

# **Proposed Agriculture Policy for DA Rationalization and Continuing Decentralization and Devolution**

## **The League of Provinces of the Philippines**



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## ***Outline...***

- **Study Inputs – State of Agriculture (Ateneo-EPRA-USAID & PIDS), Rapid Appraisal (Surveys and Interviews), Conduct of Workshop, Related Documents, etc.**
- **Principles of Rationalization and Continuing Devolution and Decentralization**
- **Proposed Partnership Framework**
  - DA – LGU**
  - Inter-LGU**

# LPP Agriculture Policy Paper

- Economic Policy Reform Advocacy (EPRA) of the Ateneo de Manila University and the USAID, EPRA Multi-Sectoral Team (MST).
- AusAID
- DA-CMT and ATI
- LCP, LMP and LnB
- DILG – E.O. 444 Devolution Committee

Background . . . .

**Executive Order No. 366, signed last October 4, 2004** “DIRECTING A STRATEGIC REVIEW OF THE OPERATIONS AND ORGANIZATIONS OF THE EXECUTIVE BRANCH AND PROVIDING OPTIONS AND INCENTIVES FOR GOVERNMENT EMPLOYEES WHO MAY BE AFFECTED BY THE TRADITIONALIZATION OF THE FUNCTIONS AND AGENCIES OF THE EXECUTIVE BRANCH.”

**Executive Order No. 444, issued last July 5, 2005** “DIRECTING THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT TO CONDUCT A STRATEGIC REVIEW ON THE CONTINUING DECENTRALIZATION AND DEVOLUTION OF SERVICES AND FUNCTIONS OF NATIONAL GOVERNMENT TO LOCAL GOVERNMENT UNITS IN SUPPORT OF THE RATIONALIZATION PROGRAM OF THE FUNCTIONS AND AGENCIES OF THE EXECUTIVE BRANCH.”

# Philippine Agriculture

## Through the Years

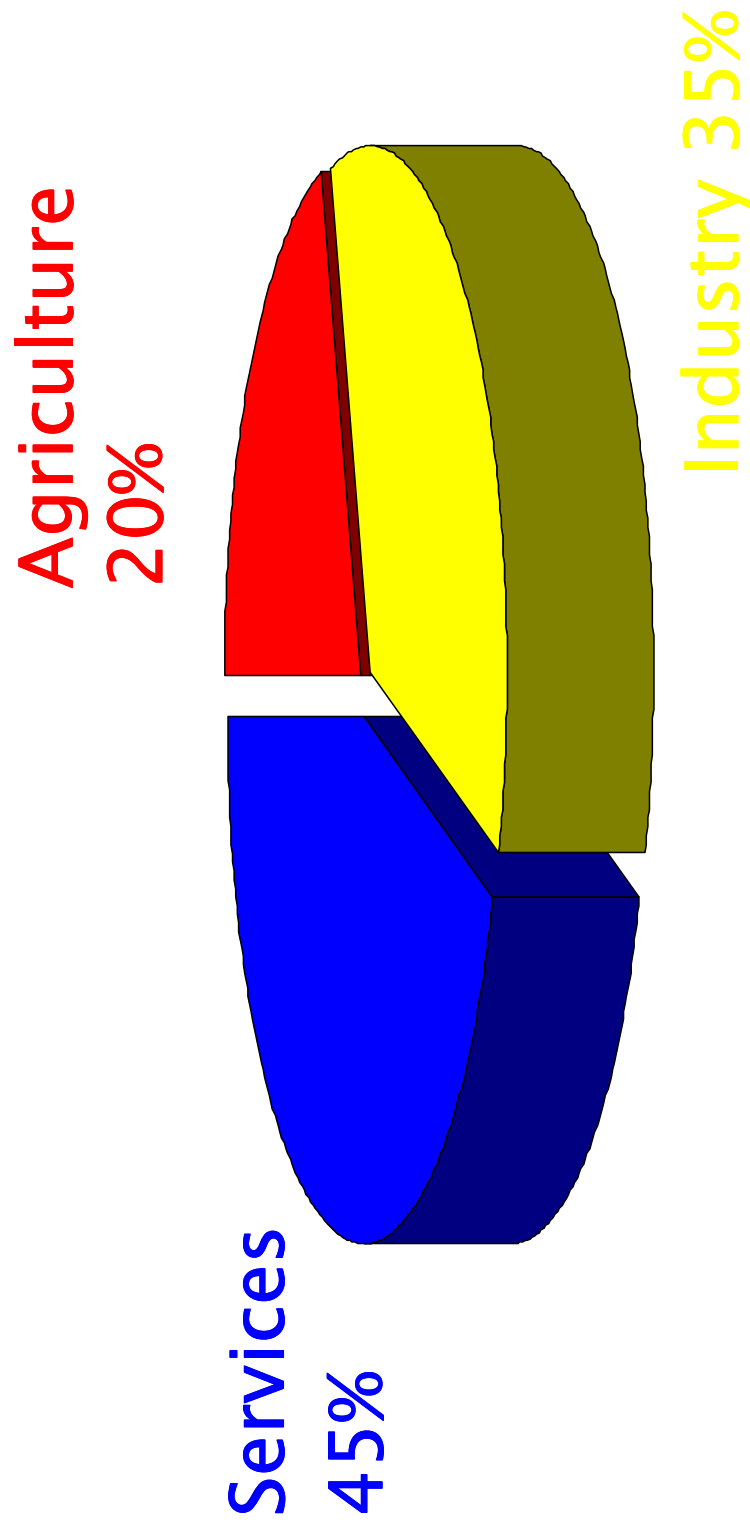
### Performance, Policies and Pitfalls



# Overview

- **Agriculture in the Philippine economy**
- **Performance and productivity trends**
- **Agricultural policy environment**
- **Roadblocks to Philippine agribusiness development**
- **Summary and Conclusion**

