Organization (WTO) which came into force in 1995. The unilateral reforms undertaken in the previous decade made the conditions easier for the Philippines to ratify WTO in 1995. Additionally, PIDS had enough studies to support the Senate in the process.[13]

The Philippines adopted a more regional and preferential approach toward trade liberalization in the 2000s, in contrast with the previous unilateral trade reforms.[14] ASEAN was strengthened with a charter adopted in 1998 toward the fulfillment of its vision of an ASEAN Economic Community by 2015. In addition, the Philippines forged its lone bilateral trade agreement with Japan, which was concluded in 2006 and entered into force after Senate concurrence in 2008.

In the 1990s, there were apprehensions about the formation of a "fortress" Europe, and there was a perceived weakening of the multilateral trading system. These interrelated concerns provided the early motivations for the creation of the Asia-Pacific Economic Cooperation (APEC). As it turned out, the European Union did not become a fortress and, as earlier mentioned, the GATT received a new mandate under the WTO. I think APEC had served its purpose well toward this end.

Unlike the difficult and complex nature of a negotiations process, APEC was meant to be voluntary, nonbinding, and cooperative. It was like a support group for economies in the region to be steadfast in multilateralism, as illustrated by its policy of "open regionalism". APEC was built on the three pillars of liberalization,

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[11] This is the Most Favored Nation Clause, which is actually intended for the opposite. No countries should favor one country over another, specifically in tariffs, duties, and trade barriers they impose. GATT/WTO would have clauses that would allow deviations from MFN, like Article 24 which allows preferential trading agreements as long as they cover 'substantially' all trade. It also has clauses on trade remedies such as the anti-dumping and countervailing duties.

[12] The Philippines became a signatory of the GATT in 1979, after being an observer for a number of years.

[13] It also helped that at that time, the executive and the Senate were not at odds with each other. Basically, both branches saw the merits, on the whole, of being part of global trading order under the auspices of the WTO, either of which could have used the protests coming from a few sectors invoking its brand of "nationalism" for its own somehow differing agenda.

[14] Nonetheless, support for the WTO and the Multilateral Framework remained a key policy like many other countries, especially in the APEC region.

facilitation, and economic technical cooperation. As such, APEC has distinct advantages. It became a good venue as an incubator of ideas and has contributed to capability building especially for institutions involved. The joint activities, APEC fora, and exchanges have contributed to the learning process and open orientation for government officials across APEC. There is also the participation of the private sectors seeking to make APEC truly work in the real world of business.

An APEC initiative supporting its three pillars was the APEC Leader Education Initiatives in November 1993, calling for the creation of APEC Study Centers in member-economies. In response to this initiative, the Philippine APEC Study Center Network (PASCN) was established by virtue of Administrative Order No. 303 on November 23, 1996. PASCN is a network of 12 members[15] with PIDS as the lead convenor and host of the secretariat.

Jumping the hurdles from research to policy: Challenges and triumphs

Since it was established, PASCN has undertaken various studies in deepening the government's perspective on major topics in the APEC agenda. I was fortunate to have been part of the PASCN. It was under its auspices that, among other key APEC issues, PIDS carried out studies assessing prospective free trade agreements that the Philippines could forge. One such research project worth noting in particular is the Philippines-Japan Economic Partnership Agreement (PJEPA).

The PJEPA research project was undertaken some time in 2003. During our workshops and presentations that followed, we did not encounter strong objections. Negotiations were concluded some time in 2005, and the partnership agreement was signed by President Arroyo in Helsinki in September 2006.

It was only during the Senate part of the ratification process (its concurrence to the signed agreement) that controversies and strong oppositions surfaced. This came as complete surprise for me as the arguments put forward against it were mainly unfounded and more emotional in nature. The main objections, for example, were that the Philippines would become a dumping ground for toxic and hazardous waste (especially considering that good of the environment is one

[15] The other member-institutions are: Asian Institute of Management, Ateneo de Manila University, Central Luzon State University, De La Salle University, Foreign Service Institute, Mindanao State University, Silliman University, University of Asia and the Pacific, University of the Philippines, University of San Carlos, and Xavier University.

of the stated objectives of the agreement) and that sending nurses and caregivers to Japan would be unfair (even as this was a landmark decision of the Japanese government to open its labor market somewhat).[16] We had to appear in the Senate hearings and work more closely with different sectors in industry and government, as the relationship between the Office of the President and Senate at that time had become adversarial. The Senate eventually gave its concurrence to the ratification of PJEPA, after many unexpected hurdles.

Despite the controversies and the arduous process, I think the country was better for it. It was a learning experience for everyone, especially for all the people directly involved, both in government and the private sector. Personally, the lesson in this case again pointed out the importance of networking. Most of all, an important lesson is the importance of being present in the Senate hearing to make our positions and arguments clear and convincing. I was not one to be in the front line, and I was more than grateful that there were more vocal and visible persons who lobbied prominently for the Senate concurrence. Of course, I felt we should be ready with the support needed in terms of policy research and advocacy. We came out with more policy briefs about why we should ratify the agreement, rationally and objectively.

By the late 1990s, trade barriers were substantially reduced not just in the Philippines but across the globe. Increasingly, the focus in the international agenda turned toward the role of behind-the-border issues—particularly the domestic competition policy. While competition increased with trade liberalization, studies (and economic theory) suggested that benefits from trade reforms would be hindered if there is no effective domestic competition regime in place. The impact of competition from imports was not enough to fully counter the hold of existing domestic companies with dominant position, especially if local distribution channels became market barriers. The next logical big research project undertaken by PIDS is thus on competition policy under PASCN. The PIDS/PASCN book, *Toward a National Competition Policy*, came out in 2002, and the Philippine Competition Act was finally passed in 2015.

The long time it needed to pass was not a big cause for concern because in-between there were more presentations and studies conducted. Similar to trade reforms, few knew what competition policy and law is all about, why it is needed, and what are the impacts. Over time, I have seen the changes in the perceptions of different sectors. They became more aware and realized the good that it

[16] Years after, our arguments (and overall findings of the research project) were borne out.

can do. Nonetheless, there are many valid reasons for concern against passing a competition law. It is more important that a good law be passed. It required some trust in the administration that created it and care should be taken that the Philippine Competition Commission would become an independent, competent, and credible institution that it is envisioned to be. PIDS' role, again, is to provide additional research support when it can.

The point I wanted to highlight was that areas for policy research could never be exhausted as there will always be new issues. More importantly, we want our research to be anticipatory.

There would be times when we might wonder why we are doing this, especially through the more trying periods in the policy process. During those times, I would go back to our PIDS motto: "public service through policy research". We might not have all the answers, and at times, we could be wrong. We might not have the entire picture. But we are there to contribute to the debate, with evidence and reasoned arguments. With conviction, and always with humility and an open mind.

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Chapter 10

PIDS Reflections and Insights

Danilo C. Israel

Introduction

As a recent retiree from the Philippine Institute for Development Studies (PIDS), I consider it a great honor to write about an agency which served as my professional home for more than 20 years. In this nontechnical paper, I want to share my narrative that may not have the usual amount of facts, figures, or citations the typical PIDS publications would contain. This preference is brought about by my desire to speak my parting shots at PIDS from the very core of my heart, so to speak.

My chapter highlights mainly the improvements I hope can be done based on my experiences in the institute. As caveat, this is not exhaustive and covers only the issues about PIDS I am most familiar with and which I think are most important. Forgive me if my effort and thinking may be rambling and may significantly differ from yours, but I advise you to sit back, relax, and read my take on issues without any pressure on your part to agree.

Leadership

If there is one thing I am most impressed about PIDS, it is the quality and competence of its leadership. I have served under four PIDS presidents and all of them have been super achievers not to mention super qualified. Over time, the Board of Trustees as well have been composed of highly rated professionals who are respected in their areas of expertise. The main reason for this advantage is I think the stringent and inclusive selection process that the institution has been implementing in the hiring of its leaders. Eventually, this leads to first-class management not common in most government agencies. After PIDS, these leaders definitely are worthy of higher positions in government service.

With the relatively modest salary that the president receives in relation to his numerous and difficult duties, it is fair to say that being a leader of PIDS is more of a great sacrifice for love of country than a money-making venture to support a growing or extended family. This is probably one reason why many equally competent and higher paid outsiders do not want the position of the president of PIDS. It could also be a root cause of lack in interest of many research fellows to actively seek the position. Thus, I hope that the national government can significantly raise the salary level of the president and also add to the current incentive package that the position entails.

It is a good thing that the position of vice president is now more permanent with a fixed term and not revolved around the research fellows which was the system when I was there. This new modification makes the vice presidency less arbitrary and more established in the PIDS bureaucracy. Needless to say, the salary and incentive package for the vice president should be well defined and significantly higher than those for the senior research fellows to make it an attractive one for them to desire. When I was there, the research fellows pushed each other into taking the position.

