

Commentary

Fortifying the ramparts

There was hope, for a while at least, that in the twilight years of her Presidency (if such they are), President Gloria Macapagal-Arroyo would be conscious of the need to secure her place in history through improved governance, professionalising the bureaucracy and addressing in meaningful way the plight of the growing number of poor; this means more quality jobs in the formal sector which, in turn, means more investment. It was a hope, but the reality is once again proving to be somewhat different.

In the face of the global economic downturn which is impacting on the Philippines—not sending the country into recession mind you but not likely to see a return the high growth rates of recent times either, the government has retreated back to a “bread and circuses” approach to governance.

Over recent weeks we have been treated to the bloodying of Meralco, as though it alone was to blame for high energy prices. Yet we have seen not a word said over the penchant of the National Power Corporation to continue to buy fuel on the spot market (where commissions are high) rather than on the basis of long-term contracts. Flexibility, it seems, comes at a high price.

Next we have seen the Joint Foreign Chambers taken to task for daring to protect their own stakeholder interests and in a most boorish manner quite out of character with the image Filipinos like to project of being a friendly, courteous race of people (which we should add, for the most part they are). It is sad to see foreign investors treated in this manner.

We have seen the telcos taken on over the issue of text messages with a resurrection of the suggestion that the lot of the *masa* would be improved if only texting came for free. It is an interesting thought, but we don't buy it. More importantly, the business sector is downright alarmed by it. It is not exactly a productivity enhancement tool.

We have seen the placebos handed out to the poorest of the poor in the form of “one time” voucher payments for food and electricity. Forget about the adage of “teaching a person to fish”—too complicated; just give him the fish and shut him up.

We have seen the appointment of the former governor of Pampanga Province, the (now) 28-year-old Mark Lapid appointed as Acting General Manager of the Philippine Tourism Authority, a move that has been widely criticised both within the tourism sector and without. Mr. Lapid has a pending case before the Ombudsman and his term as Governor of Pampanga was mediocre at best. The present governor, Fr Eddie Panlillo who defeated Lapid in the election last year has been able to collect Php217 million in quarry taxes in the past twelve month as compared with a paltry Php29.1 million reported by Mr. Lapid.

And today, June 10 2008 we see the passage into history of CARP—the Comprehensive Agrarian Reform Law that was supposed to deliver land to those who till it and which was already 10 years overdue in its implementation. Only 18 percent of the land due to be returned to the poor farmers

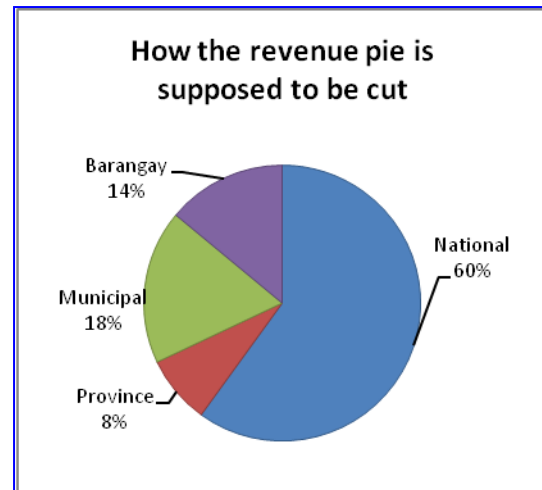
was actually distributed. Now the landed gentry that controls Congress has successfully blocked further progress through the simple expedient of allowing the legislation to lapse.

Is it any wonder that the people of the Philippines are in despair and why foreign investors also tend to look towards asset management rather than new investment? Parse the numbers however you might, the fact is that just about every other single country in Southeast Asia is doing better at attracting investment than the Philippines.

But all of this is by way of introduction to the main point of this commentary. A story tucked away in an obscure corner of a newspaper last week caught our attention more than any other event of the past week. Its significance should not be overlooked.

According to this report, it appears that the Court of Appeals is caught once again on the wrong side of justice insofar as it has blocked a petition of church leaders in Puerto Princessa to overturn Executive Order 683 which allows royalties and excise duties due to local government units from the Malampaya Gas field to be paid in the form of pork barrel appropriations to the Palawan Governor and two Congressmen from Palawan.

Under the 1991 Local Government Code, local government units receive a total of 40 percent of taxes and royalties collected by the national governments from projects within their area. Within this total, barangays, municipalities and the province each receive a portion of the allocation which can be used to supplement their normal budget allocations and provide improved service delivery.



This is of particular significance in the case of extractive industries such as oil, gas and mining because a two percent royalty is paid to government as an excise duty. It amounts to a tax on gross revenue and is due to be paid as soon as the mineral (in this case oil, but it could be gold, copper or nickel) is mined and sold.

The Court decision, in effect, allows the Malampaya revenues to be treated—not like taxes, but rather as discretionary appropriations for selected local officials, As such it reinforces the role of lawmakers and governors in holding sway over the rest of the province and assuring compliance.

The matter is now likely to go to the Supreme Court for final review on an issue which, as has been pointed out, involves both local autonomy and sovereignty. We believe far more is at stake—the credibility of the Philippines.

The ineluctable conclusion is that this is once again, not a government that—faced with hard times—is seeking by all means to improve competitiveness and redistribute the wealth to those in greatest need. Rather we are seeing the all too familiar sight of the powers that be reinforcing the ramparts, better to stand the siege. We would like to draw a different conclusion but at this time we cannot.

In response to the bullying tactics of certain senators last week, Mr. Rob Sears, executive director of the American Chamber of Commerce, said the foreign chambers would continue to be transparent in voicing their opinions on issues affecting the business climate in the country. And so they should.

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