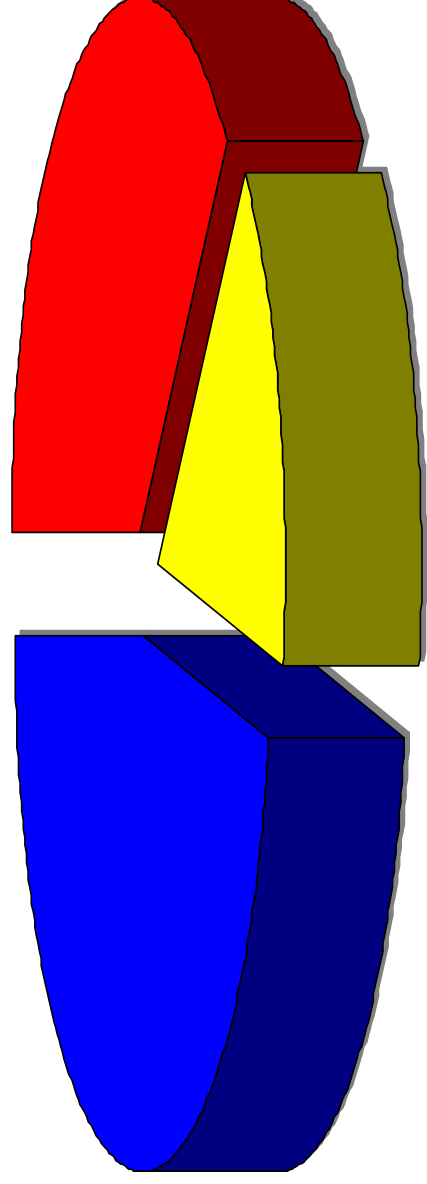
# Agriculture accounts for one-fifth of economy's output (GDP)...



**...almost two-fifths of  
employment...**

Services 47%

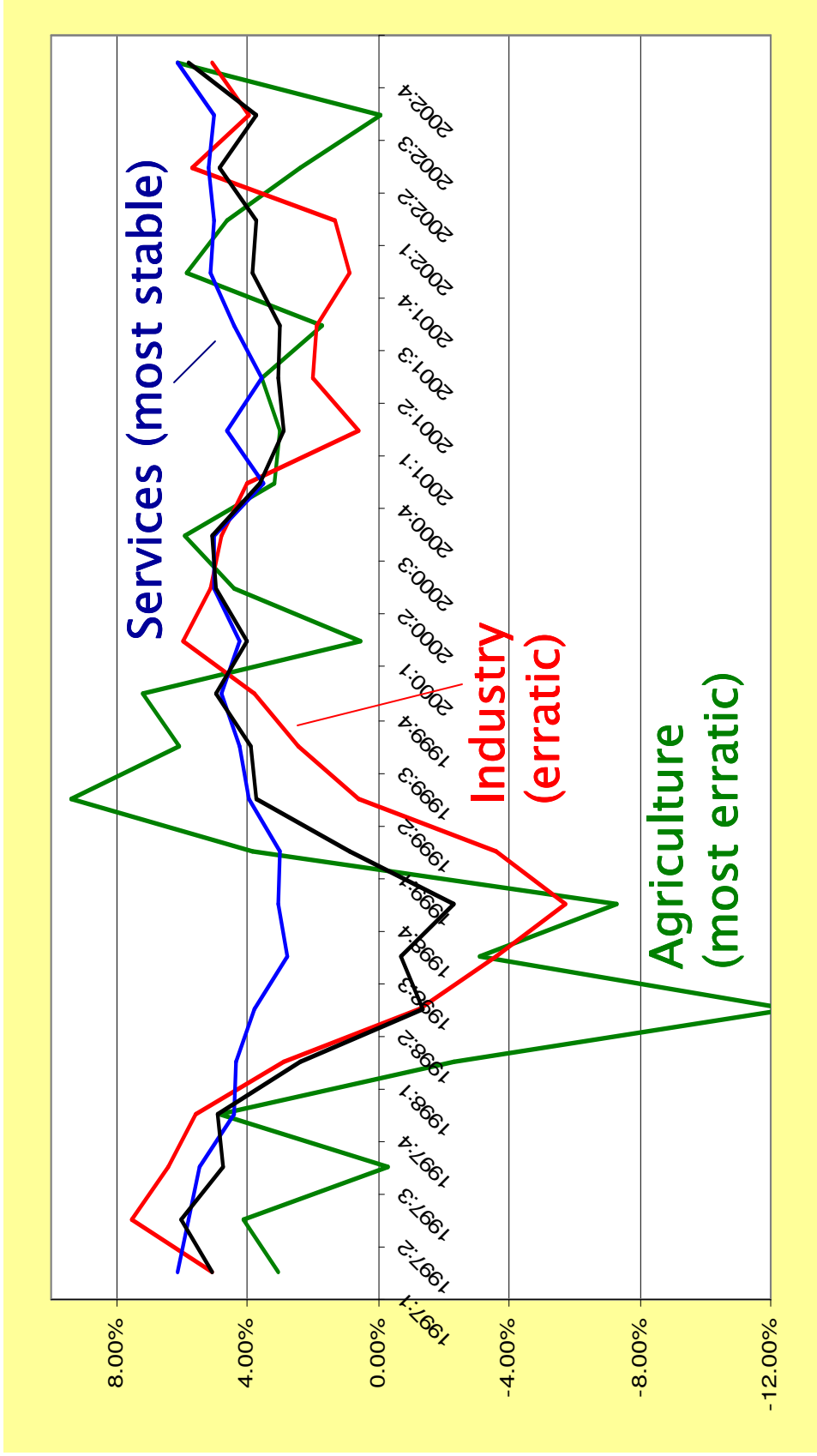
Agriculture 37%



Industry 16%

→ *But under broad definition that includes  
agro-processing and agricultural inputs,  
accounts for 2/3 of jobs and 40% of GDP*

...and is the most erratic growth performer among the sectors.



# Agriculture sector is critical to overall economic development

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## Strong growth linkage effects:

- Provides food and raw materials for rest of economy
- Buyer of agricultural inputs and consumer goods & services from non-agricultural sectors
- Releases surplus labor to services & industry sectors

# Recent Production Performance:

Slowing down...