PIDS should also consider creating the post of director for Research to directly manage the affairs of the Research Department. Historically, the functions of this proposed position has been added to the to-do list of the president who is already saddled with the burden of institutional development, among his many other functions. With the creation of this research directorship at PIDS, the day-to-day affairs of the Research Department can be fully attended to up to the minutest detail. The president can then just have indirect supervision of the department through the research director. Again, incentives need to be provided to make this post attractive to the research fellows. Another option in this regard is to make the vice president of the Institute the concurrent director for Research although I prefer a separate research director to minimize overloading and multitasking.

Staff relations and remunerations

I was asked recently by a professional friend how it was working at PIDS in terms of interpersonal relations and camaraderie among the employees. I told him that in this regard, the Institute is one of the best in the Philippines. In my time, I never observed any violent shouting matches that result in deep animosities and disunity among employees.

Everything was done cordially and with great respect toward coemployees regardless of rank. At PIDS, research associates and assistants talk casually and in a friendly atmosphere with their bosses, the research fellows. It was actually like research heaven where all the angels are reasonably happy and comfortable. If at all there were major disagreements on technical issues, the staff still manages to get out of the meetings lively and encouraged as matters are ended in a consensus.

I told my prying friend that he should actually work at PIDS to know exactly what I mean. He declined my egging probably due to his short-sighted perception of the government paying very low salary and his assertion of overall pervasive unprofessionalism in government service. Had we been talking in the distant past, my friend was actually correct about salary in PIDS. But not anymore my friend, not anymore.

With the implementation of standardization, the tables have been gradually turned and government salaries are now inching upwards to equal or even surpass those in the private sector. It is no great wonder that these days, more and more young people want to be at PIDS instead of working in the other floors of our building that call center firms occupy. For this reversal of fortunes, PIDS employees can thank the government and complain less. He who is sincerely grateful deserves more blessings in the future while he who complains no end deserves no more.

But of course, employees' welfare is not just all about salary and nothing else. A healthy body and mind more likely result in greater research performance than otherwise. The PIDS could officially come up with a regular in-house exercise program where employees can flex their muscles and relax their minds during work and in the intermission period. For one, the Institute could reserve one small room currently unoccupied and stock it with a treadmill and a few other essential sports equipment for daily or occasional use of those who want to. Someone once told me that sitting for long hours is worse than smoking cigarettes. I do not know if this is true or just urban legend, but surely there is nothing wrong about exercising in order to promote efficiency and productivity in research.

I recall that many years ago, PIDS actually had sports tournaments conducted among the staff. I also remember I was the individual chess champion of the Institute at one time. To this day, the trophy I got from my excellence in PIDS chess still adorns prominently my living room at home. My group team also used to win the overall sports championships often at PIDS on an annual basis. So, as you can see, this is why I like PIDS sports so much and strongly pushing it here!

If there is another thing I can suggest to improve staff relations and work performance, it is the conversion of the pantry also into a lounge where snack foods and drinks are on sale by the PIDS Cooperative or another entity and where both management and nonmanagement employees can rub elbows after work and discuss either office or personal matters. This place would also be good for visitors to relax in comfortably while waiting for their appointments and to rest in relief after.

The current pantry I think is smaller than what is clearly adequate. When I was at PIDS, the staff were so noisy at lunch time that it was difficult to concentrate on work if one chooses to eat earlier or later. One senior research fellow (not me) got the worst of the noise as his room was right beside the pantry. Thus, in memory of the sacrifice of this person who admirably kept his well-known patience and composure, the pantry can be expanded to occupy two rooms both of which should be soundproof.

Still on the issue of staff relations, it is to the advantage of PIDS that it is taking to heart nondiscrimination of any form be it based on religion, race, sex, and other personal parameters that a government office has no business dealing with. The Institute is a great place of work where people are free to be themselves. High morality is also practiced in amorous relationships in particular where in-house affections are not frowned upon among single employees but strictly taboo when one or both parties are married.

In the case of corruption, I have not heard of malpractice of any form that is tolerated in the more than 20 years that I was with PIDS. Once, a drunk PIDS driver drove a PIDS car for personal use, had a serious accident, and was justly terminated from work after due and extensive investigation. When people are treated equally and without undeserved favors, they certainly tend to function much more productively.

Utang na loob and *bata-bata* system are common practices of the Filipino soul that are quite alien to the agency. I am sure then and now that they are not any basis for professional promotion at PIDS.

Staff recruitment

Like its leadership, the quality of PIDS staff has been superb over the years. Research personnel, in particular, have provided excellent support to the research fellows in the conduct of their research work. They also go out of their way to work long hours and beyond the call of duty, sometimes with no additional remuneration, to perform rush work. The research personnel, however, are mostly composed of graduates from the University of the Philippines System and a few other named schools in Metro Manila.

To democratize the recruitment process, PIDS should make a strong effort to recruit also the best minds coming from the provincial universities and colleges, whether private or public. It may also expand the recruitment beyond just the economics profession to include other social sciences and research areas of particular importance to the country. It is to the advantage of the Institute that it has one senior research fellow at present who is a highly qualified statistician but certainly more of his kind can be recruited.

Sometime ago, I had under my tutelage a very intelligent noneconomics student from a provincial university working as on-the-job trainee. She asked me if there was any chance she would end up working at PIDS. I could not answer her directly and honestly knowing the low probability of provincial graduates being employed at the Institute. Her inquiry sort of haunts me to this day.

Staff training

PIDS conducts in-house trainings and occasionally have the staff train outside, including internationally, to increase staff expertise and competence. While this takes a shorter time to complete than formal degree courses, trainings also cost substantial amounts of money and other resources on the part of PIDS. They also occasionally delay ongoing research projects that need the engagement of the person undergoing training.

I was informed that now, staff will have to pay one to five days of training with three months return service. At least at present there are some guidelines on return service at PIDS. This return service provision would instill forced institutional loyalty at the least among trainees. Back in my years as a graduate student abroad, I knew that many Filipino students jumped ship from their mother institutes and the Philippines because of unclear or unenforced return service agreements. Perhaps this time, these agreements will be accompanied by strong enforcement as well to make them effective.

There still appears to be no clear policy on PIDS' training instructors' remunerations particularly for those who are doing work outside of their research functions. It is high time that clear policies and guidelines are set up for training instructors in order to protect their interests in doing extra training functions, many of whom come from research.

Research plantilla

Since its inception, PIDS has been dealing with the problem of having too much to do with too few people to do them. The research plantilla, specifically, only allows for a limited number of research fellows to cover numerous aspects and issues related to the Philippine economy. It is admirable for the research staff that despite their limited manpower, they were still able to do quality research that now makes PIDS one of the acknowledged best research institutions in the world.

This is due to the dedication of the staff to do work beyond the call of duty and to do multitasking whenever necessary. Another reason behind this success was the outsourcing of research work which can no longer be done by the staff because of overload. At present, the staff has performed quite well in managing their time and resources and make PIDS an international top-notch research organization.

Just the same, there is the need to review and increase the plantilla positions in PIDS, specifically in research. More research fellows and their associates and assistants are needed in order for it to adequately cover every aspect of the Philippine economy as well as international issues that have bearing on the country. The exact number of additional positions of course has to be meticulously studied by PIDS management before related recommendations can be made to the national government.

As a general rule, adding plantilla positions is more beneficial than hiring consultants whose fees these days have become exorbitant and whose outputs in term of quality and promptness in submission are not always assured. Needless to say, any additional plantilla should be filled up with highly motivated and competent researchers in their respective areas of work. However, increasing plantilla means increasing the budget of PIDS that comes from the national government. More public funding will provide increased personnel with the wherewithal to do more work and widen the coverage of the economic sectors as well as subsectors handled by the institution.

Research budget

Historically, the PIDS budget coming from the government has always been low relative to wants and needs. Because of this, the Institute has often been forced to conduct demand-driven research funded by other government agencies and international research and donor agencies. While this type of research is not necessarily bad, it can divert PIDS from its planned programs and projects and make it deal with parochial issues that have little to do with the national economy. Instead, research efforts are directed toward specific problems of the national government or pet projects of donor agencies. This diversion could result in the diminution of the long-term relevance of the Institute as the prime economic research agency in the country.

Besides, it has been shown time and again that investment in research has a much higher internal rate of return than many other government investment. Increasing the PIDS budget is a wise investment proposition.

A thorough review of the PIDS budget and its other resources should be done for the purpose of financially empowering it further to continue and improve on the conduct of the quality research work that it is meant to do. One can just imagine that if the Institute is now a recognized top-notch research center internationally even with just meager funds, how much more can it become with full budget support from the national government?

The time is now to show that we are a country that places much value on research and development, which is one of the most critical engines of economic progress for both the developed and developing countries like the Philippines.

