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The Aquino Administration at the mid of its term: assessment of its policies and achievements in key areas

When Benigno (Noynoy) Aquino was elected in May 2010, it was a huge wave of hope that swept him in a landslide victory into the office of the Philippine President:

- hope that he would bring back honesty as guiding principle into the actions and decisions of this office – as it had been the case during the presidency of his revered mother Cory Aquino 1986 – 1992, whose passing away in summer 2009 had plummeted the nation into deep nostalgic mood and initiated the request of the Liberal Party for her son as presidential candidate in the 2010 elections;
- hope that the lawlessness, high levels of violence, corruption, human rights violations and impunity would finally find an end;
- hope that the hardened poverty of more than 25% of the fast growing population would finally be reduced – following his campaign slogan: "no corruption, no poverty any more";
- hope that he would be able to bring peace to the country which was suffering for more than 40 years from fighting with the Mindanao based Muslim Rebellion and the armed campaign of Maoist in many rural provinces all over the country.

Three years later, in the mid of his single six-year term, it is still the hope of the majority of the population which is upholding his high popularity. What has been done, what has been achieved during these three years, what are the perspectives for the next years?

(1) The fight against corruption

There can be no doubts that the climate has changed. "Noynoy" Aquino has shown that – different from his two predecessors – he does not use his office to enrich himself, his family or cronies through dubious projects and contracts. And at several occasions, he has made it clear that he also

does not tolerate corruption and nepotism from the other members of the national government. This clear and strict attitude has earned him the comments of the national civil society community and of international observers and institutions. It has contributed to a strong improvement of the international reputation of the country. And it can be considered as an important psychological factor for the increased growth rates and the upgrading of the country by international rating agencies.

However, there are also critical voices with regard to the selectiveness of his public campaigning against corruption.

One example was the impeachment of the Chief Justice of the country. President Aquino personally initiated the impeachment process against him, a last minute appointment by President Gloria Macapagal Arroyo, his extremely unpopular predecessor. He pushed the process through, based on his high popularity, a devastating media campaign against the Chief Justice and the strong financial dependency of the Congress, where the members of the House of Representatives even were not given a chance to read the accusation documents before they were forced to vote on them. And if the same criteria, which were used in this impeachment process, would be used to scrutinize all members of the government, legislators and Supreme Court Judges, probably a relevant number of them would have to resign.

What is even more important in the assessment of his fight against corruption is the question, if corruption has also decreased on the level, where citizens and companies are affected. The general answer on this question is clearly "no". Corruption is everywhere, and in most public agencies it is organized in networks, which are difficult to break up. There

are even signs that corruption is increasing in important areas - i.e. customs. The official response of the Administration on these obvious facts is that it will take more time until the effects of the fight against corruption at the top level will trickle down to lower levels. But the real question is: would it not need other measures, a much more comprehensive strategy, to reduce the omnipresent endemic corruption to a level, where it does not burden too heavily any more the life of the people and companies?

(2) Rule of Law, Human Rights, Good Governance

In November 2009, six months before the 2010 elections, 58 people – among them 30 journalists – were murdered in an election related massacre by armed groups under the ruling clan of the Ampatuans in the province of Maguindanao in Muslim Mindanao. Today, three and a half year after this horrible event, the court trial against the murderers is dawdling along with no perspective of coming soon to an end. Several key witnesses disappeared, some died under strange circumstances. Atty. Harry Roque, famous human rights lawyer and counsel for the families of most of the massacre victims, issued on this case: "All we hear" (from the Palace) "is the mantra that it's in the court's hands. The reality is that the delay is a joint responsibility of the judiciary and the executive branches since the prosecution is an executive function" (source: Amando Doronila, ANALYSIS: Philippines: A forbidden country, in "Philippine Daily Inquirer", November 30, 2012).

This is just one example which shows, that ***the Philippine Judicial System, plagued by an antiquated criminal procedural law, high levels of corruption among judges, intimidation from ruling clans and warlords and many other problems, has not improved during the last years. There are many other examples showing the lack of progress in the fields of rule of law, protection of human rights and orientation on good governance:***