Indicator	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GNP Growth (%)	6.3	7.4	5.7	5.5	4.8	5.0	6.5
Net Factor Inc fr Abr	7.0	18.7	-0.9	8.7	7.6	2.3	38.7
<b>GDP Growth (%)</b>	<b>6.3</b>	<b>6.5</b>	<b>6.2</b>	<b>5.3</b>	<b>4.6</b>	<b>5.2</b>	<b>4.1</b>
Agri, Fish & Forestry	8.0	4.2	7.3	1.2	-0.1	1.9	1.8
Industry	4.7	5.3	3.6	7.2	4.2	5.6	3.9
Services	6.6	8.1	7.8	5.9	7.1	6.1	5.1

# Production Performance: ...and falling short of targets

Indicator	2004		2005	
	FY	Target	Q1-Q3	Target
GNP Growth (%)	6.1	5.0-5.7	5.4	5.5-6.4
Net Factor Inc fr Abr	4.9	---	16.2	---
GDP Growth (%)	6.1	4.9-5.8	4.6	5.3-6.3
Agri, Fish & Forestry	4.9	4.0-5.0	1.2	4.2-4.4
Industry	5.3	4.4-5.2	4.6	5.0-6.0
Services	7.3	5.7-6.6	6.1	6.6-7.0



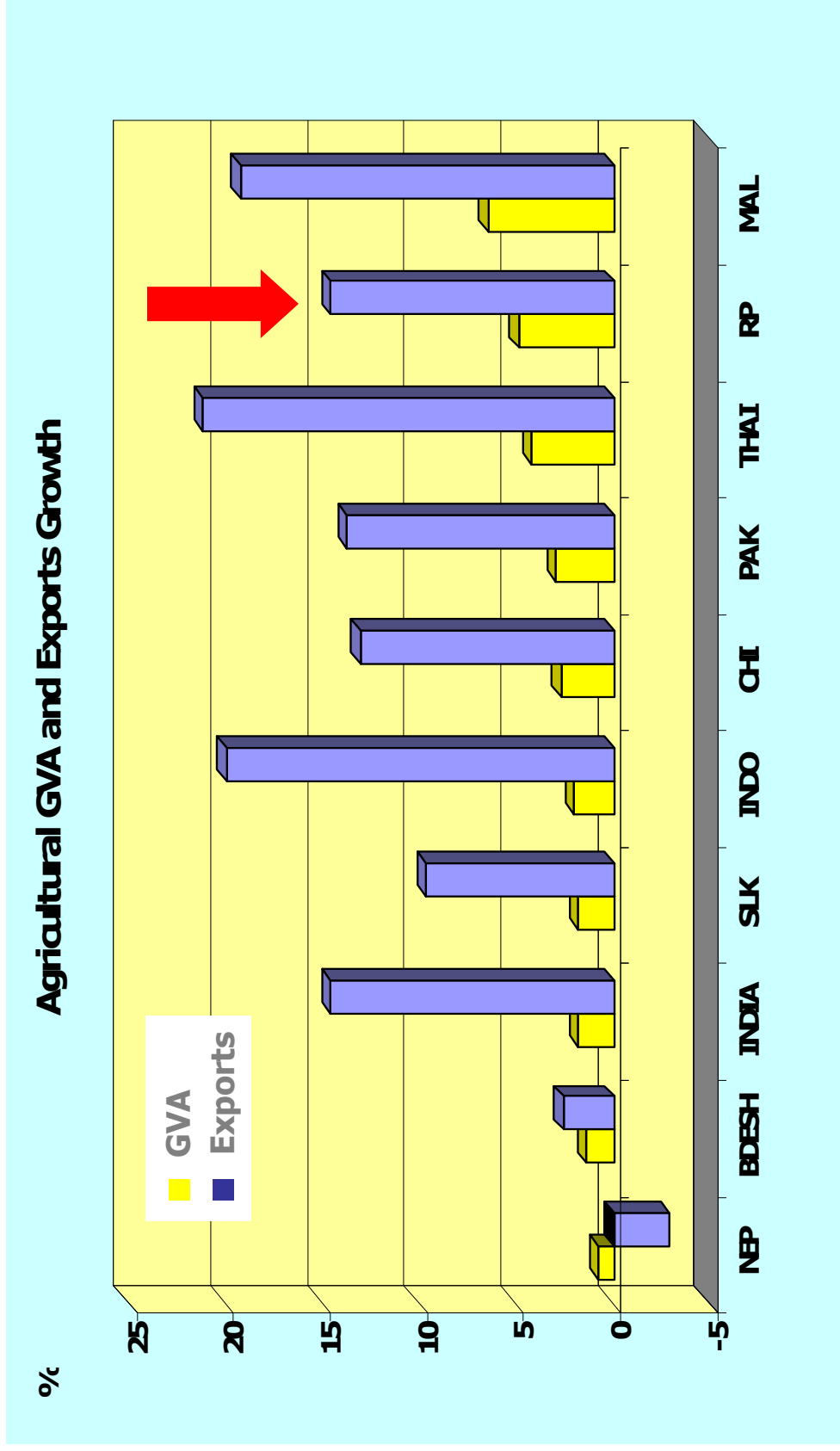
# Agriculture, Fishery & Forestry:

Faltering growth

Sector	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
AGRI, FISH & FOR	8.0	4.2	7.3	1.2	-0.1	1.9	1.8
Agri & Fishery	7.7	3.9	7.3	1.3	0.0	2.0	2.1
Forestry	96.5	62.3	7.4	-47.9	-31.8	-18.7	-34.4