Office hours

Few would argue that Metro Manila has one of the worst vehicular traffic congestions in the world, if not the worst already. Workers in the metropolis struggle every working day to beat the traffic and be at their offices on time. To help address the problem of traffic and related concerns internally, PIDS has been implementing the four-day work-week scheme for all employees, except the research fellows who are allowed flexible time in office attendance. The Institute has also provided free rides at certain times to the staff to and from PIDS in certain designated locations. These efforts have alleviated the daily grind of dealing with traffic among PIDS employees. It is however just a palliative and not a cure since those coming from the provinces still suffer badly from the traffic mess.

Since PIDS research is generally output oriented, perhaps work-at-home schemes could be arranged for the research associates and even research assistants, especially for those who live outside Metro Manila. I lived in Imus, Cavite during most of my PIDS years, and I can only sympathize with some staff whose working day starts at four in the morning or even earlier just to be at the office promptly. Because of the long trips to and from PIDS, their productivity is reduced and their enthusiasm at work is diminished as they battle sleepiness and physical exhaustion while working, with limited success.

With the internet and wi-fi growing in usage in Metro Manila and surrounding areas, work-at-home schemes, when practicable, should be considered by PIDS. This will minimize travel time and increase the employees' physical and psychological stamina to do research and consequently improve performance in providing meaningful support for the research activities of the research fellows.

An in-depth study on the different potentially applicable work-at-home schemes and related matters sponsored by PIDS management in the near future will be useful in this regard.

Permanent home

It has been 40 years since its founding but PIDS remains a tenant institution with no building of its own. Of course, one can argue that this is nothing special because many other government institutions—some existing longer than PIDS—are in the same predicament. Nonetheless, given the importance of socioeconomic research in development and the high status that the Institute now enjoys in the international research community, it is only fitting to give priority to the building of a permanent home for PIDS. This would improve the frontline image that PIDS enjoys in the economic development efforts of the country and increase its visibility and respectability to say the least. You know, as Andre Agassi said once, "Image is everything." While this tennis player was not entirely right, a permanent shiny home for the Institute would surely enhance its image.

The transfer of PIDS to a rented new office in a new building more than two years ago was a step in the right direction. The original building where the Institute was housed for a long time has clearly seen better days and is now up for condemnation. It became a safety hazard over time and needs retrofitting to be safely habitable once again. It is to the credit of the current PIDS administration and the current president specifically, without diminishing the importance of the efforts of earlier presidents, that PIDS has finally graduated from the old office into the new and more modern quarters where it is now. While this is so, this improvement is not nearly enough. It costs a lot of money to rent the new office, money that could have been saved and used instead in the construction of its own building. It is not sustainable in the long term and the sooner that PIDS gets out of this current office, the more economical it would be for the national government.

There have been efforts in the past to work on a permanent home for PIDS. All of these fizzled for several reasons followed by long periods of inactivity in this regard. My impression is that the long intervals demonstrate the lack of sufficient determination to find a final solution to the problem. The longer it is left unaddressed, the more expensive it will be to produce that PIDS building. If it cannot be done, perhaps an alternative would be to simply rent to own office space in an already available privately owned building. This is a second-best solution that merits consideration when all other options are off.

Overall Research Agenda

Let me move on to issues with direct bearings on research specifically where my own engagement with the Institute is centered. Over the years, PIDS has been preparing periodic research agenda to provide firm direction on its future research activities. The latest of these is the Research Agenda 2015–2019 (PIDS 2015). I will now take this accidental, but golden, opportunity here to propose some parting recommendations and modifications to this ongoing agenda in the hope that they be considered in the formulation of the next research agenda of the Institute in the foreseeable future.

Again, the following suggestions are not at all comprehensive as they are what comes to my mind while writing on short notice. I am certain that other retired or retiring research fellows would have their own suggestions which may cover the same concerns or other issues and problems not mentioned here.

First, it may be better if the PIDS agenda is subdivided into short-, medium-, and long-term durations. This way guidance is provided on which issues to be immediately addressed or not. It may also help if a prioritization of issues or so-called research gaps is conducted to provide direction on which of them should take precedence over others. This is important because with the limited resources that PIDS has, some research would eventually have to be done only at some later date. This goes without saying that this prioritization should be subject to reviews and changes from time to time, say annual, to consider the dynamics enforced by time, particularly unpredicted developments. The proposed 30-year vision of the current research agenda is a step in the right direction, but shorter and longer periods should also be covered.

Second, a notable absence in the list of policy issues considered in the current PIDS agenda is peace and order and security. As one coming from Mindanao, I am acutely concerned of the impact on the economy, not to mention on the social and other related concerns, of security problems such as the continuing rebellion by both Christian and Muslim groups and common criminality in the region. Yet, significant as it clearly is, there is very little that PIDS has so far done to look into at least the economics of peace and order and security. The need to get into this area of research cannot be overemphasized now that the implementation of Martial Law and the related war in Marawi City are peace and order and security related events currently unfolding before our very eyes.

Third, the current research agenda recommends a multidisciplinary approach to research in PIDS. To do this, it was proposed that the Institute may outsource tasks requiring the services of noneconomists in order to enhance the research and enlighten the readers and other interested parties on other equally important aspects of the problem. Actually, this approach has already been done by PIDS for a long time now. Expertise in areas not within the capability of PIDS is being contracted from time to time. However, there remains the need for noneconomist research fellows to lead the work in the noneconomic research activities and assess the outputs of contractors to see that they are up to quality standards. Hence, the recruitment by PIDS of at least one noneconomist senior research fellow is strongly proposed.

Fourth, the proposal in the current research agenda to consider the unintended consequences of policies has now been addressed by PIDS. This year, a book on the issue of unintended consequences concerning some subsectors in the economy has been released by the Institute and a second part of the book is expected to be done this year or in the nearest possible time. For this, I am excited to acknowledge special credit to a visiting research fellow who spearheaded the effort of studying unintended consequences as proposed in the research agenda. I would go on to suggest that the Institute should provide space and other amenities for other visiting fellows of his kind who want to join PIDS and do quality research truly much useful to the country.

Fifth, that PIDS should provide extensive analysis or position papers on key national legislations *ex ante* as mentioned in the research agenda is a very welcome suggestion. On the other hand, having PIDS as an institution directly owning this kind of work instead of the individual research fellows as is currently practiced could be a double-edged sword. On the one hand, it gives legislative position papers more credence and perhaps even acceptance if it is owned by PIDS institutionally. On the other hand, it has the potential to expose the Institute to political power plays in the country, a role wherein PIDS is quite inexperienced and least fit to play. Being a government corporation, the Institute is also not immune to political pressures, being dependent on public financial support for its existence. Perhaps, it is still better and more judicious to have individual or a group of research fellows write and claim their positions on certain proposed laws without unduly incriminating the Institute and placing its government budget on the line, not to mention the position of PIDS president.

Sixth, on the suggestion of the current research agenda to study the proposed Bangsamoro Basic Law and related issues such as federalism, PIDS would be capable to conduct the economic aspects of these legislations. On the other hand, I think that these laws are not proposed just for economic development of the regions, but more so for true autonomy and social justice in favor of the deprived populations, such as our Muslim brethren, among others. Hence, an expert in political economy could be hired to spearhead these kinds of studies. Over the long term, PIDS could send a few of its young researchers to undertake graduate studies in political economy which is sometimes more compelling a factor in economic development than traditional economics.

Seventh, in addition to organizing around key thematic areas, it may also help if PIDS can organize different geographical areas of coverage. With the activities of China and the warming of our bilateral relations, the need for China experts in PIDS to work on economic issues between China and the Philippines is apparent. Yet, there has been very few works in PIDS, and actually even in the Philippines overall, that look into China as an economic partner or competitor of the country. Outside of China, research groups in PIDS could tackle area-specific concerns such as economic relations with other countries individually or as a group, such as the Association of Southeast Asian Nations, European Union, the Asia-Pacific Economic Cooperation, North American, South American, Eastern Europe, and other supranational groupings.

Eighth, I like very much the idea in the current research agenda of placing resilience as a sort of centerpiece concept in our research in the future. As there are many types of resilience, natural resources and environmental resilience for instance, then we have to know fully what we are looking at and not mix it up. Likewise, since there are many new methods of how to study certain types of resilience, the choice of which to use should be clear. Perhaps PIDS can hold a short training course on resilience overall and specific resilience issues in particular to acquaint our researchers on them.

Environment and Natural Resources Research Agenda

The aforementioned overall PIDS research agenda did not go into the details by economic subsector, particularly in the field of the environment and natural resources (ENR). The ENR Research Agenda was prepared a few years earlier (Ballesteros et al. 2012). While this ENR Research Agenda was adequate for its purpose at the time, I also believe that some improvements can be done on the document to improve it for continued use in the foreseeable future. As in the case of the overall PIDS research agenda, my suggestions are not comprehensive. I would also limit my discussion on the natural resources subsector only which was my main assignment at PIDS and exclude the environment which is covered by other research fellows at PIDS.

