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Carrying the burden of the new revenue measure

The Value-Added Tax (VAT) rate increased anew at 2 percent with the implementation of RA 9337 or the Reformed Value-Added Tax on 1 February 2006.

Under RA 9337, the President is authorized to raise VAT rate from 10 percent to 12 percent upon the recommendation of the Department of Finance, provided that (i) 2005 budget deficit-to-GDP ratio exceeded 1.5 percent, and (ii) 2005 VAT collections-to-GDP ratio reached 2.8 percent.

2005 figures from the National Statistical Coordination Board shows that the nominal gross domestic product (GDP) was pegged at PhP5.379 trillion and the VAT-to-GDP ratio reached 2.9 percent while the budget deficit-to-GDP ratio positioned at 2.7 percent.

The government is optimistic that RVAT revenue would wipe out the national budget deficit before 2008 instead of 2010, as originally targeted. It is calculated that the government would generate an estimated revenue of PhP75 billion by the end of 2006. According to the economic managers of the administration, 70 percent of the RVAT revenue would go to debt payments. Budget Undersecretary Laura Pascua said this would reduce the estimated PhP125 billion budget deficit.

The remaining 30 percent or PhP22.5 billion of the expected VAT revenue, under the proposed national budget for 2006, would be divided into economic services (PhP20.2 billion) and social services (PhP2.3 billion).

Economic services include the building and or improvement of roads, airport, ports, irrigation systems, and other productivity enhancing investments.

In concrete terms, the budget for social services as illustrated in the report of Sunstar-Davao (2006), would build at least 2,000 classrooms, provide health insurance premiums to 3.1 million indigent families, reforest 9,190 hectares of forest lands, and build 1,012 kilometers of farm-to-market roads.

As the implementation of the new VAT law followed the conditionalities set, the country got positive credit ratings from Standard and Poor's Rating Services and Fitch

rating international credit analyst organizations. Credit ratings help investors analyze the credit risks associated with fixed-income of a country and provide confidence to the investors. The negative rating in 2005 was a consequence of the political troubles and allegations against President Gloria Macapagal-Arroyo on issues as election fraud, constitutional change, and delays in the implementation of the expanded VAT law. The rating signified that the economy under Arroyo's administration was unstable, resulting in high loan interest rates and low investments.

The debt trap

Criticisms against the RVAT are wide and plenty. Opposition Senator Aquilino Pimentel said that the expansion of VAT was imposed due to pressures from the International Monetary Fund (IMF) and other foreign lending institutions to ensure the payment of the country's loan obligations.

According to Sonny Africa in an article of IBON Foundation, 85 percent of the 2005 government revenues went to debt service payments. The government would then have to continue borrowing to the foreign lending institutions in order to meet its current expenses.

Recent data from the Freedom from Debt Coalition (FDC) reflect that the national government's outstanding debts stood at PhP3.9 trillion as of November 2005. This shows a more than 725 percent increase from the country's debt in 1986, which registered at PhP472.5 billion. Thus, every Filipino would have to share approximately PhP18 a day to pay the country's debt of PhP1.48 billion a day.

In essence, critics point out that instead of passing on the burden brought by the new revenue measure to the people, the government should efficiently collect income taxes from the corporations and address high tax incentives given to foreign investors. It should strictly regulate government debt through a debt management policy that includes a cap on debt borrowings and servicing.

Who gets the short end of the stick?

Seventy percent of the 82.5 million Filipinos are poor and the increase in the tax rate on almost all commodities will push them further down the pit.

The government claimed this will not happen given that basic commodities and socially sensitive products are exempted from RVAT, such as:

- Agricultural and marine products in their original state such as vegetables, meat, fish, fruits, eggs, and rice. These goods remain VAT exempted even if they had undergone simple processing such as freezing, drying, salting, broiling, roasting, smoking or stripping;
- Educational services rendered by both public and private educational institutions;
- Books, newspapers and magazines;
- Lease of residential houses not exceeding PhP10,000 monthly;
- Sale of low-cost house and lot not exceeding PhP2.5 million;
- Sales of persons and establishments earning not more than PhP1.5 million annually, which could include *sari-sari* stores, *carinderias* and even street vendors.

The retail prices of agricultural products, however increased by less than 1 percent in price based on Department of Agriculture computations. This is due to the elimination of VAT exemptions on petroleum products and their raw materials.