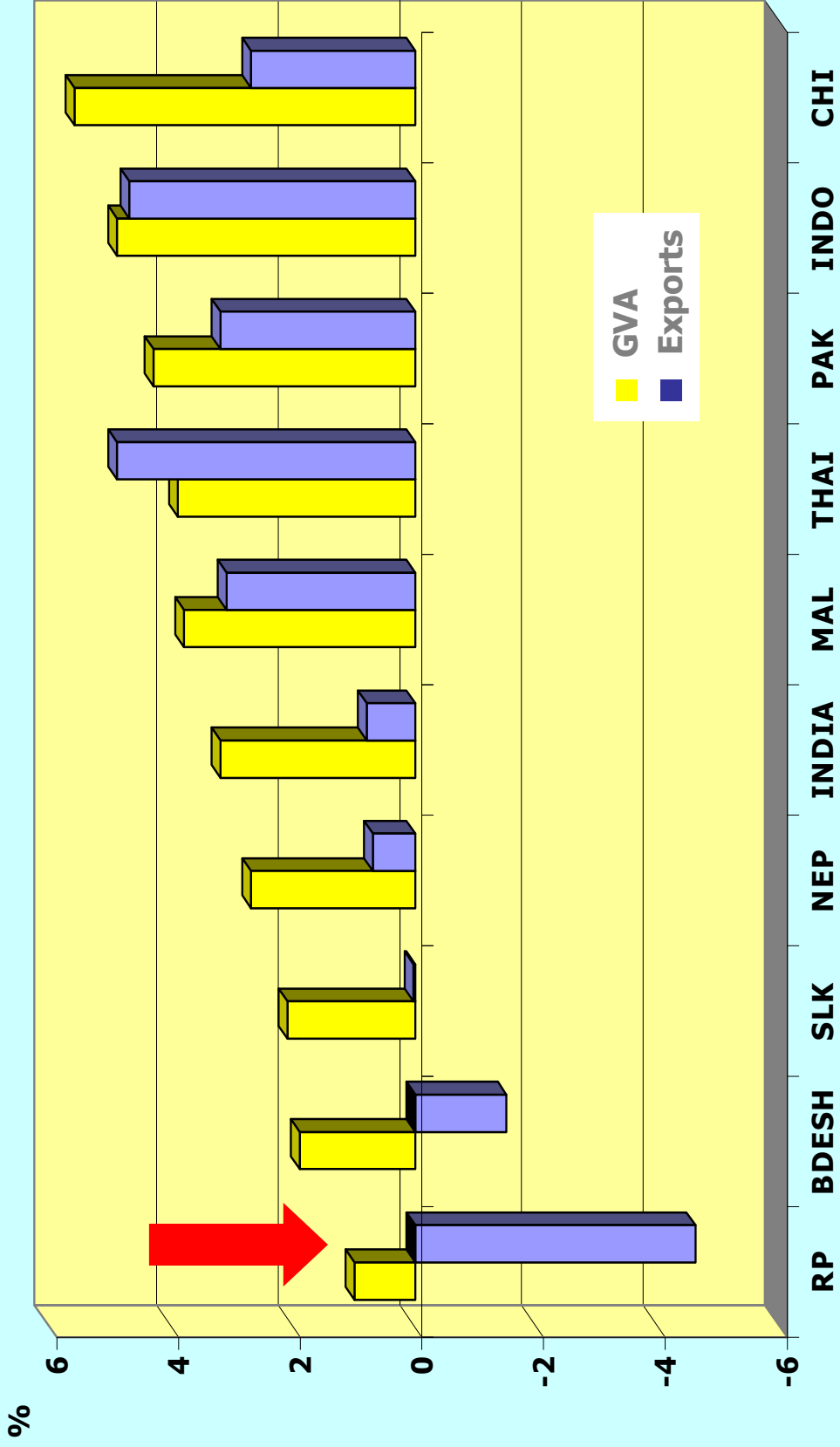
# Philippine agricultural performance compared well with neighbors in 1970s...

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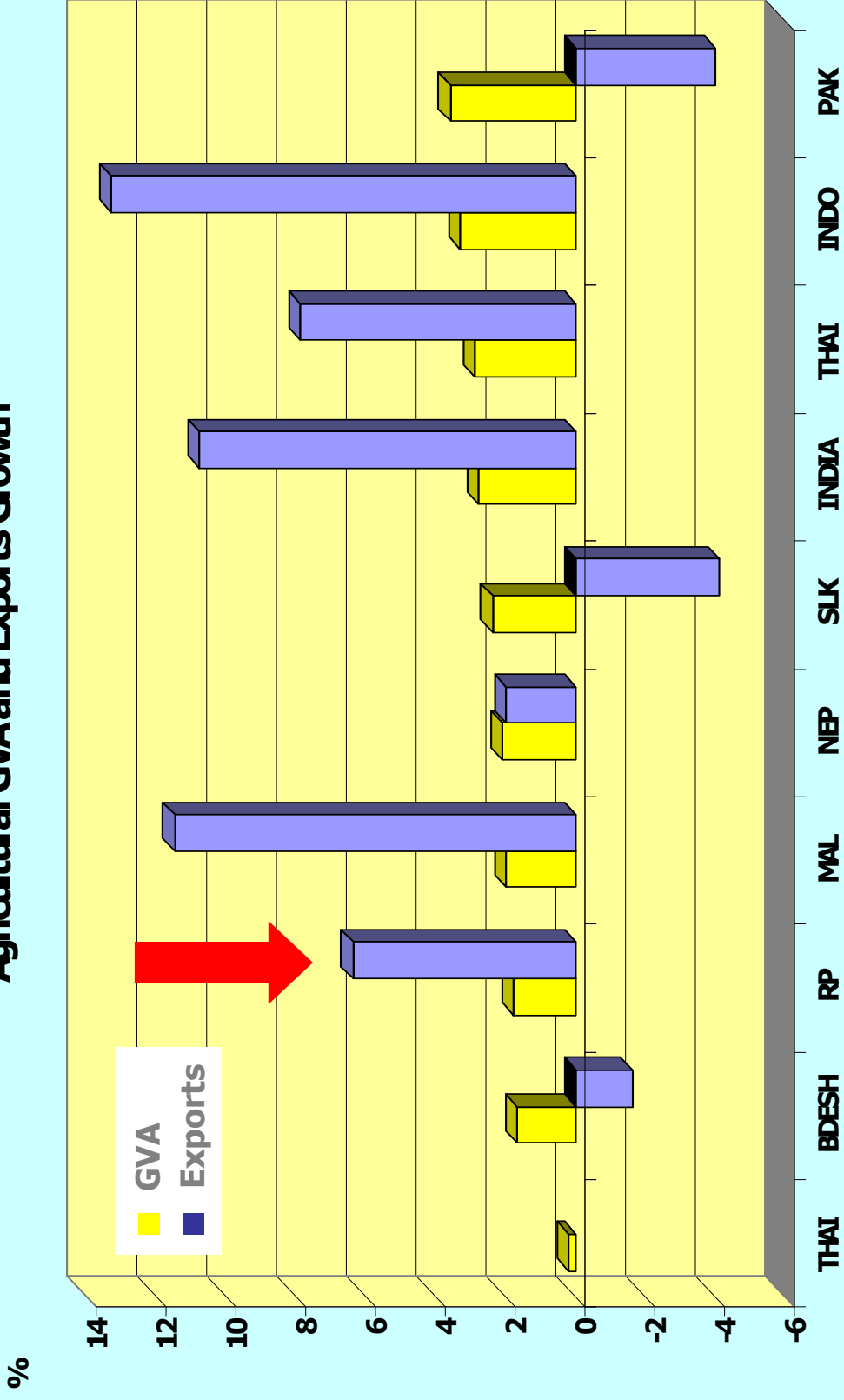
... but fell behind in the 1980s...