To streamline my discussion, I am presenting up front a summary of the ENR Research Agenda as shown in the published document of the ENR agenda (Table 1).

First, since natural resources are not just for economic use but have other significant implications as well, the present economic subsectors under it (horizontal items in the table) could be expanded into the following: (1) agriculture and land resources, (2) fisheries and marine resources, (3) forestry and forest resources, and (4) mining, quarrying, and underground resources (e.g., oil). This classification would emphasize the natural resources-environment interactions.

This would also entail that the ENR team at PIDS would have to be expanded to effectively undertake this expanded mandate. Assuming financial resources for expansion would be available in the future from the government and other potential sources, PIDS could proceed as soon as possible in the framing up of the individual research agenda under each of these subsectors.

Second, since resilience is a decided research theme of PIDS as a whole, it could also be added to the research themes on ENR (vertical items in the table). Then, the researchable areas under it could be identified. For instance, some of the important issues that could be studied are the resilience of different natural

Table 1. Research Agenda on Environment and Natural Resources by theme and by sector

Thematic Area/ Economic Issue	Agriculture	Fisheries	Forestry	Mining	Urban Environment
Scarcity	Land allocation including agriculture for energy	Valuation of coastal or marine resources (e.g., mangroves, coral reefs, seagrass)	- Valuation of forest and biodiversity - Assessment of market demand and market-based policy instruments for forest products	Assessment of value chains in the mining sector	Pricing of renewable energy
Environmental externalities	- Impact of lowland and upland agriculture - Sustainability of natural resources (soil, water, etc.) for agriculture - Biotechnology development for biosafety regulation	Impact of sea-based activities on marine resources and environment	- Impacts of human activity on forestry and their externalities - Assessment of watershed degradation, management, and rehabilitation	- Impact of mining on land and coastal ecosystem - Impact of mining in Palawan and other environmentally critical areas	- Assessment of efficiency of environmental engineering practices on investments (e.g., treatment plants, sanitation) - Health impact of environmental externalities (e.g., disease patterns from poor air and water quality) - Impact of urbanization on ecosystems goods and services (e.g., productivity, hydrology, energy balance)

Table 1. (Continued)

Thematic Area/ Economic Issue	Agriculture	Fisheries	Forestry	Mining	Urban Environment
Governance	Water management and irrigation	Management of fisheries in regionally important waters (West Philippine Sea, Sulu-Sulawesi, exclusive economic zones)	- Assessment of forest-based community development and sustainable resource management - Assessment of policy or governance structures for forest production	- Assessment of responsible or sustainable mining strategies - Impact of Philippine Mining Law of 1995	- Development of environment and natural resources monitoring investment system (e.g., water and air quality report) - Assessment of national physical and land use planning - Assessment of urban water and sanitation management - Role of civil organizations for environmental self-governance
Climate change	Implications of climate change to Philippine agriculture	- Impact of climate change on coastal and marine ecosystem - Climate change adaptation strategies in the fisheries sector - Impact of natural hazards and disasters on fisheries and marine resources	- Impacts of climate change on forest resources and ecology - Assessment of best-bet options in forestry for climate change mitigation and adaptation	Landslides and other weather-based accidents in mining areas	- Assessment of the vulnerability of the urban environment to changes in climate and fresh water (e.g., climate change impact on sea level rise) - Impact of natural hazards on urban environment - Climate change and industrialization policy

Source: Ballesteros et al. (2012)

resources as well as the resilience of households, firms, communities, and entire human populations of the potential or actual occurrences of both natural and man-made risks or shocks. Such addition of resilience in the ENR program would give added weight and substance to resilience as a primary item of PIDS research.

Third, and as in the case of the overall research agenda, it would be advantageous if the ENR agenda is subdivided into short-term, medium-term, and long-term time spans. Likewise, it may also be useful if a prioritization of issues or research gaps is conducted under the ENR subsectors. Again, this prioritization should be subject to reviews and periodic updating to respond to unforeseen changes over time. It would further help if identification of prioritization or research issues are conducted with outside participation by other government and nongovernment experts as well as ENR public and private sector stakeholders.

It should be emphasized that participation is highly necessary because the ENR area is socially participative, which means that in order to gain public acceptance and ownership of the research agenda, extensive consultations and consensus building is conducted by PIDS. Furthermore, research should be grounded not only on the technical knowledge of PIDS but also on the population it wants to effectively serve – those who are most affected by its research to say the least.

Fourth, in the case of the fisheries and marine resources, PIDS could give priority to studies dealing on internationally contested or contentious water bodies including the South China Sea, Northeastern Seaboard including the Benham Rise, Sulawesi Sea (formerly Celebes Sea), and other water bodies. For obvious reasons, these areas have vast fisheries and marine resources that have present and future values which have to be defended strongly against false foreign claims and invasive intrusion. The conduct of relevant studies in these waters will confirm our long-standing interest and commitment in conserving and sustainably exploiting them, as well as protecting the rich marine heritage we have.

Fifth, as to forestry and forestry resources, the continuously receding tree lines of our forests could only mean that all the reforestation efforts and antilogging initiatives in Philippine history have not been able to reverse the deforestation and unsustainable exploitation of our forest resources. Also, at best, the impact of the ongoing National Greening Program (NGP) would actually be known only in the distant future. Currently, assertions are being made, oftentimes political in nature, that the program has not served its money's worth and that a better program is needed. PIDS should continue to conduct studies on reforestation and forest destruction in the country as an extension of its past efforts to evaluate the NGP. It is only through the conduct of these and other relevant technical and socioeconomic analyses that the Philippines will eventually arrive at workable and sustainable solutions to the numerous problems bugging the forestry and forest resources subsector.

In the mining, quarrying, and underground resources subsector, after the nomination of a proenvironment and antidestructive mining secretary of the Department of Environment and Natural Resources was rejected, there is now little doubt that mining as usual will continue to hold sway for some years to come in the Philippines. While the rejection was a sad day for environmental proponents, research in the area should continue to effectively implement real reforms and changes suggested by scientific research.

A new impact assessment of the overall financial, economic, social, environmental, and other aspects of the mining industry in the Philippines is warranted. If funds are limited, perhaps a case study using a few environmental mines in Mindanao and Palawan would suffice. This study would hopefully convince even the mining barons and their minions in government that there is only misery than can be had from an economic-environmental sector that pays only 1–2 percent of national taxes while effectively destroying the interconnected environment and natural resources of exploited areas.

Conclusion

As I have already written a bagful, it is time for me to turn off my computer and move on to other things that newly retired people usually do, like going to the free movies that malls offer to senior citizens every Monday. I hope my narrative would be useful even if only a bit.

I would like to thank the management of PIDS, particularly President Gilberto Llanto for all that he has done for me personally and professionally. I am grateful as well to all past presidents and past and present staff of the Institute for sharing with me those unforgettable memories that only a well-functioning and near-ideal government agency can provide.

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Chapter 11

The Evolution of PIDS' Research Dissemination and Utilization Program: An Insider's View

Jennifer P. T. Liguton[1]

Introduction

When I joined the Philippine Institute for Development Studies (PIDS)[2] as consultant in November 1981 and then got appointed as director of the then newly created Research Information Dissemination Department (RIDD)[3] in April 1982, little did I realize that it was going to be a journey of three decades for me that would be full of challenges, learning, new initiatives, sense of fulfillment, excitement, and, well, stress.

As head of the new department, I was tasked to step up and strengthen the Institute's dissemination program and help see to it that the PIDS research studies, especially the results, recommendations, and implications, reach an even wider circle of policymakers/decisionmakers in government, including their technical staffs and other administrators, and that said studies are used by them as inputs to their planning and policy deliberations. Although PIDS had always given due importance to dissemination and already had certain mechanisms used in disseminating the results of its studies at that time (as will be discussed later),

[1] I sincerely acknowledge the valuable comments/suggestions of Dr. Filologo Pante Jr., Dr. Josef Yap, Dr. Mario Lamberte, and Dr. Aniceto Orbeta Jr.; and the help of Director Andrea Agcaoili, Dr. Sheila Siar, Ms. Gizelle Manuel, Ms. Necita Aquino, Ms. Jane Alcantara, and Ms. Juanita Tolentino in searching for and retrieving old files used as background materials in this write-up. The usual disclaimer applies.

[2] Alternately referred to as PIDS or the Institute in this paper.

[3] The name was changed to Research Information Staff in the mid-1980s.

the PIDS Board and top management felt, however, that with more and more studies being completed by the Institute and with more actors getting involved in the national planning and policymaking process, there was a need to intensify the dissemination efforts of the Institute.