Other goods and services subject to VAT increase are: coal, natural gas and other indigenous fuels; power; electric cooperatives; domestic transport of passengers by air and sea; medical services; legal services; cotton and cotton seeds; non-food agricultural products; works of art, literary works, and musical compositions.

To lessen the impact of VAT on petroleum products, the government reduced the excise taxes and import tariffs on kerosene, diesel, and liquefied petroleum gas to ensure only a minimal resultant increase in the prices of consumer products. The franchise tax on power distribution utilities was also eliminated so that increase in power rates would be less than 10 percent.

The government claims, since VAT is a consumption tax, the burden will be shouldered mostly by higher income groups who usually use petroleum consumption. The richest 30 percent of Filipino families utilize about 65 percent of the total petroleum consumption in the country while the poorest only account for about 8 percent of the total consumption (Accessed on 25 February 2006 at www.vatreform.gov.ph).

To ensure that the RVAT benefits the poor, Bayan Muna Partylist Representative Teddy Casiño filed House Bill 5096 or an act amending Section 288 of the RA 8424 otherwise known as the National Internal Revenue Code of 1997. He proposed that 50 percent of the total revenues from the implementation of the RVAT law would fund government programs for education, health, housing, and environmental protection. In his prescription, education should take on the biggest share at PhP5.775 billion.

In the end, however, the poor gets the short end of the stick. Majority of the country's population will continue to carry the burden of the new tax rate as the final consumers of products subject to VAT. It will further stretch the ordinary family's meager budget with the frequent increase in oil prices, water, and power rates, as well as prices of basic commodities. Aptly, Milo Tanchuling of FDC said, "VAT does not distinguish who is rich or poor, or who has the capacity to buy or pay. Clearly, it is regressive because it takes a larger percentage of the income of the low-income people than the higher-income people."

~ Nemia T. Bautista

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GRP-MILF near peace pact, but not without hitches

“I am confident that the Filipino people, the people of Mindanao, will be satisfied by this agreement which will be a harbinger of national stability,” said Secretary Silvestre Afable, Jr., chair of the Government of the Republic of the Philippines (GRP) Panel after successfully wrapping the consensus points of the unsettled ancestral domain issue with the panel members of the Moro Islamic Liberation Front (MILF) during the 10th Round of GRP-MILF Exploratory Talks on 6-7 February 2006 at Port Dickson, Selangor, Malaysia.

The GRP-MILF panels agreed on the following points specific to ancestral domain: “(i) joint determination of the scope of the Bangsamoro homeland based on the technical maps and data submitted by both sides; (ii) measures to address the legitimate grievances of the Bangsamoro people arising from their unjust dispossession and/or marginalization; (iii) Bangsamoro people’s right to utilize and develop their ancestral domain and ancestral lands; and (iv) economic cooperation arrangements for the benefit of the entire Bangsamoro people.”

Both panels also agreed to immediately forge the framework for the forthcoming formal talks, together with an inventory of crucial issues to be tackled, the general procedures and parameters, and the indicative timeline for the signing of a comprehensive agreement before the end of the year.

Not all rosy

But all is not rosy as the government wants to project because even before the signing of the ancestral domain agreement by late March 2006, queries are already hounding the recent exploratory talks. One is the issue on the governing entity for the MILF. Afable said they are not putting labels yet but it would “look something like an enhanced autonomy or something that would fall squarely into the commitment of President (Gloria Macapagal-Arroyo) to develop a federal system in our country.” The government, he said, is also inclined to use the Indigenous Peoples’ Rights Act of 1997 to settle the ancestral domain issue.

As to the coverage of MILF’s claim, Jesus Dureza, the newly-appointed Secretary of the Office of the Presidential Adviser on the Peace Process (OPAPP) clarified that no specific barangay or details were identified yet because the issue is still open to discussions at the ground level.

Julkipli Wadi, professor of Islamic Studies at the University of the Philippines-Manila, pointed out an important consideration that the panels should clarify in determining the scope of the Bangsamoro homeland — what maps would be used by both panels in defining the areas. Would they refer to the existing geographical composition of Mindanao or historical maps at a certain period of Moro history?

Relatedly, protests from among the ranks of the indigenous peoples (IP) arose because of the perceived unfair treatment by government in not giving them representation in the peace panel. They want to be represented. They have their own unique traditional laws and culture and therefore, their demand for self-governance and ancestral domain, according to them, is separate and different from that of the proposed Bangsamoro state.