Agricultural GVA and Exports Growth

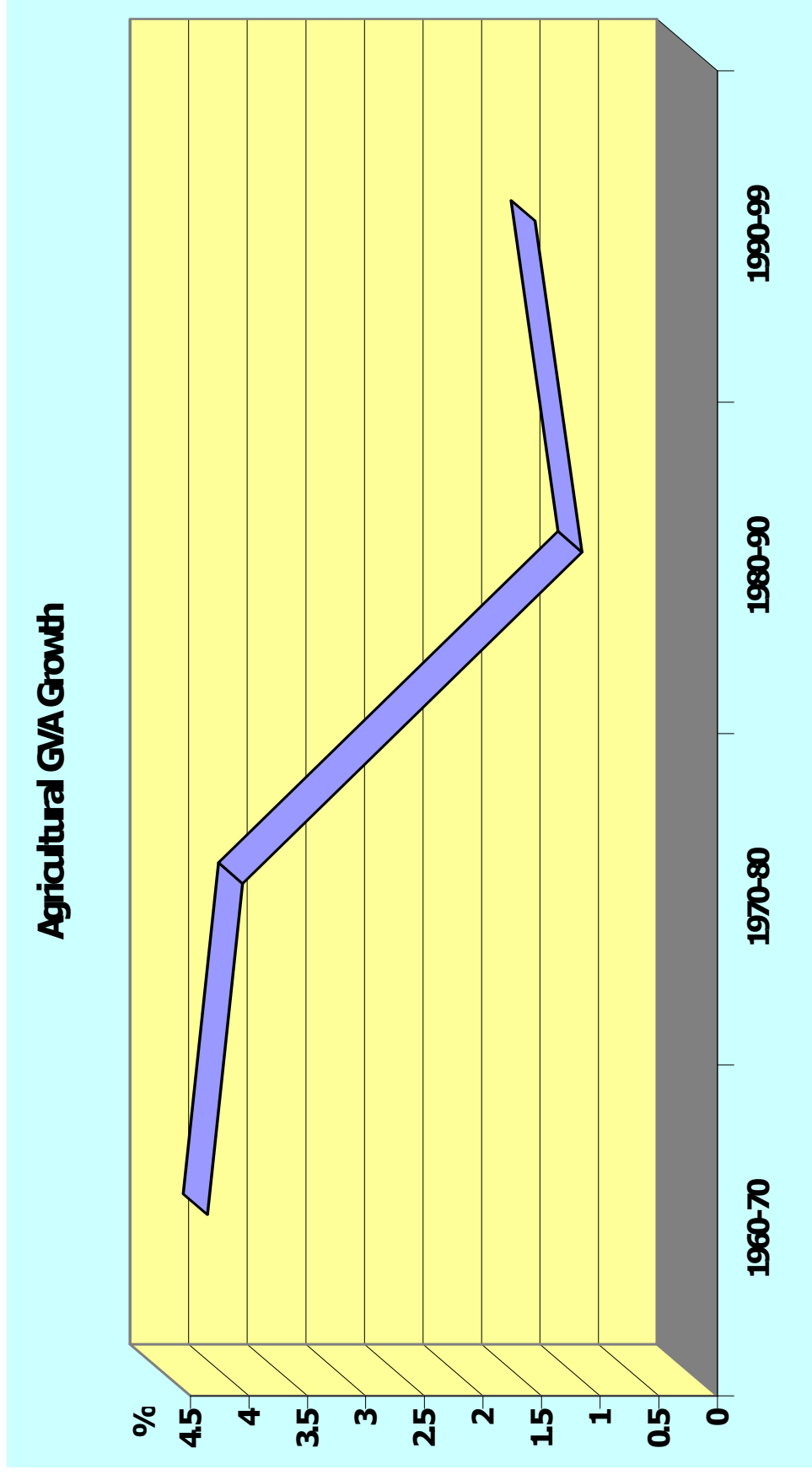


...and on through the 1990s.