Thus, it became my role to extend the reach and utilization of the Institute's research. To do this, certain existing dissemination activities had to be reviewed and strengthened or improved as needed. At the same time, conceptualization and planning of new strategies, programs, products, events, and activities, in consultation with other senior officials and staff of the Institute, had to be done. All these, of course, depended largely on the accompanying task of building up the necessary resources—staff support, facilities, budget, and capacity—that would be key in the implementation of the program. This was the start of the formation and buildup of the RIDD whose name was later changed to the Research Information Staff (RIS).

Since 1982, several initiatives and endeavors have thus been planned and executed. Some enhanced existing mechanisms while others replaced certain products to ensure better efficiency. More importantly, many initiatives charted new territories and adopted pioneering approaches. In the succeeding sections, I would share some of the rationale and stories behind their planning and execution.

From the very beginning, PIDS' dissemination program was more than just disseminating or relaying the findings of its studies because the Institute focused on making sure that its studies are utilized, deliberated on, and applied. Certainly, this was not easy, but it became even more difficult as circumstances called for the broadening of the Institute's target audience whose varied interests and intent may need to be considered. Domestic and global developments in the socioeconomic, political, and techno-cultural landscapes dictated the need for such an expanded audience. Eventually, this led to the development and adoption of new approaches, products, and activities.

Hence, through the years, PIDS' dissemination and utilization program was amplified with knowledge sharing, interactive knowledge exchange, advocacy, and brokering to help ensure that researches on specific topics are made accessible to those who are in short supply of such information. This served to enhance a culture of appreciation for the use of research knowledge and information, while also promoting greater literacy in economics. PIDS likewise linked up with other entities to multiply the means of accessibility and levels of availability of knowledge and information.

Resources—whether in terms of funding, manpower, expertise, and time—were not, however, limitless. Care and caution therefore had to be exercised in the planning of new endeavors so as not to dissipate but rather to maximize the efforts and resources put into them. Regular reviews and streamlining of products and operations were therefore done. A more selective and market-segmented approach was also put in place, with products and activities planned for specific audiences.

The advent of the age of information and communication technology (ICT) and the subsequent adoption by PIDS of such technology multiplied and simplified access to the knowledge and information generated by PIDS. As a result, the lines between audiences and segmentation became less defined. Nonetheless, the contents and context of the products themselves determined the type of audience to be drawn. At the end of the day, making the Institute's outputs useful and relevant to the users, notwithstanding their type or category, is the end goal after all—especially if they redound to the aid of planning and decisionmaking.

Cataloguing some of the major dissemination and utilization endeavors: A retrospect

In its early years circa 1978–1986, PIDS produced several landmark studies that focused on the most critical bottlenecks in the years ahead. Headlining these were the study by Bautista et al. (1979) titled *Industrial Promotion Policies in the Philippines*; the joint PIDS-Philippine Council for Agriculture and Resources Research and Development research project on "Impact of Macroeconomic Policies on the Philippine Agricultural Sector"; and the series of joint PIDS-Tariff Commission studies looking into areas of the country's tariff program. These studies were completed at the time when the Philippine government was negotiating a possible industrial sector adjustment loan with the World Bank and undergoing reforms in the agricultural sector and in the tariff program.

To make sure that the findings and recommendations of these critical studies are inputted in the deliberations of these important adjustment programs, it became incumbent for PIDS to reach out to key government officials involved in the process. Under Martial Law at that time, the executive branch of government was the sole and major policymaking body. One of the most effective means to reach these officials was through the interagency meetings where deliberations of important policies and reform programs took place (Pante 1980). PIDS and the authors of the studies presented the results of their studies in these venues. In addition, they also briefed key officials on the options that may be considered in responding to the issues presented. Their hard work paid off as the studies were extensively used by the government in the restructuring and reform programs that it undertook in the areas of industrial promotion, agriculture, and tariffs.

One major factor that facilitated the process of having these studies presented to the key decisionmakers was the active role played by the members of the PIDS Board of Trustees at that time, especially the chairman of the board, Dr. Gerardo Sicat. The PIDS Board chairman and other members of the PIDS Board were also key officials of important government agencies.[4] They helped ensure that the PIDS researchers were able to attend the interagency meetings to present their studies. This kind of setup made access to and direct contact with members of the executive branch much easier and worked well for the dissemination and subsequent utilization of the PIDS studies.[5] Because of the effectiveness of these mechanisms in ensuring the utilization and application of the findings of the studies, PIDS continues to adopt them as part of its dissemination and utilization program.

As the years progressed, PIDS adopted a two-pronged approach to dissemination via a more regular seminar program and the institutionalization of a more active publications program.

For the Seminar Program, selected participants were the technical staffs and administrators of different government agencies. Because of their critical role in the implementation of the reform programs, it was important for the staffs to have the necessary analytical and computational tools in dealing with such responsibility. Several PIDS studies, especially those relating to econometric modeling and tax base computations, thus became guides and sources of knowledge on research and analytical methodologies and were presented during seminars. These activities were organized with close collaboration between PIDS and various concerned agencies.

Under the Publications Program, the Working Paper Series which contained drafts of completed PIDS studies and which served as background materials during seminars commenced. At the same time, PIDS launched the Executive Memorandum Series which summarized key points of certain PIDS

[4] The PIDS Board chairman was also the director-general of the National Economic and Development Authority (NEDA), the country's central planning and policymaking body. The PIDS president at that time, Dr. Filologo Pante Jr., was also a concurrent high-ranking official at NEDA.
[5] Based on Liguton (1994)

studies and highlighted the recommendations. The series targeted the top policymakers as recipients.

It was also during this time when PIDS, as a research institution, decided to have its own technical but policy-oriented journal. The journal was to serve as an outlet for important research materials focusing on various aspects of Philippine development that have strong policy implications on Philippine concerns. After discussions held among the PIDS research staff and with researchers and economists from outside PIDS, it was agreed that PIDS will take over the management and publication of the defunct *NEDA Journal of Development*, continue from the year where NEDA left off and start with a new name—the *Journal of Philippine Development* (JPD). Changes to the JPD included its transformation from being an in-house journal to a publication open to external researchers and scholars, the formation of a new Editorial Board, and the slight revision of the set of guidelines and procedures.

Given that the JPD was to be one of the Institute's regular publications, responsibility for the management and coordination of the journal was lodged with the RIS, with its director as the managing editor. Today, the journal bears a new name—*Philippine Journal of Development*—which reflects the inclusion of articles not necessarily dealing mainly with Philippine development but with development in general that may ultimately have a bearing on and draw lessons for the Philippines. Maintaining the journal has not been without challenges and problems but it is gratifying to note that the Institute has overcome many, if not all, of such challenges and the journal remains in circulation to this date.

Another long-running publication of PIDS is the *Development Research News* (DRN) which started in 1983. For nearly 34 years of regular release, the DRN has consistently been one of the top two "most frequently read" among the various PIDS publications as shown in awareness/readership surveys that have been conducted.[6]

The idea for coming up with the DRN began with the desire to have a regular office newsletter that shows highlights of new PIDS publications, recently held PIDS seminars, and important developments or events within PIDS. But more important, the DRN should also have a value added beyond the usual office newsletter. It was thus conceived that each issue would feature a lead story on a

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[6] "PIDS Awareness Survey" conducted by the RIS in 2008 and "A Readership Study of the Publications Produced by the Philippine Institute for Development Studies" prepared by the Philippine Information Agency (PIA) for PIDS in February 2015.

key and timely issue culled from PIDS-sponsored research and fora, written and presented in a nontechnical or more layman language. The feature will focus on the meaning and context of such issue and present winners and losers in the process. The objective was to reach a more general audience and provide them with an outlet that allows an easier understanding of current policy issues.

With the People's Revolution in EDSA marking the end of the Marcos regime, 1986 clearly became a watershed in Philippine history. The new Aquino government was faced with the gigantic task of rehabilitating the country's economy. Toward this end, PIDS was quick to offer its resources by pooling talents and knowledge with other institutions and taking the lead in the preparation of an agenda for economic policy reform (or the so-called "Yellow Report"). PIDS also collaborated with the University of the Philippines in Los Banos, upon the request of the Department of Agriculture, in the drafting of an agenda addressed toward the needs of the country's rural sector (or the so-called "Green Report"). The greater democratic space also allowed for the engagement of a wider spectrum of society that clamored for their voices' inclusion in the finalization of such reports. PIDS thereupon took the reports to all regions of the country and presented them before multisectoral groups to get their feedback and suggestions in refining the reports. The *Philippine Development Plan for 1987–1992* later used the Yellow Report for its policy framework while the Green Report also became the basis of the Department of Agriculture's agenda for the agricultural and rural sector (Liguton 1994).

The regional consultations heralded the start of a new activity in the Institute's dissemination program—the Regional Forum or out-of-town seminar presentations—which aimed to reach a wider group in the regions and provinces. These regional forays became even more important when local governments took on more active roles in planning and decisionmaking with the promulgation of the Local Government Code in 1991.