For the MILF, these protests are untimely and could complicate the peace process, claiming that the traditional boundaries between the IP and the Moro communities are not overlapping. The MILF added that it is better to finish the GRP-MILF peace process first and then adopt their respective traditional method of defining territories after.

Overlapping claims

There is a possibility that the latest deal with the MILF could supersede the 1996 peace pact between the GRP and the MNLF. The MNLF abandoned its claim for an independent state when the MILF was granted a limited self-rule through the Autonomous Region of Muslim Mindanao (ARMM).

Thus, the MNLF and MILF must agree on the amendments to the 1996 peace pact before a final comprehensive deal with the latter could be reached. According to the government, some proposed concessions in the peace negotiations with the MILF are overlapping with those already granted to the MNLF.

Another issue that the negotiating panels cannot keep away from is the clashes happening between the government and MILF forces in Maguindanao and some parts of Mindanao amid the ceasefire agreement between both panels. The ceasefire committees are now working closely to stop the skirmishes. For the MILF, these are isolated incidents and will not affect the ongoing peace talks.

Doubts over Dureza's leadership

Shortly after Jesus Dureza was appointed head of OPAPP, President Arroyo signed Executive Order (EO) 496, which puts the Office of Muslim Affairs (OMA), ARMM Social Fund for Peace and Development, Mindanao Peace and Development, and Mindanao Economic Development Council (MEDCo) under the oversight of the OPAPP. Dureza is a former Chairperson of MEDCO.

EO 496 was opposed by Muslim leaders and the ARMM leadership claiming it as a diminution of the respect, sincerity, and seriousness of the government in addressing the concerns of the Bangsamoro people. They said that the OMA must not be placed under the stewardship of a non-Muslim. The ARMM leadership, likewise, immediately requested the President to put back the supervision of ARMM Social Fund under the autonomous region. The pressure resulted to amendments to this end on the EO 496.

Some MILF members expressed doubts over Dureza's leadership recalling that during Dureza's tenure as government panel's chief negotiator in the previous round of talks, the Arroyo government launched a major assault in the Buliok Complex on February 2003. The assault was made during the celebration of Eid'l Adha, a major international holiday for Muslims marking the culmination of the pilgrimage to Mecca.

Dureza was accordingly also the one who announced the reward money for the arrest of MILF leaders including the late MILF Chairperson Salamat Hashim. Salamat has been accused of masterminding the bombings of the old Davao International Airport and Sasa wharf in Davao City in March and April 2003, respectively.

Furthermore, Dureza allegedly offended the MILF when he reportedly unilaterally changed or annotated some provisions or articles of the minutes of the 28 March 2003 exploratory talks in Kuala Lumpur,

notwithstanding it had already contained the signatures of the Malaysian Secretariat and MILF representatives.

Civil society's parallel work on the peace process

In view of the ongoing peace process, the Mindanao Commission on Women (MCW) facilitated the conduct of the Mindanao Women's Peace Summit on February 16-17 where they formulated a position paper to influence the GRP and MILF peace panels. The position paper contains the following points: (i) demilitarization of Mindanao, (ii) recognition of the Bangsamoro people's right to self-determination, and (iii) a referendum on their political status supervised by either the United Nations or the Organization of Islamic Conference.

The commission believes that if women negotiated the peace agreement, it would be fair, enduring, wise and would aim to finally resolve the conflict in Mindanao.

In a rather novel approach, a grand basketball 'friendship' match between the MILF and the Armed Forces of the Philippines (AFP) was proposed by the Pakigdaat Incorporated, an NGO based in Lanao del Norte and Iligan City, with the participation of the Consortium of Bangsamoro Civil Society Organizations, the OPAPP and the Office of the President of the Mindanao State University. The match was to be called "AFP Marines-MILF Fighters: A Basketball Game for Peace and Unity."

While the MILF Panel appreciated the effort of the proponent, this was politely turned down. The concept was reportedly found to have 'built-in' motives that might undermine the spirit of the peace negotiations. The MILF said a sporting event might be possible when the political solution to the Mindanao conflict has been finally formulated in the negotiations.

Enhancing public understanding and interest

To broaden public understanding and support for the GRP-MILF peace process, both panels agreed to conduct joint advocacy drives. A joint committee was formed to draw up the guidelines, plan the advocacy campaign, and seek the participation of non-government organizations, people's organizations and civil society groups in the advocacy activities.

At this point, however, the OPAPP has already slated advocacy fora in various cities in Mindanao. The MILF expressed surprise on the swiftness of the OPAPP in leg-working without first setting the ground rules, stressing that this might create confusion instead of understanding. Both panels have yet to submit plans on how to constitute and empower the said committee, which would undertake this advocacy campaign.