- At several occasions national and international human rights groups have accused the administration of failing to stop the culture of impunity, prosecute the perpetrators of these abuses, and bring them to justice since taking office in June 2010 (Yahoo! News Philippines, May 21, 2012).
- In the "Impunity Index" of the New York based "Committee to Protect Journalists", the Philippines ranked 2013 in the fourth consecutive year the third worst country in the world, next only to Iraq and Somalia. And Reporters without Borders ranked the Philippines in its 2013 Press Freedom Index a low 147th out of 179 countries – behind many of its Southeast-Asian neighbours (Philstar.com, May 2, 2013).
- In an editorial on January 31, 2013 under the headline "Crime Philippines" the "Philippine Daily Inquirer", one of the leading newspaper of the country, after describing the increased pervasiveness of drug rings and other crime syndicates operating in the South and the increase of brutal killings, rapes and drug-related heinous crimes in Metro Manila, comes to the conclusion: "It's as if we have come to a point that no one is safe anywhere."
- In another editorial on April 5, 2013 in "The Philippine Star", another leading newspaper of the country, Ana Marie Pamintuan describes the increase in vote buying, and cynicism compared with former elections in the campaign for the May 2013 elections: "A person who handles logistics for a local candidate told me that a reasonable campaign budget per district in Metro Manila during the official campaign period is P6 million" (about 150,000 US\$). "The amount does not cover posters and similar campaign materials...the money is given to the candidates district political leader, who in turn is expected to distribute the money down to the grassroots." And she reports the typical answer of a women after being "told that a person can take the money and still vote for someone else...The women said she would give the source of the dole-outs value for his money. Even if there may be a more qualified opponent ... all candidates behave the same anyway once in office – always looking out first for personal interest. So she might as well go for someone from whom she is already receiving benefits." First reports after the election day pointed out that rampant vote buying took place all over the country and that at many places even secrecy of voting was not respected any more as the helpers of the vote buyers were able to control the voting inside the precincts.
- Following reports in leading newspapers, the number of election related killings during the pre-campaigning and campaigning period for the May 2013

elections (excluding the special Maguindanao murder event in 2009 mentioned above) seemed already to be higher some days before the election than in 2010 – different from some official figures published recently.

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This does not mean that there were no efforts of the Aquino Administration to improve governance and the human rights situation. Leila de Lima, Secretary of Justice and Sixto Brillantes, Chairman of COMELEC, are names – among others - who stand for such efforts. ***But they have not been successful, because the Aquino Administration did not touch the underlying sources of the problems: the grip of rich, powerful families on a weak state; political dynasties with huge patronage structures.***

(3) Inclusive Growth, Fight against Poverty

As a ***key instrument against the hardened poverty*** the Aquino Administration strongly extended since 2011 the ***"Conditional Cash Transfer Program"*** of the former administration, which provides the poorest families with direct cash under the condition that they send their children to school regularly. In 2012 the Administration has given out 39.4 Billion Pesos to poor families under this program – which indeed improved their actual living situation, but did not elevate them above the poverty line. (For this the double amount would have been needed.) This program might in fact lead to a better situation for the living conditions and job opportunities of these families in 10 – 15 years, but only under the conditions, that the education provided meets a minimum of quality standards and that markets are opened so that new jobs can be created. Both conditions will not be met, if the policy of the government will not change. ***However, this program***, which is implemented by central state agencies in the name of the president - different from the time under the former administration, when it was under control of the local governments - ***has found a very positive echo in the poor part of the population and is considered one of the most im-***

portant reasons for the ongoing popularity of the president. The final ***pushing through of the Reproductive Health Bill by the President*** – which is however still questioned at the Supreme Court – is also ***considered by the supporters of this law as an important step for medium- and long-term reduction of poverty***, because one of the effects expected from it is the reduction of the very high birth rates in the poorest families. This law, which has been adopted against the strong opposition of the Catholic Bishops Conference – who see it as a first step on the way to other “liberalizing” laws like the acceptance of divorce and abortion – seems to be also considered a positive action of the administration by the majority of the population.

A look on the socio-economic development during the three years shows a highly contradictory picture. The economic growth rate in 2012 of 6.6 % has been the highest in a year without elections for more than 15 years. The country has been upgraded by the Rating Agency Fitch to “investment grade status (BBB)”. The think tank “Moody’s Analytics” predicted a growth rate of 6.5 – 7 % for 2013 and 2014 and titled its report: ***“Philippines Outlook: Asia’s Rising Star”***. Another important development: After many years of efforts the highly controversial “sin tax law” with a relevant increase of taxation on alcohol and tobacco was adopted in the Congress – which will result in remarkable additional revenues for the state budget in the future (“The Philippine Star”, Headlines, News, January 1, 2013).

However, a look behind these general figures shows very problematic realities.

