



23 April 2009

**Global Financial Crisis and Economic Slowdown:
Impact on the Philippines and Policy Options**

*Panel Discussion Note
from the Department of Agriculture*

1. The Philippine agriculture and fisheries sector, while accounting for only roughly 18% of GDP, is still an important pillar of the economy. As Dr. Dy rightly pointed out in his paper, it accounts for some 37% of the labor force and the whole agri-food chain accounts for close to half of the GDP. These figures, taken together, however, would imply that incomes are low and indicate that, yes, in the Philippines, poverty is essentially a rural phenomenon.
2. During difficult times like these, it is core to the economy. Having carried the economy while a victim of historical underinvestment and shoestring domestic support, the sector has shown some resilience. But it could be better and the rural population need not suffer much of the burden of contraction.
3. That we are less vulnerable because of our lower exposure to the international markets, as our export sector is small, should not be a source of jubilation as a sign of resiliency, although in the current situation it may appear as a lucky blessing and reprieve as our competitors reel from the slowdown. The historical underinvestment in the agriculture and fisheries not only in the export sector but in agriculture and fisheries as a whole, should provide us valuable insights in crafting our approach in preparing for the awaited rebound of the world economy. Given generally the favorable biophysicals enumerated by Dr. Dy that spell natural competitiveness in tropical products and their processed derivatives, exports offer a powerful developmental impact on the sector and the general economy.
4. The 67% budget growth this year, up from around PhP 25 billion last year and a recent historical growth from 1998-2008 of 3.8%, is a good start, and (1) it needs to be sustained up to the next medium term; and, (2) the domestic support structure needs to be focused on the basics of completing the modernization program.
5. The basics of the domestic support structure should comprise the following, most of which are now already being initiated in a much more comprehensive manner by the Department of Agriculture through the President's FIELDS program:
 - i. A final delineation and preservation of the land resources for agriculture and the deliberate, long-term completion of the durable infrastructure requirements of the production and marketing systems such as irrigation, rural roads, postharvest, the port system;

- ii. A prioritization of domestic support for and promotion of diversification towards commodity lines where we are or can be very competitive particularly in high value and tree crops, with tenured 'non-green' subsidies if necessary (we have a 10% *de minimis* support allowance); ↑ judiciously applied
 - iii. In view of our recent experience last year, which appear to be cyclical, more focused investments and support for strategic food production systems, targeting reasonable levels of self-sufficiency at least at import substitution competitive levels;
 - iv. Public investments on support agriculture and fisheries R & D to approach the 1% of GVA levels, in multi-year budgets and disbursed through competitive grants; and a particular focus on the development of new platforms of technology that will enable our production systems to surmount the both climate change and the new realities of the international markets;
 - v. Mainstreaming modern information and communications technologies in agriculture and fisheries extension;
 - vi. Incorporation of Good Agricultural Practices and related protocols in all extension programs not only because the markets and their standards, foreign and domestic, increasingly require quality, safety and traceability but it is the right thing to do to sustain the environment and the production systems;
 - vii. Consolidation of the regulatory system to effectively perform border protection and trade facilitation functions particularly export facilitation and standards enforcement.
6. We also are the only country in this region that has established a participatory, objective and science-based regulatory system that can handle products and processes of modern biotechnology up to commercialization. We should exploit this to our advantage in generating the technologies, and the accompanying investments, that would radically improve productivity for food security, enhance environmental resilience and in penetrating new and emerging high value markets for bioenergy, particularly the next generation, natural ingredients and even the protein and calcium pillars we have lost to trade liberalization.
 7. In brief, we must quickly graduate from the food insecurity problem so that we can feasibly address in earnest and much more deliberately competitiveness issues in the other areas of the rural economy. The expeditious completion of the infrastructure requirements, particularly irrigation and rural roads, will enable the shifting of more resources to non-rice systems and stimulate rural employment and livelihood as well.
 8. (thanks and acknowledgements)