Ultimately, victory lies in the effective mechanisms and serious implementation of reforms. As Abhoud Syed Lingga of the Institute of Bangsamoro Studies aptly said "What we need to see is the institutional mechanism to ensure that the benefits will go down to the Bangsamoro (Philippine Muslim) masses."

~ Venus Budoy-Betita

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Flying high with the promises of HRCP

The government is extending its hybrid rice program until 2007 with a budget of P4.1 billion despite criticism that the program should be abolished and replaced with a more realistic and beneficial program for the farmers.

Agriculture Secretary Domingo Panganiban, in a recent farmers' forum in Makati City, expressed confidence that the country would achieve self-sufficiency in rice production and can do away with costly importation by 2009. He also added that if the Hybrid Rice Commercialization Program (HRCP) is properly carried out and gets the support needed, the 99.9 percent self-sufficiency target by 2009 will be achieved, with surplus production in the offing.

The Philippine Rice Research Institute (PhilRice) claimed that hybrid rice technology is a key strategy for increasing rice production and achieving food security and rice self-sufficiency. The high-yielding hybrid rice varieties is said to yield as much as six metric tons per hectare compared to traditional rice varieties that average just 3.5 metric tons per hectare.

Hybrid rice was introduced commercially in China in 1976. In the Philippines, HRCP was first envisioned in 1998 and launched in 2002 with the following objectives: (i) attain rice self-sufficiency and food security, (ii) increase job opportunities, and (iii) reduce poverty in rural areas. It was touted as the flagship program of the One Million Jobs under the Department of Agriculture (DA). A total of PhP2.7 billion was allocated for the HRCP from 2001 to 2005. Program implementers are PhilRice through the help of the DA, Provincial Agriculturist Office (PAO), Municipal Agriculture's Office (MAO), and Agricultural Technicians.

Is hybrid rice pro-farmers?

An enticing "package" of subsidy, financing, and various technical assistance such as fertilizer and post-harvest facilities has been put in place to attract farmers to avail the technology, which is a necessary incentive given the hybrid variety has high farm input requirement. In fact, the biggest chunk of farmer expenses go to farm inputs necessary to get a harvest of at least 6 metric tons – a cost that would have to be shouldered by the farmers once the government scraps the subsidy scheme.

Everything is not as ideal as the State depicts the HRCP to be. A study made by the team of Dr. Cristina David from Philippine Institute for Development Studies shows that there is a high drop out rate of hybrid users after using hybrid seeds for one season. It ranges from 68 to 78 percent per province. The findings are supported by a Southeast Asia Regional Initiatives for Community Empowerment (SEARICE) study in 2005 showing that 80 percent of the supposed beneficiaries rejected the technology after using it for one season (four months). HRCP reportedly is not suitable to rice farmers' needs. In addition, the production cost is much higher compared to inbred.

AFRIM conducted a study on the plight of ARBs in Region IX and CARAGA 18 years after the implementation of CARP. ARBs in both regions, who are hybrid rice and corn farmers said they are pressured to buy certified seeds and requisite chemical inputs. They said, hybrid seeds are only good for one cropping season unlike the indigenous varieties, which could be set aside after harvest for sowing in the next cropping. The cost of farm input also increased with the high chemical requirement of the hybrid variety.

Further, the Rice Watch and Action Network (R1) reported that hybrid rice production in Davao del Sur had a much lower yield advantage of around 11 percent over inbred rice but showed the same or much poorer performance than inbreds in Isabela and Iloilo provinces. Davao del Sur is one of the provinces producing hybrid rice in the country.

Shades of corruption?

A State allocation of PhP2.7 billion for the HRCP from 2001 to 2005 was expected to help the farmers. Farmer welfare, however, seems to be the last priority.

The R1 revealed that initial findings of a study on HRCP projects in Isabela, Nueva Ecija, Iloilo, and Davao del Sur show considerable discrepancy in the records of the DA national office and that of the PAO as to the hectares planted with hybrid rice and the beneficiaries of the program.

Some reports from Masipag revealed that one of the seed companies, identified as SL Agritech, a supplier of hybrid seeds, reportedly has links with a government bank. Allegations that it is favored over other distributors stem from its PhP40-million capital allegedly from the said government-owned bank. Being the main supplier, the market of its hybrid seeds is assured.