As noted earlier, the changes in the political environment also led to changes in the policymaking process. New actors added to the policymaking milieu, resulting in wider policy debates on various issues. Congress was restored, bringing with it the legislators' technical staffs and the different Congressional committees. New voices began actively exerting influence on the policy/decisionmakers like the media, the business sector, and civil society. There were also new entities doing policy analysis and offering policy advice. Moreover, these new voices had a significant influence on the general public. With this multitude of voices trying to influence and affect decisionmaking, PIDS had to make itself heard louder. In response to this situation, the Institute had to regularly review its research program to identify areas wherein it can really be most effective, useful, and have the greatest impact. It also became important for PIDS to try to reach these new actors and further their understanding and appreciation of the policy issues on hand.

PIDS therefore became even more active and embarked on a heightened advocacy-type of dissemination to promote its research. In the succeeding years, under the leadership of then PIDS President Dr. Ponciano Intal Jr., the Institute participated in more policy debates through consultative and consensus-building fora, and became more visible in the public eye. It linked up with groups with large constituencies in certain sectors like the Philippine Chamber of Commerce and Industry. It likewise participated in high-impact research projects like the formulation of a strategy to fight poverty together with the Presidential Commission to Fight Poverty.

Realizing the role of the media in setting the agenda for development issues, PIDS also sought to establish dialogues with members of the press and broadcast media in the mid-1990s through a series of media fora. This venue allowed PIDS researchers to explain the context and potential implications of key development issues on different sectors of society. The series somewhat helped in enhancing the understanding and appreciation of the working media on the nuances of these important concerns. At the same time, PIDS began to regularly issue press releases and features on important PIDS studies and programs. Today, PIDS stories are frequently seen and heard in both mainstream and social media.

PIDS also streamlined the various categories of its Seminar Program such as the *Pulong Saliksikan*, roundtable discussions, project- and network-related fora by identifying specific audiences for the different types of gatherings. To provide a strong link with the members of the legislature and the different Congressional committees, PIDS inked Memoranda of Understanding (MOU) with the Senate Economic Planning Office (SEPO) and the Congressional Policy and Budget Research Department (CPBRD) to set up the regular series of the Senate Staff Forum and the Legislators' Forum, respectively.[7] Under their respective MOUs, PIDS meets with the SEPO of the Senate and the CPBRD of the House of Representatives at the beginning of each year to plot and discuss the possible topics for forum discussion based on the legislature's priority concerns for

[7] Designated as PIDS representatives in the preparatory meetings for the signing of the MOUs were PIDS Research Fellow Dr. Danilo Israel and RIS Director Jennifer Liguton.

which PIDS has available studies that can be shared through interaction with the members of the different Senate and House committees and their technical staffs. In addition, the Institute's research fellows engaged in more outreach and extension activities arranged for top officials in the executive branch and chairmen of the various economic committees in both houses of Congress. They played a key role in the formulation of economic policies and the drafting of major economic bills.

Also upon the suggestion of Dr. Intal, PIDS launched the *Policy Notes* series intended for the highest levels of policy/decisionmakers in the country. This publication explained key policy issues, giving the context and rationale of the issue, identifying key points that impact on various sectors either positively or negatively, and offering recommendations as well as options in addressing the issue. Each issue would be written by the research fellows, as based on their studies, in a brief format (normally ranging from 6 to 8 pages), and with the language being concise, direct to the point, and focused on the recommendations and implications. The Notes would be written in a less technical and more reader-friendly manner, taking into consideration the fact that the intended readers are very busy people who usually only have a few minutes to go over a document. The RIS would assist the fellows in editing, recasting (when needed), repackaging the Notes as well as in finalizing the publication and releasing it to the policymakers.

The Policy Notes replaced the Executive Memorandum Series and through the years, it has gained prominence as the "most read" PIDS publication. This is shown in the results of awareness and readership surveys previously conducted (mentioned earlier as conducted by the RIS in 2008 and by the PIA in 2015). The Policy Notes series remains in circulation up to this date.

PIDS also published its annual review and outlook of the Philippine economy. The publication provides projections for the coming year's gross domestic product (GDP) and its components based on developments of the previous months. Prepared by Dr. Josef Yap and originally intended as a stand-alone publication, the review eventually became a regular lead story of the first issue of the year of the DRN.

PIDS likewise continued to streamline its products, especially the various publications, to ensure that distinctions in terms of their purpose remain clear. For instance, the Working Paper Series was phased out in the 1990s to give way to two new outlets, namely, the Discussion Paper Series (DPS) and the Research Paper Series (RPS). Studies that are still meant for discussion and are considered preliminary would fall under the DPS while those that are already in final publishable form would be considered for the RPS. Such distinction was not that clear-cut under the Working Paper Series.

Meanwhile, PIDS further strengthened its capacity in organizing and convening conferences and seminars. These events provided the platform for the discussion and exchange of views on critical development issues by a range of various sectors.

New millennium, new approaches of engagement

The start of a new millennium marked the beginning of the new PIDS strategy for engaging itself in policy research. Referred to as "Providing the Infrastructure for Research and Networking", the strategy was a brainchild of then PIDS President Dr. Mario Lamberte and made best use of the advances in ICT in introducing groundbreaking programs in the preparation of and consultations for the Institute's research agenda, upgrading the literature base for research, building up databases and establishing research portals, and deepening linkages with other institutions through networking. Many of these programs reinforced PIDS' contribution in enlightening various publics on economics and policy research.

Making research and information more widely available and more easily accessible was one of the major concerns that was hoped to be addressed by the new strategy. Despite the presence of a large number of institutions doing socioeconomic policy research in the country, many policymakers, decisionmakers, and researchers alike were still confronted by the lack of information on what studies have already been done and are available, where they can be found, and what key findings they might contain that could assist in planning and decisionmaking. There seemed to be no central body in the country which supplies such information in an organized manner.

In previous years, PIDS undertook the DRN Clearinghouse Project which attempted to put together a directory and inventory of various development research conducted by different research organizations in the country, complete with abstracts and other relevant information about the studies. The objective was to inform policymakers and researchers on what studies were available and had been done and what their main points were. Updating of the inventory was done on a semiannual basis in the DRN. However, because it was conducted at that time using the snail mail for gathering the materials and manually inputting the studies in a matrix, the undertaking eventually became difficult to sustain.

Thus, in line with the new PIDS strategy in providing the infrastructure for research and networking and making full use of today's modern technology and wider networking, PIDS officials and researchers brainstormed on how to address the situation. Dr. Aniceto Orbeta Jr., one of the Institute's research fellows and head of the PIDS Management Information Staff (MIS), then introduced the concept of a portal for the Philippines which will serve as an electronic repository/database of completed, ongoing, and pipeline socioeconomic research conducted by various research and academic institutions as well as government agencies in the country. This portal was named the Socioeconomic Research Portal for the Philippines (SERP-P). Through networking, PIDS pooled together several institutions which contributed their studies into the database and provided pertinent data about the studies such as abstracts, authors, keywords, focus and type of study, and coverage, among others, which can be accessed openly via ICT tools.

Today, the SERP-P contains roughly around 5,600 socioeconomic materials contributed by more than 50 institutions from all over the country. It is visited daily by an average of 4,000 users seeking for relevant studies and information. Numbers, however, do not tell the whole story. One has to understand how users have made use of the information that they accessed from the SERP-P. In August–October 2009, an attempt to document some of these was made through a Case Study Project conducted by the SERP-P management wherein the various ways by which users of the SERP-P platform benefited from their access of the SERP-P information were shown (Liguton and Co 2009).[8]

Among the notable benefits gained by users of the SERP-P as shown in the case studies[9] are: (1) use of the information gathered from SERP-P as inputs to a new methodology adopted in the study of a government infrastructure project, (2) links to the authors of the uploaded studies for further consultations, (3) use of information in the preparation of a matrix of studies done and the areas needing more focus and synergy of effort, and (4) repackaging of the information found in the SERP-P on certain issues and subsequently using them as inputs in drafting national and local bills in various sectors.

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[8] Part of a bigger case study project on various databases, portals, and gateways of the I-K-Mediary Network, an international network of information and knowledge intermediaries working to increase access to development research by providing portals, gateways, and reporting services

[9] Respondents in the case studies included a government planning agency based in Mindanao, an information manager and consultant for international organizations, technical staff members of the House of Representatives' planning and budget department and various Congressional committees, and a nongovernment organization.

In 2010, the SERP-P administration began to make enhancements in the functionalities and features of the SERP-P to achieve faster access to and downloading of the studies and knowledge documents contained in the database as well as to facilitate the participation and contribution of the SERP-P member-institutions to the database. One such feature was the introduction of the Socioeconomic Issues on Spotlight section of the SERP-P. This section highlights a particular development issue of interest and presents the studies within the database that are related to and address the concerns of that particular issue.