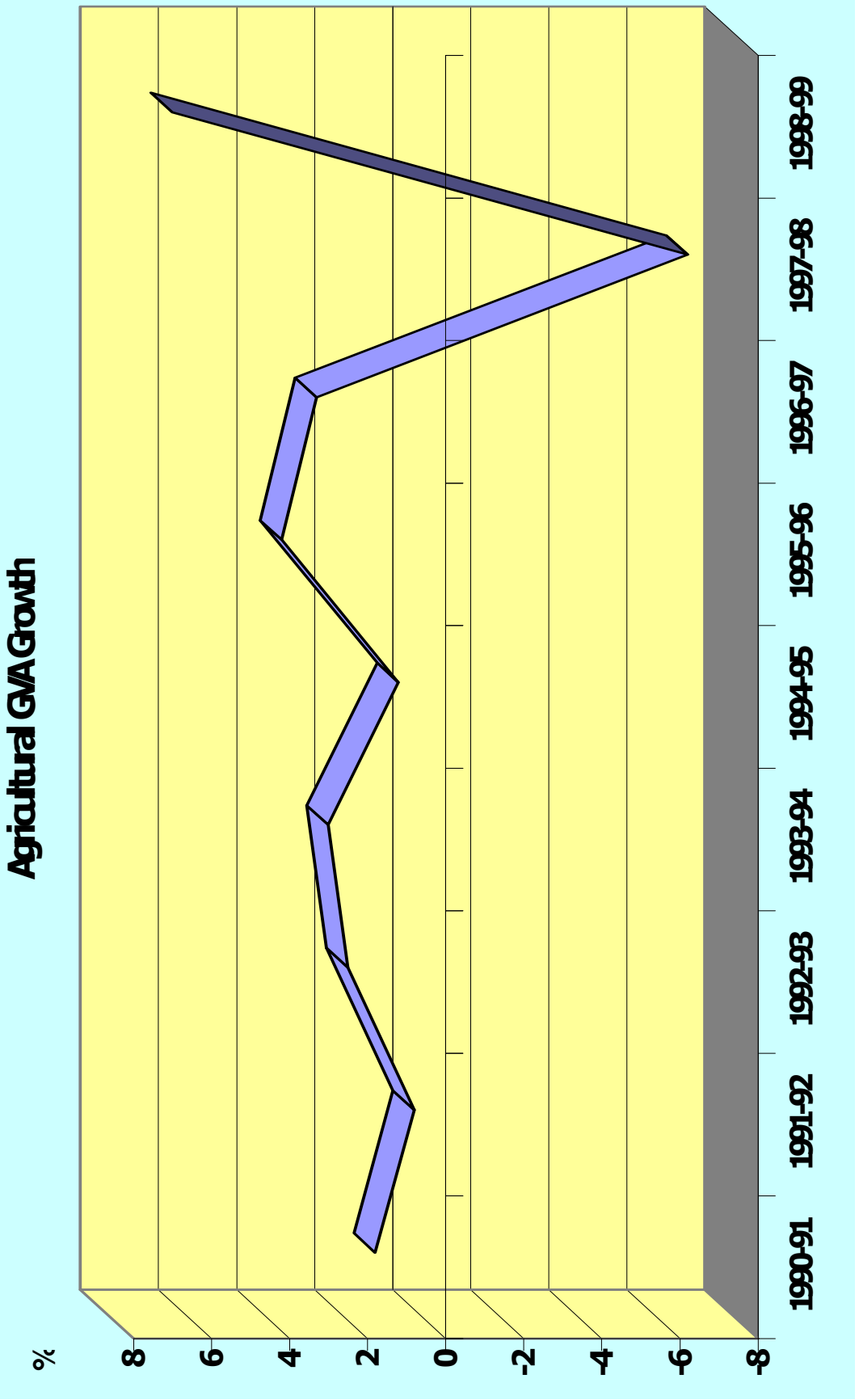
Agricultural GVA and Exports Growth



# Agri output (GVA) growth slowed down through the decades...

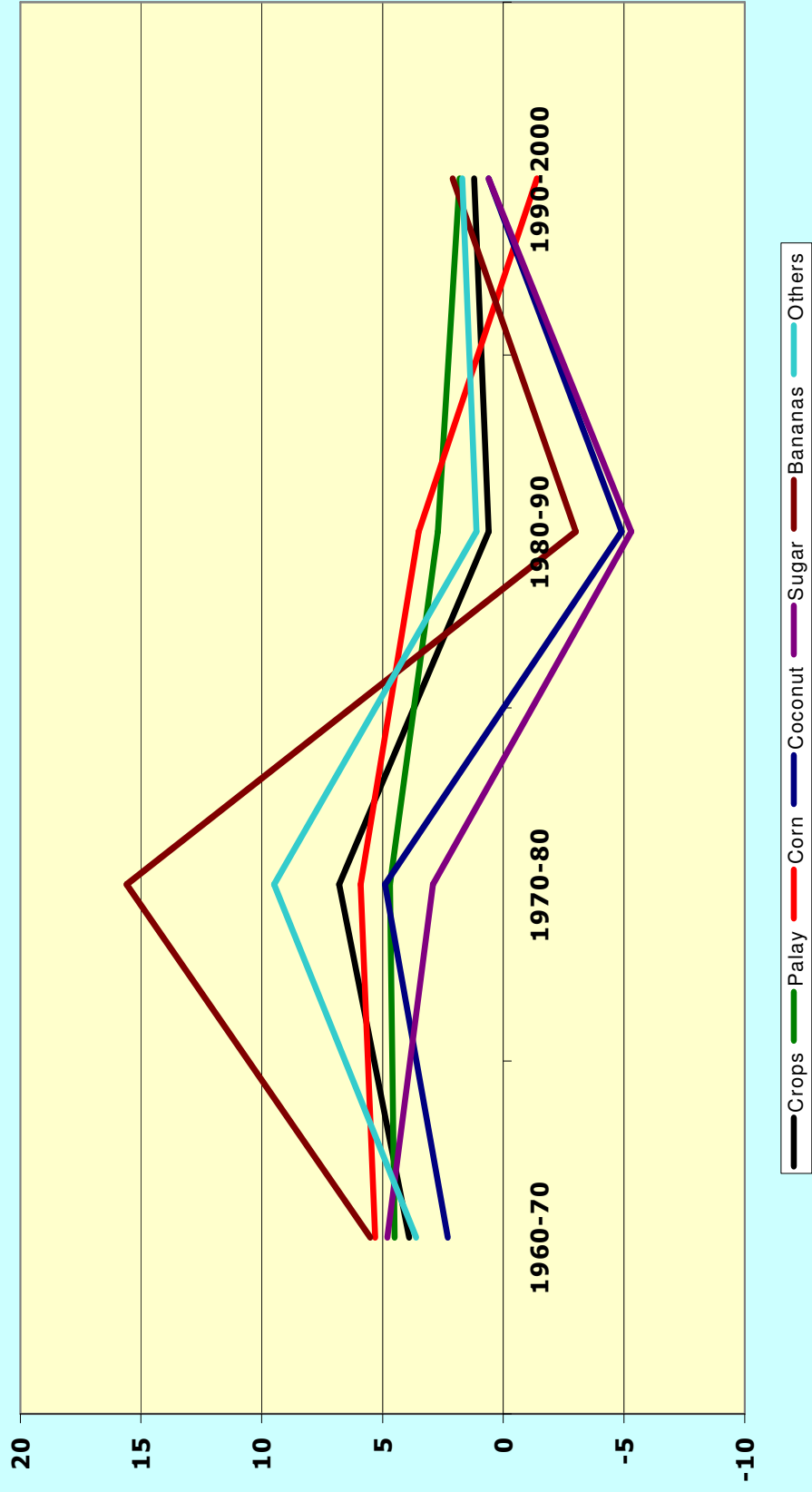


...and was erratic through the 1990s.