- In spite of public presentations of positive developments by the government in domestic and foreign investments – based on declaration of intentions, memoranda of understanding, application for investment projects and in some cases on approvals of projects – the reality of the real money flow from foreign investments shows a stagnation or even reduction on a very low level. Net inflow of Foreign Direct Investment

to the Philippines in 2011 was only at 1.9 Billion US\$ - compared with 7.4 Billion to Vietnam, a country with similar seize and population. In 2012 it basically stagnated, and in January 2013 it declined by nearly half in comparison to the 2012 January figures (Editorial on April 16, 2013 in "Philippine Daily Inquirer").

- Merchandise exports fell by 15.6% in February 2013, the steepest decline in more than one year. And different from other Southeast-Asian countries it depends in the Philippines with nearly 40% on electronics – a highly vulnerable market –, whereas the agricultural exports of the Philippines are uncompetitive in comparison to its neighbours (source: Cielito F. Habito, former Economic Planning Secretary, April 16, 2013, Opinion Section, "The Daily Inquirer").
- In the yearly worldwide ranking of the World Bank on "Doing business", the Philippines, in spite of getting a better ranking in the corruption list of Transparency International, slipped down in 2012 again by 2 places to number 138 out of 183 countries. Similar development in the global tax ranking: After being on rank 135 of 183 economies in 2011 it slipped to rank 143 out of 185 economies in 2012 and is considered to be among the countries where paying taxes is most costly and difficult – despite government efforts at ramping up reforms (source: Yahoo! News Philippines, December 14, 2012).
- Statistical figures from 2012 show without any doubt that the high growth rate did neither lead to a relevant increase in the creation of new jobs, nor did it reduce the poverty rates. In December 2012 the National Statistic Office informed that in spite of the surprising economic growth in the third quarter joblessness and underemployment had worsened in October 2012. In March 2013 unemployment among Filipinos at least 18 years old was at 25.4% - compared with 18.9% in September 2010, short after the start of the Aquino Administration (source: Social Weather Station Survey, quoted in "Business World" on May 2, 2013). In its regular bi-annual report on April 23, 2013 the President of the National Statistical Coordination Board (under the National Economic and Development Authority) had to admit, that following the latest figures from the first semester 2012, poverty in the Philippines remained unchanged at about 28% (persons living under the absolute poverty line) since 2006.
- The reasons become clear after analyzing the sources of the high growth rate. The growth rate of 7.1% in the third quarter of 2012 was based on 24.3 % growth of the construction sector, but only average growth of 5.5% of agriculture, 5.7% of manufacturing and minus 0.6% of fishing. Similar figures have been reported from the fourth quarter of 2012. A senior country economist of the Asian Development Bank made it clear in his remarks to the statistical data on poverty, that the government must solve the problem of jobless growth if it hoped to reduce poverty. "I am not surprised at all. The benefits of strong economic growth have not spilled over to the people because they still cannot find a job". "He said the Philippines' economic model depended on consumption, strong remittances from its large overseas workforce" (21 Billion US\$ in 2012) "and the business process outsourcing industry", which only employs a limited number of college graduates (source: Philippine Daily Inquirer, April 24, 2013).
- A study of the highly respected economist Cielito F. Habito came to the result, that the 40 richest families of the country counted for 76.5% of the increase in the economy's GDP in 2010-2011, compared with 2.8% in Japan, 5.6% in Malaysia and 33.7% in Thailand (source: Philippine Daily Inquirer, March 4, 2013).

In conclusion: the high economic growth is not inclusive at all. But it might also not be sustainable. Because the focus on construction has already lead to a dangerous real estate bubble situation with more and more empty rooms and apartments in Metro Manila, where the land developers offer apartments now with 30 years or more financing plans – without down payments and with low interest rates. And the part of the construction boom which is related to infrastructure – i.e. repair of streets and bridges – shows clearly the signs of pre-election related expenses, bound to decrease again after the May 2013 elections, like in many election years in the past. To quote again Cielito F. Habito: "What is clear is that trickle-down economics and business as usual simply won't bring our poverty numbers down to where we all need them to go" (quoted in: "The Philippine Daily Inquirer", April 16, 2013).

There will be no inclusive growth without fundamental structural reforms like

- the opening of the monopolized and cartelized local and national markets,
- the rigorous reform of the nightmare bureaucracy,

- the improvement of the framework conditions of small and medium enterprises,
- targeted investments in order to overcome key infrastructure bottlenecks,
- the systematic development of the agricultural sector (processing industries).