In recent years, SERP-P has evolved into being a truly collaborative undertaking among the network of member-institutions. Paraphrasing the words of Dr. Sheila Siar, the current director of RIS, during a recent meeting of the SERP-P network, "SERP-P is not owned by PIDS. It is OURS," referring to the member-institutions.

Meanwhile, in view of the growing attention given to regional economic integration in the Association of Southeast Asian Nations (ASEAN) and East Asian region on one front, and of the increasing vital role being played by local governments in the Philippines on another front, in achieving progress and sustainable development, PIDS, through its then president Dr. Josef Yap, added a new research thrust in the PIDS agenda—"Go Regional: East Asia and Local Philippines". In this connection, PIDS focused on more studies addressing issues to hasten and facilitate economic integration within the ASEAN and East Asian region and collaborated with regional and global organizations in conducting international conferences that touch on integration-related concerns. At the Philippine local setting, on the other hand, PIDS pushed for the development of more policy research at the local level as well as further strengthened its Regional Forum or Out-of-Town Forum Series to reach out to more stakeholders and audiences in the provinces and present the latest and most crucial PIDS studies deemed relevant and timely especially to the provinces/regions.

Reinforcing these moves was the setting up of PIDS Corners in provincial public libraries and college/university-based libraries outside of Metro Manila. The PIDS Corner is a dissemination and outreach strategy that aims to bring the Institute's research outputs to researchers and policymakers in localities and communities outside of Metro Manila. Apart from making various development and policy-oriented materials more accessible in the provinces, the Corners also serve as a means to help in furthering the economic education of constituencies in various localities. The concept started as this author's dream to have a small corner in every field office of the government's Philippine Information Agency

(PIA) where outputs of the Institute can be displayed and read by residents and visitors in that particular area. While we were deliberating on the best way to implement this idea, Dr. Edwin Martin[10] suggested that we set up these corners not in the PIA offices but in public libraries and private school libraries based in the provinces. Eventually, we agreed to call the new endeavor as PIDS Corner, and these Corners would be placed in libraries, both public and private, in areas outside of the National Capital Region.

Work on the mechanics of the program and identification of potential venues for the Corners therefore ensued. The very first PIDS Corner was inaugurated at the Bohol Provincial Library in 2006. Since then, the number of PIDS Corners has grown to 24, with the location stretching from up north in Batac City, Ilocos Norte to down south in Zamboanga City. The list of PIDS Corners may be viewed on the PIDS website. Eventually, the vision for the PIDS Corners is to make them as knowledge-sharing hubs and venues for interactive knowledge exchange. As such, PIDS Corners can also serve as a vehicle to promote economics literacy in the various localities and communities in the provinces.[11]

The PIDS Corners and SERP-P are both attempts to provide the public access to quality research. They are complementary strategies. On the one hand, SERP-P can be easily accessed online anywhere in the world while, on the other hand, the PIDS Corners make research available to students and researchers in areas in the country where internet is not yet that reliable.

Relatedly, the Institute implemented the PIDS Digitization Project, a meticulous undertaking where old publications were electronically scanned, that allowed the sharing of the full texts of its publications online through its website and the SERP-P.[12] The project was initiated by Mr. Mario Feranil, Project Services Department (PSD) director, and Dr. Orbeta in 2002. With PIDS publications dating as far back as 1977, not all PIDS publications had digital or e-copies. Since the project aimed to create electronic copies of all PIDS publications, the Digitization Project largely focused on older publications that only had paper files. The importance of having all publications digitized cannot be overemphasized—it is needed not just for archival purposes but more important, it would make it easier for the Institute to make its studies available in their entirety online via the PIDS website and the SERP-P platform. The project was aimed to be completed in time for the Institute's 25th anniversary in September 2002.

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[10] At this period, Dr. Martin was the Public Affairs Division Chief of the RIS.

[11] Taken from RIS (2012).

[12] This portion on the Digitization Project was largely provided by Dr. Sheila Siar.

The project was outsourced to Techportal which would use their technology to deliver the expected output: a set of CDs containing a searchable database of all PIDS publications from 1977 to 2002. This project was the joint effort of RIS and MIS,[13] together they were responsible for the quality control of the scanned publications as well as the database produced.[14] Some of PIDS' secretaries were also tapped to retype old PIDS publications that were no longer suitable for scanning.

In 2007, PIDS updated the CDs to cover the publications for the years 2002–2006. This time, the project was done in-house with the MIS at the helm. The updated CDs were released during the Institute's 30th anniversary in 2007.

The Digitization Project underscores PIDS' commitment for knowledge sharing and utilization. The Institute is one of the first government agencies in the Philippines to have digitized its publications in the early 2000s which coincided with the spread of the open access movement.

Supplementing PIDS' knowledge-sharing thrust was the introduction of the information piece called Economic Issue of the Day or EID. The EID is part of PIDS' efforts to help enlighten the public and other interested parties on the concepts behind certain economic issues. It aims to define and explain, in simple and easy-to-understand terms, basic concepts as they relate to current and everyday economics-related matters. The EID was first started and managed by PIDS Research Associate, Ms. Ma. Teresa Dueñas. The RIS took over when she left. Through the years, the EID has featured concepts like inflation, oil deregulation, competition policy, build-operate-transfer, gross national product and GDP, diaspora, and many others.

Institutional prominence: PIDS at the forefront of policy research in the Philippines

Any presentation of PIDS' dissemination and promotional program will not be complete without mentioning the Development Policy Research Month (DPRM) as it is considered a recognition of what PIDS and its work represent.

In September 2002, former Philippine President Gloria Macapagal-Arroyo signed Proclamation No. 247 declaring the month of September of every year as "Development Policy Research Month". The proclamation cites policy research

[13] Within PIDS, the ones involved in the project were Dr. Sheila Siar and Ms. Jane Alcantara of RIS and Mr. Ronald Yacat of MIS.

[14] The database was crafted from Alchemy, a database and search engine.

as a critical component of policy formulation, planning, and decisionmaking in socioeconomic development activities. It also impresses the need to accord policy research its rightful place and official recognition for its vital contribution to national development and nation building through the observance of a policy research month every year. Being in the forefront of policy research and a leading think tank in the country, PIDS was designated by the proclamation as the lead coordinating agency of all programs and activities to be planned and lined up for the observance of said month every year.

The implicit recognition and accord given to PIDS by this proclamation provided the Institute with a much wider and more visible platform to stimulate critical thinking and discussions and to deepen the understanding and appreciation of evidence-based decisionmaking and research. As a result, every September since 2003, PIDS has organized nationwide activities such as seminars and workshops, research fairs, capacity-building sessions, dialogues and consultations, press conferences/media interaction, rounds of school visits, lectures and talks, and display of banners and streamers. All these activities are done in partnership with public and private institutions and with the involvement of numerous sectors like schools and universities, nongovernment organizations, media, business groups, and the like.

Most importantly, the celebration of the DPRM brought to attention some of the most crucial issues that the country continues to face. The themes provided for each year, which were brainstormed with numerous sectors concerned, dealt with diverse and relevant topics that were based on the country's perennial and emerging problems. Some of the most meaningful themes presented through the years revolved around the issues of rice security, growing competitiveness of the services sector, providing the tools for stronger local governance, coping with climate change and variability, international migration, poverty, and regional economic integration (PIDS 2012).

In recognition of this significant observance, the *Manila Bulletin*, in its editorial of September 5, 2004, congratulated the PIDS for its active role in promoting public awareness of the many vital roles of development policy research to our country and our people's lives, citing that the results of the various research studies, lectures, and related activities of the DPRM will "help our officials in drawing up and implementing development policies for our country".

The theme for each year of the DPRM celebration is being further elaborated through the *Economic Policy Monitor* (EPM) which was launched in 2011. The EPM presents a general review of the current macroeconomic condition, with in-depth analysis of the sectors relating to the DPRM theme and discussion of how recent policy measures will impact these sectors.

It is gratifying to note that the observance of the DPRM has also led to its citation as a "best practice" mechanism that can be adopted by other countries in promoting policy research and increasing the public's awareness on its use and contribution. The citation was made in the session titled "Promoting Uptake" in the conference on information and knowledge intermediaries sponsored by the Institute of Development Studies (IDS) of the University of Sussex in England and held in South Africa in July 2008.[15]

Challenges and opportunities

As mentioned in a previous section, the task of ensuring not only the transmission but also the utilization and application of an institution's outputs is never easy. It becomes even more daunting as one addresses more and varied audiences and tries to respond with corresponding improved or revitalized or new programs and paradigms. Our experience at RIS more or less reflects this. But as the saying goes, challenges can also be opportunities. And so, RIS tried to do its part in carrying out the mandate of PIDS.

Through the years, I can classify the challenges that we have had at RIS into four major categories.