# Growth of major crops has been slowing down...

Agricultural GVA Growth Rates by Commodity

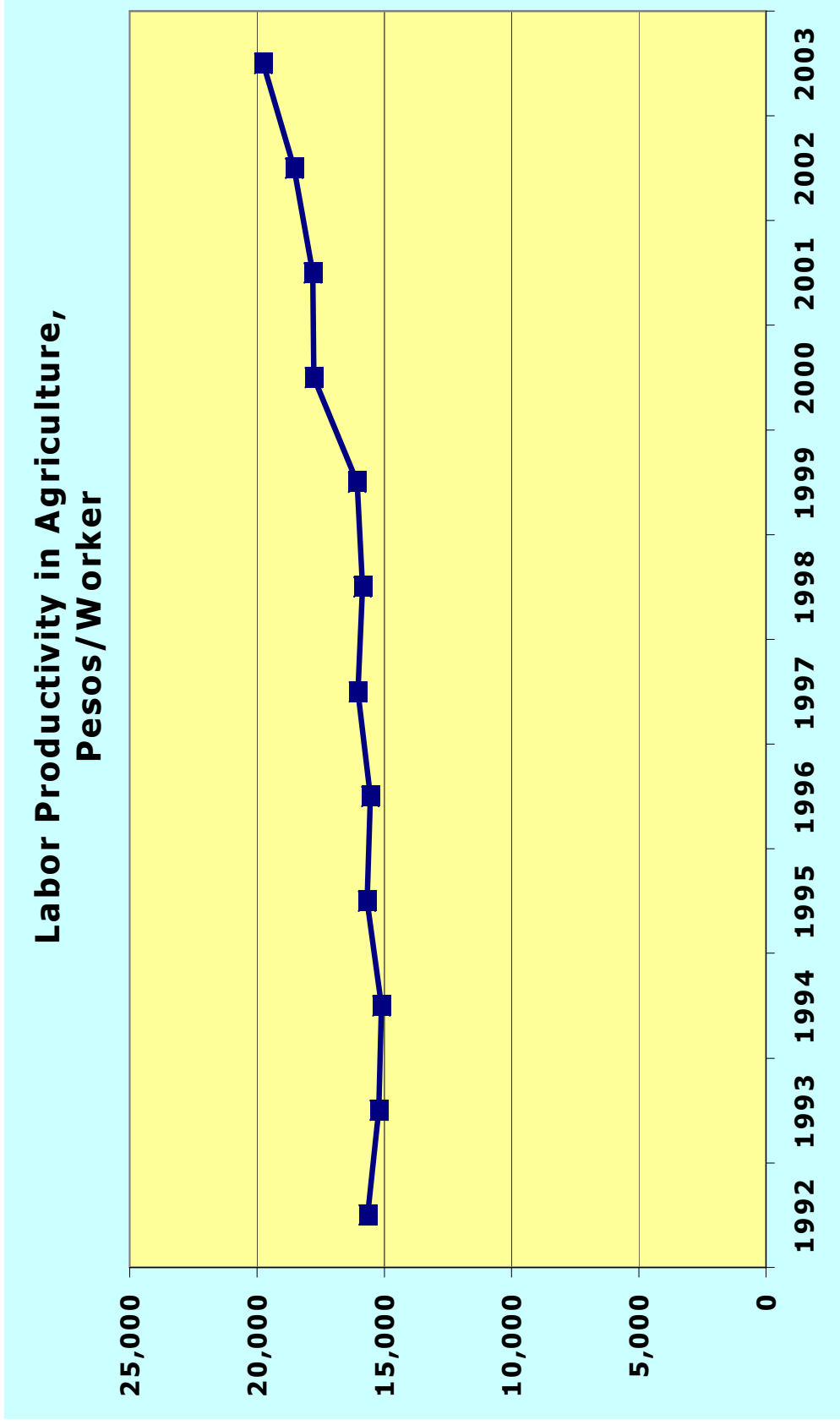


# ...except for Livestock and Poultry

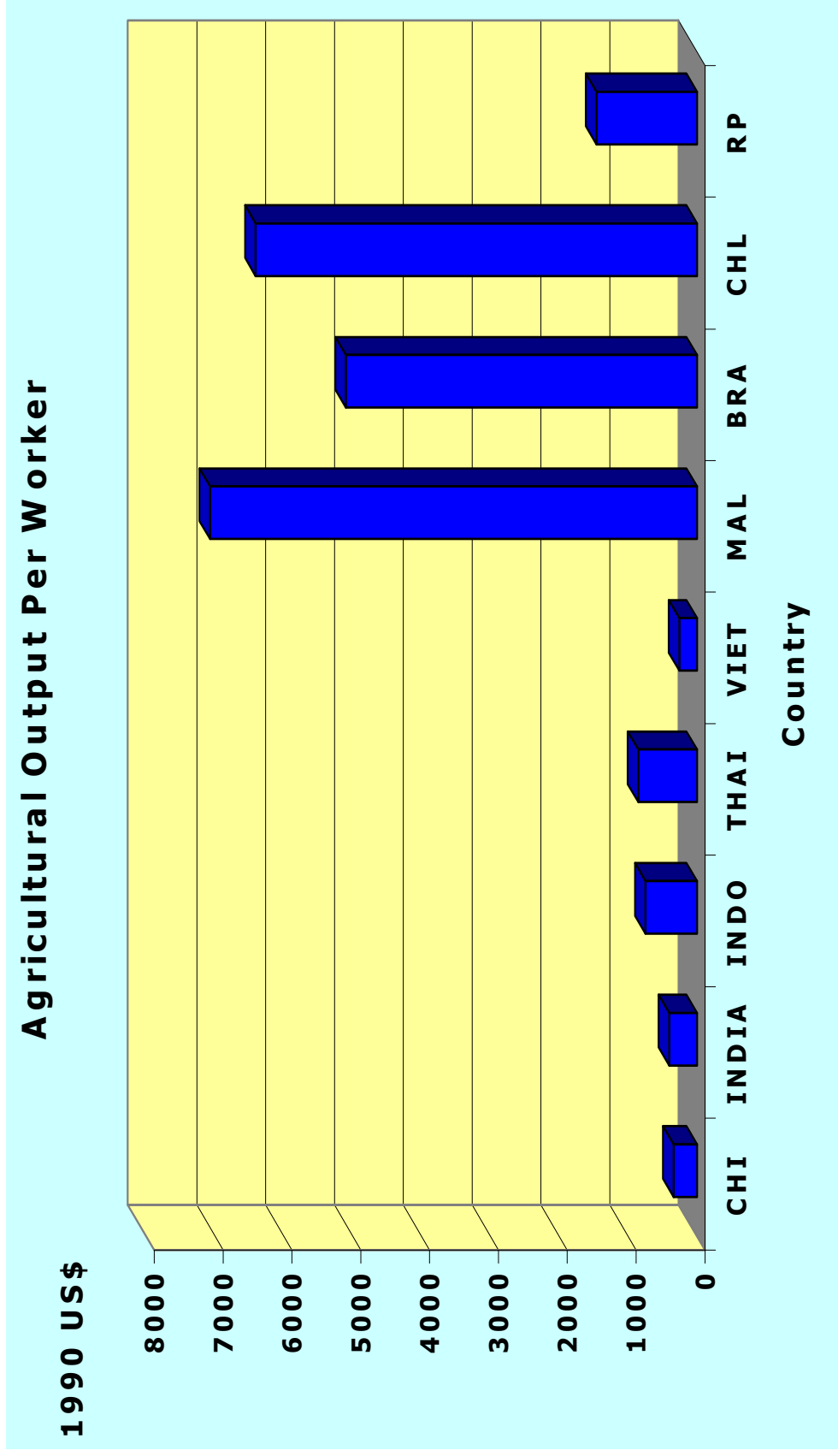