Furthermore and highly important:

Planning and decision making competences have to be handed down to strong and democratically controlled province governments – still to be created – which after being equipped with the necessary power and budgets could push forward the customized socio-economic development of the respective regions based on the analysis of its strengths, potentials and specific problems. By that they would replace the actual ineffective parallel procedures of centralized planning from the National Administration and un-coordinated development efforts from more than 120 provinces and independent cities in the country.

(4) End of Armed Insurgencies

There is no progress in the efforts to bring the communist insurgency to an end. Informal contacts and formal negotiations did not lead to any results. The estimated number of armed guerrilla fighters is considered by official army spokespersons only at 4,000 members. But due to the hardened poverty and the high and increasing inequality, there is a huge number of sympathising supporters in many rural provinces. Bayan Muna alone, the strongest party list among several political organisations close to the communist armed group NPA, counts on 9% supporters – following latest surveys – even if this is not reflected in the election results, because many of its supporters elect other left wing party lists in order not to lose their votes, as the party list system does not allow one list to get more than three representatives. The ongoing violence in many provinces and the regularly extortion of protection money from mining, logging and other businesses in rural areas, are major obstacles for business development and investments. During

campaigning time in these areas more than half of the candidates for local elections are paying – illegally – between 1,000 and 100,000 US-Dollar to the communist rebel groups to buy “protection”. Not paying the money can result in deaths – as just recently experienced by a group supporting a mayor from the nationally well known Guingona family in her campaign in Northern Mindanao. On April 30, 2013 the chief government negotiator in the talks with the communist, Alex Padilla, admitted: ***“We are at an impasse now. Whether we talk or not, the same violence continues, nothing has changed.” And when asked about the timeframe of the talks, he said: “That is gone”*** (quoted in: AFP News, April 30, 2013).

There is however remarkable progress with regard to the Muslim rebellion in Mindanao. After an agreement between the former administration and the strongest armed rebel force, the MILF, was declared unconstitutional by the Supreme Court in 2008, President Aquino was able to take up the negotiations again in 2011 and was successful in signing with the MILF a “Draft Framework Agreement on the Bangsamoro” (FAB) in October 2012 – the creation of an autonomous Muslim Region in Mindanao, replacing the existing Autonomous Region of Muslim Mindanao (ARMM) – which had been established in the nineties under the administration of President Ramos and is considered as failed, due to lack of real autonomy and high levels of violence and corruption.

However, there is still a very long and difficult way to go in order to realize this peace project. The annexes on power sharing, revenue sharing, transition procedures and normalization, which shall contain the real substance of the agreement, supposed to be finalized end of 2012, are not yet finally negotiated four months later. If they would finally be agreed upon between the two sides, there is still the challenging process of drafting a basic law for this autonomous region, getting it approved first by the Philippine National Congress and then by the population of the Bangsamoro area, defining the exact boundaries through

a series of plebiscites, changing the existing administrative structures of the area into a completely new system and organizing peaceful elections – scheduled for 2016, inclusive for all groups of inhabitants in the area, where the MILF is the strongest rebel force, but cannot be considered to represent all the other Muslim, Christian and Indigenous Peoples communities who were not included in the negotiations of the framework agreement.

The text of the agreement contains new and interesting orientation: "The relationship of the Central Government with the Bangsamoro Government shall be asymmetric" – meaning real autonomy, as it is normally provided to a state in a federal system. "The government of the Bangsamoro shall have a ministerial form" – meaning parliamentary system instead of the presidential system of the Philippines. And "The electoral system shall ... encourage formation of genuinely principled political parties". ***These are three fundamental reforms which for long have been demanded by academic experts, reform oriented civil society leaders and foreign observers as necessary in order to bring the Philippines out of its deadlock and failures of democracy and good governance.*** If this would be successfully implemented in the second half of the term of President Aquino, it could become a role model for the fundamental reforms of the whole country. But exactly here the crux starts: There are hints from sources close to the "palace" that the delays in the final negotiations of the annexes of the FAB are partly related to the fact, that President Aquino is now reluctant to push this peace process forward. Because – this is the information - he got scared that the Bangsamoro autonomous region could become a role model for the whole country with its diverse regions, ethnic groups, languages – bringing about strong support for the constitutional reforms which he up to now strictly refuses to consider.

(5) Perspectives for the second three years: addressing the structural power questions?