Building the staff and capacities

When I started the task assigned to me in 1982, there were only three people in the department—myself, a secretary, and a driver. Gradually, however, the staff grew not only in size but also in capabilities. Four areas with their corresponding scope of work and responsibilities subsequently constituted the RIS, namely, (1) Publications and Circulation Program which oversees all aspects of the publication and release of the various PIDS studies and information documents, including the maintenance of the mailing list and inventory of publications; (2) Public Affairs Program which handles all aspects in the organization of seminars, workshops, media exposure, regional consultation and dissemination fora, policy symposia and international conferences, and the PIDS Corners; (3) Library Services

[15] The case of the DPRM was presented by the author to an international group of more than 100 information and knowledge intermediaries/brokers known as the I-K-Mediary Network, of which PIDS was a member from 2007 to 2012.

which provides the library services as well as maintains the Institute's e-library collection and the World Bank Online Resource Center, being one of the designated depositories of the World Bank's e-library; and (4) SERP-P which administers and maintains the electronic database/portal and its accompanying functions.

The work and responsibilities entailed specific expertise and inclinations. Choosing the right people was therefore a big challenge. And seeing to it that they continue to perform their tasks well, remain sensitive to and capable of making improvements when needed, and acquire additional and new skills to meet new demands required a deliberate and continuous program for training and upgrading of skills. At the same time, regular staff interaction to allow for an exchange of views and learning and to build closer relationships and camaraderie became the standard. And while admittedly, there were "misses" in some cases, it nonetheless gives me a sense of fulfillment to see how the staff, on the whole, have developed into one of the most competent, motivated, committed, and reliable groups in the areas of dissemination, utilization, and knowledge brokering. In turn, I have learned so much from the staff, which inevitably helped to hone me in carrying out my responsibilities.

Meeting the critical timing to accomplish assignments

Time has always been a critical element in the implementation of the Institute's dissemination and utilization program. The right time to release a publication or a report. The timeliness of the topics being presented and disseminated. Working on a tight schedule to organize a gathering. Meeting deadlines. Making sure that PIDS clientele regularly receive copies of the various PIDS publications. And overcoming backlogs in the production of certain outputs.

Perhaps one of the biggest challenges had been in overcoming backlogs in producing certain publications like the Institute's journal and books. In the case of the journal, one major factor in the occasional backlogs was the review process which sometimes takes quite a while before it gets completed. And while the reviewers are agreeable to doing the review, it sometimes takes several months for some to complete it because of their busy schedules. There were also other contributory factors that had to be addressed through revisions and improvements in both the editorial policy and procedures. Suffice it to say that while there are still issues to be addressed, the journal has survived the so-called "test of time" and has remained in circulation to this date.

With regards to the production and release of more books, meanwhile, the fact that the Institute maintains a sizeable number of regular publications managed and coordinated by a relatively small number of publications staff is a big factor affecting this function. Moreover, the publication of books is a long process, especially during the time when digital printing was not yet the mode. And to be able to meet publication deadlines, it was not uncommon for the staff (including myself during the early years) to spend late nights until even the wee hours of the morning at times at the printing companies to ensure accurate proofing and attend to any last-minute edits and change in the blueprint.

A related challenge has been the task of seeing to it that PIDS publications, once released, are sent to and reach their intended recipients on a timely basis. The Institute has built and maintained a mailing list of various recipients in various categories (e.g., policymakers, NEDA officials, Cabinet officials, regional and local government offices, libraries, research organizations, media, business organizations, international agencies, etc.) for each of its publication titles through the years. Maintaining and keeping said mailing list streamlined and updated on a regular basis so as to ensure that the PIDS target recipients actually and regularly get their copies has always been a big challenge, especially during the years when e-blast and other social media mechanisms were not yet available.

On another front, it was equally a big challenge to put up one event or conference after another, with so little lead time in-between most of the time. But it is a testament to how the staff's convening capacity has developed that the events would eventually turn out well with seemingly clockwork precision.

Improving efficiency by streamlining operations and procedures

Related to the foregoing, the RIS has come up with various sets of procedures to define and clarify its functions and operations as the results of continuing review and streamlining. Among the areas covered were: (1) basic publication style guidelines, (2) policies and guidelines for the journal, (3) guidelines for editing, (4) creation of a pool of external editors to help in the book projects and augment the in-house editorial availability, (5) the procedural flow of activities and checklist for the organization of conferences and symposia, (6) the Help Guide for the use of the SERP-P, (7) set of criteria for the selection of venues for the PIDS Corner, (8) the WEBLIS library system, (9) the pricing policy for PIDS publications for sale, (10) the mailing list for each of the PIDS publication outlet, (11) inventory of the Institute's publications, and in recent years, (12) the guidelines for use of social media. All these were put together in 2012 in the RIS Manual,[16] which will remain as a work in progress as new programs and endeavors are introduced.

[16] RIS (2012)

Enlisting the support/cooperation of other staffs

To succeed in the implementation of its tasks, the RIS needed the support and cooperation of the other departments and staffs at PIDS, especially the research staff.[17] In the first place, the heart of RIS' work is anchored on the outputs of the research staff. Their research and knowledge are the major products being promoted. Thus, it was important to interact with them closely, in particular, with the research fellows, to have a complete understanding of the significance of their work [I am personally grateful to many of them for the vast knowledge that I learned from them through their studies].

RIS also interacted closely with the other departments/staffs and is grateful to the PSD staff under Mario Feranil for the continuing updates on the various research projects completed, to the MIS for the advice and help on the various technology-based projects that RIS undertook, to the Board Secretariat for their assistance in Board-related assignments, and to the Operations and Finance Staff (OFS) under Isaac Puno III (OFS director until July 1994) and Ms. Andrea Agcaoili (OFS director from 1994 to the present) for their fullest support on the logistical and administrative requirements. And although there were some differences of opinion at times with the different departments, the common goal of attaining PIDS' objectives served to bind people and resolve issues.

The overall work environment within the Institute was conducive to having this healthy exchange of views and ideas. For this, we acknowledge the leadership and openness shown by all the presidents[18] of the Institute—from Dr. Filologo Pante Jr. to Dr. Ponciano Intal Jr. to Dr. Mario Lamberte to Dr. Josef Yap. We also thank them for the trust and confidence that they have given us in the exercise of our responsibilities.

Relatedly, we also thank certain members of the PIDS Board of Trustees, in particular, Dr. Gerardo Sicat, the late Dr. Gelia Castillo, Dr. Cynthia Bautista, the late Dr. Ledivina Cariño, Dr. Edita Tan, Dr. Dante Canlas, Dr. Manuel Alba, Dr. Jaime Laya, Dr. Armand Fabella, Dr. Arsenio Balisacan, Dr. Emil Javier, and Dr. William Padolina for the encouragement and support that they have given us.

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[17] This would also include all the other research project management staffs.

[18] Dr. Romeo M. Bautista became interim president during the early years of Dr. Pante's term while Dr. Pante was on postdoctoral fellowship at Yale University. Meanwhile, I had already left PIDS when Dr. Gilberto Llanto took the helm as president in 2013 and so I did not have the privilege to have worked under him.

Postscript: Some final words

Today, at 40 years, PIDS continues to evolve in its programs, activities, and approaches but remains true to its original mandate. Through the years, it has built up a body of work that has made significant contribution to Philippine socioeconomic development. Having firmly established its credibility, relevance, and usefulness as a policy research and knowledge-sharing institution, PIDS has won the trust and respect of peers, collaborators, and the various publics whom it has endeavored to reach and influence since its start in 1977.

Indeed, its contributions in providing government with a critical understanding of development policy issues and their possible impacts and solutions, in increasing the public's appreciation of the use of research in decisionmaking, and in offering innovations in doing research through pioneering mechanisms have not gone unnoticed. For the fifth straight year since 2012, PIDS has been cited among the top think tanks in Asia in the global Go To Think Tank rankings conducted by the University of Pennsylvania's Think Tank and Civil Societies Program, ranking no. 38 among the top 100 think tanks in Southeast Asia and the Pacific.

We live in exciting and complex times these days, with new and additional borders crossed in terms of focus of analysis and research, and with new tools for interface with the government, partner organizations, and other publics. But as proven in the past, PIDS will surely know how to make the best use and study of them to continue to remain relevant and useful. Ultimately, it is in knowing that its research recommendations have many times served as inputs to policies and decisions that uplift the condition of the Filipino people, where PIDS' value may truly be appreciated. And that would be PIDS' best citation.

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From Evidence to Policy: Celebrating 40 Years of Policy Research is a volume intended for a wide audience with the intent to highlight the role of research in evidence-based policymaking process. This collection of essays will show the readers the rich history of the Philippine Institute for Development Studies from the moment it was founded to its more recent triumphs as one of the top-ranking think tanks in the world. Celebratory yet sober, this volume will serve as a good introduction to aspiring policy researchers and a sentimental trip down memory lane for the veterans of the policy process. A gripping volume of many characters, written by various personalities, this is quite unlike the usual technical papers written about public policy.

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