The report was substantiated in a recent senate hearing. PhilRice Executive Director Leocadio Sebastian said 53 percent of the Department of Agrarian Reform's transferred funds had been paid to a single hybrid rice

seeds supplier, SL Agritech, owned by a certain Henry Lim Bon Liong.

In the said hearing, Agriculture officials admitted that most of the PhP544 million from the Marcos ill-gotten wealth released in 2004 for the government's hybrid rice program did not reach agrarian reform beneficiaries. HRCP was supposedly aimed at benefiting CARP beneficiaries but only 20 percent of the Agrarian Reform Beneficiaries (ARBs) were able to avail the program.

There is no accurate monitoring and accounting of the supposed HCRP results, yet the government continues to infuse billions of pesos to the program, SEARICE reports.

~ Anna Marie V. Quines

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Minding the issues of mining in Mindanao

"The right to life of people is inseparable from their life to sources of food and livelihood. Allowing the interests of big mining corporations to prevail over people's right to these sources amounts to violating their right to life."

- excerpt from the CBCP's 2006 Statement on Mining Issues and Concerns

Together with its annual pastoral letter, the Catholic Bishops' Conference of the Philippines (CBCP) issued a separate statement reiterating its 1998 statement against Republic Act 7942 or the Philippine Mining Act of 1995. Sectors from the mining industry feared the statement might prevent further entry of foreign investment. Civil society groups, on the other hand, lauded the Bishops call to repeal the Mining Act of 1995.

The CBCP's statement not only reaffirmed anti-mining advocates' commitment to pursue the campaign, it also encouraged them to further strengthen their initiatives and advocacies to stop destructive mining operations in Mindanao. Various church and civil society-led campaigns such as mass actions, awareness raising, network building, and consultations have been conducted since the reversal of the Supreme Court Decision on the constitutionality of the Mining Act of 1995 in 2004.

Massive financial and political support is being poured in by both government and business sectors to the mining industry and hinder possible resistance from the affected communities. For its part, civil society groups are left with no other option but to maximize every resource they have to educate the public of the actual impacts of mining to facilitate informed decision among affected communities.

Several civil society groups put forth the idea of a unified and more consolidated Mindanao network of anti mining advocates to strengthen the campaign against mining and other destructive environmental policies.

Relatedly, a Mindanao-wide Anti-Mining Conference was held 7-8 February in Davao City where civil society groups reaffirmed their commitment as stewards of the environment and to the continued struggle to stop socially and environmentally destructive mining policies.

The conference is part of the campaign and advocacy efforts initiated by the Alternate Forum for Research in Mindanao, (AFRIM) Inc. under its Natural Resource Management Program.

In the conference, 25 organizations composed of church-based groups, non-government organizations (NGOs), Local Government Units (LGUs), and Peoples' Organizations (POs) from all regions of Mindanao shared updates and initiatives in the campaign and advocacy on mining issues.

The conference tackled the need to come up with a genuine alternative people's mining policy. Three workshops were conducted to collectively achieve the objectives.

Recent updates of activities and campaigns in each sub-region were presented in the first workshop. In the second workshop, participants laid down various factors that limit anti-mining campaign and advocacy, strategies to strengthen the campaign, and methods to facilitate sharing of resources among anti-mining advocates. Workshop three basically tackled post conference activities and campaign plans.

Post conference plans and activities by the Mindanao network include the formalization of the Anti-Mining Coordinating Council, network and partnership building, and the conduct of research (data gathering, monitoring and evaluation), among others.

A statement was signed by the 25 participants and representatives from the different sub-regions in Mindanao supporting the CBCP's call to repeal the Mining Act of 1995 in the context of the negative impact of mining operations in the island. Participants joined other civil society groups in a nationwide call for a 100-year moratorium and cancellation of all mining operations.

The statement cites specific cases of reported displacement and human rights violations in Mt. Canatuan, Siocon, Zamboanga del Norte where Toronto Ventures, Inc. (TVI), a Canadian Mining Company, currently operates. Displacement of indigenous peoples, health impact, and environmental destruction were also cited as among the ill-effects of mining operations.

Meanwhile, the B'laans in Columbio lauded the CBCP statement saying "We believe that the Bishops' statement, like the words of D'wata, is a sacred call to the government to stop the plunder of our resources, and the exploitation of the marginalized most especially on the Lumad. The Bishops' message echoes that of our statement that we had upheld for decades."

~ Ajim L. Inni, Jr., Advocacy, NRM Program

Source:

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