There is ***a broad and further growing consensus among Philippine political scientists, political analysts in the media and foreign observers that the problems of the Philippines with***

- ***a weak state and poor performance of democratic institutions,***
- ***human rights violations and non-functioning rule of law,***
- ***high, hardened poverty,***

are closely related to the existing linkages between political power and economic power in the hands of about 200 political families, which dominate the country as a whole as well as the big majority of its provinces and cities. Political dynasties have strongly increased their presence and their grip to the power on all levels. Never since the end of the Marcos dictatorship, they have dominated so openly with their patronage structures the national and the local elections like in 2010 and even more in 2013. The former Chief Justice Reynato Puno, a personality of highest reputation in the Philippines, has expressed his judgement on this in a book-launching speech in 2010: "This vicious politics of patronage has allowed few oligarchs and bosses to rule us from colonial times to post colonial times and their rule has brought us nothing but a façade of democracy." (Reynato Puno: "Transcending our democratic mediocrity", Publication of KAS Philippines 2010). The former Security Advisor and Chief Political Strategist under President Fidel V. Ramos, General Jose T. Almonte, adds: "Our country still is governed not by laws, not by political institutions but by political personalities ...oligarchic influence on the highest State organs enables powerful individuals, families and clans to organize monopolies and cartels, tilt the rules of competition in their favour – and acquire privileged access to the rents and commissions generated by public investments...more and more the traditional modes of reciprocity are being replaced by cash-for-votes exchanges. Vote buying has inflated election costs and wors-

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ened political corruption... Our country has lagged so consistently behind its neighbours that its critics have turned to cultural factors for an explanation... But ... our problems merely reflect structural defects in our political institutions" (José T. Almonte: "We are responsible for one another", Publication of KAS Philippines 2010).

During the first three years of its six years term the Aquino Administration has not addressed these key problems of the country. President Aquino has continuously refused to consider any serious discussion on the reform of the 1987 Constitution, which has numerous serious contradictions and flaws and is in key parts vital for the continuation of these patronage structures organized by dominating families and clans.

There have been three legislative projects, developed in the Congress – in both chambers, the House of Representatives and the Senate – which were aimed at the taming and reduction of these power structures and the correction of their undemocratic impacts:

- In both houses drafts of a coherent and overall "**competition law**" (*by some called: anti-trust bill*) were developed and discussed in the respective committees. The Philippines, different from its neighbour countries Indonesia, Thailand and Malaysia, has no such law up to now, which also is requested in connection with the scheduled Economic Community in ASEAN in 2015. In both houses they were agreed in the committees and sent to the plenary in 2012. But they never have been put on the agenda of the plenary. This agenda is strongly influenced by the President through his possibilities to put pressure on the members of the legislative – last, but not least through the Priority Development Funds ("pork barrels").
- A draft bill on "**Freedom of Information**", supported by major groups of civil society, was about to be passed at the House of Representatives during the last days before the end of the legislative term, but did not make it to the final voting, because President Aquino declared it a priority legislation, but not urgent.
- A **modern Political Party Law, the "Political Party Development Act"**, which would have forced political parties

1. to be based on dues-paying members,
2. to introduce and respect internal democratic procedures,
3. to be transparent on their funding and donations,
4. to limit single donations,
5. additionally limiting the possibilities of changing parties after being elected and
6. introducing state subsidies for civic education work and campaigning costs of political parties,

had passed the House of Representatives in third reading after finding the agreement of all groups represented there – including the Liberal Party of the President. It had passed the Committee and the first reading in the plenary of the Senate. The day before the second and third reading, in a meeting at Malacanang Palace President Aquino decided to take it out from the agenda of the Senate.

These three laws would have had significant impact on the power structures controlled by the big families. The competition law would have forced them to open up the local and national markets, monopolized or cartelized by them. The Freedom of Information Bill would have brought high transparency into the actions of the State Bureaucracy – making it much more difficult for the oligarchs to use the state for their own benefits. The Political Party Development Act would have provided an important legal instrument for breaking the personalized patronage structures in local governments and in the district elections for the national parliament and to replace the totally personalized systems by program oriented and member based political parties.

The President will have to decide for the second part of his term. If he continues to protect the traditional power structures during the next three years, none of the problems of weak democracy, hardened poverty and poor governance can be solved, and the country will continue to be deadlocked – with the consequence of making him a tragic figure in history, one who postponed the urgent modernization of his country for six more

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years in spite of his personal integrity and his reform orientation in fields not related to these structures. *If he would decide to address these issues of power structures, he could become the president, who liberated the Philippines from the burdens of its colonial heritage and made it ready for a bright future in the globalizing world.*