Agricultural GVA Growth Rates by Commodity, 1960-2000



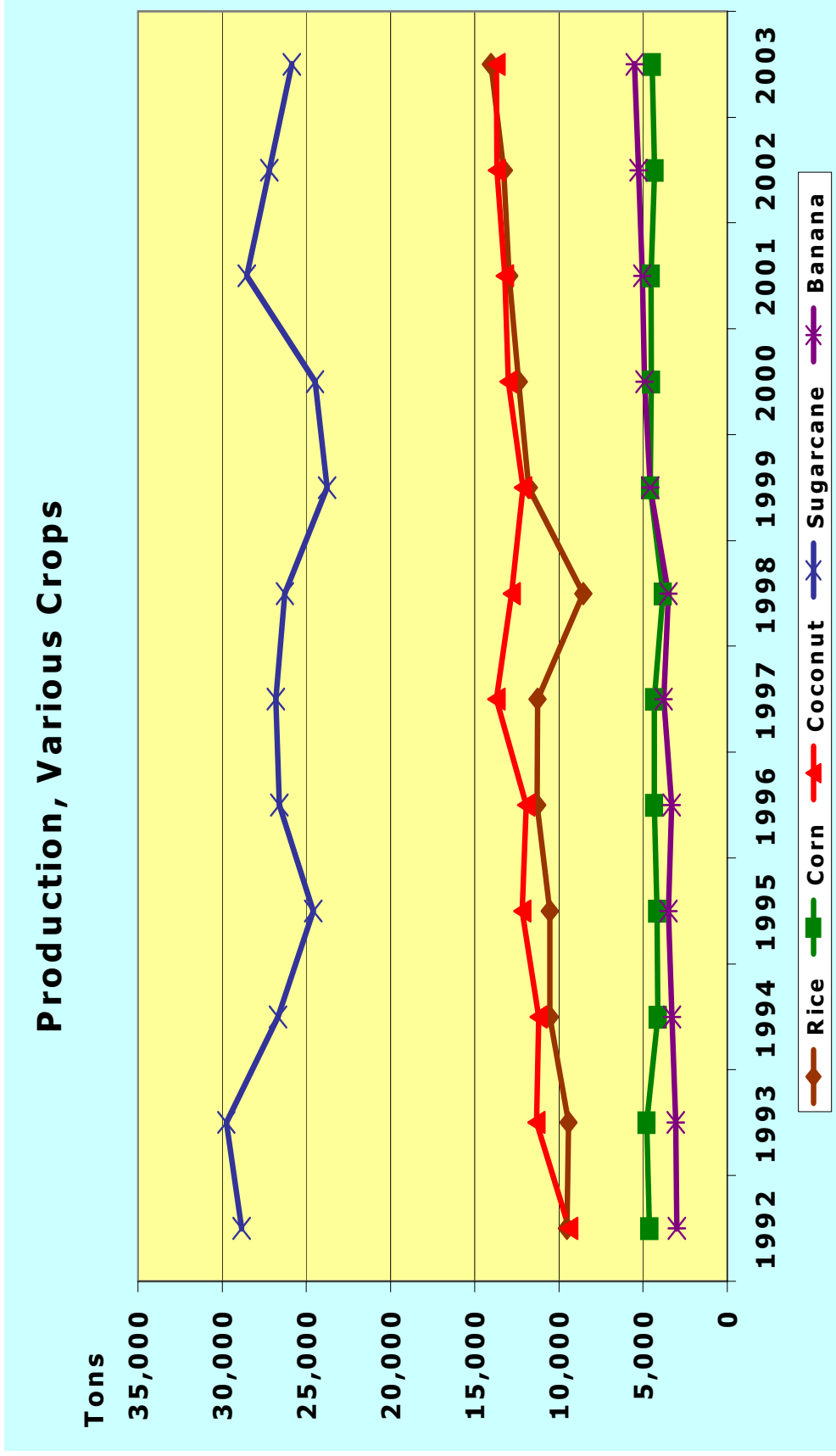
# Farm labor productivity fell in the 1980s and has only recently recovered



..but is comparable or better than in some of our neighbors

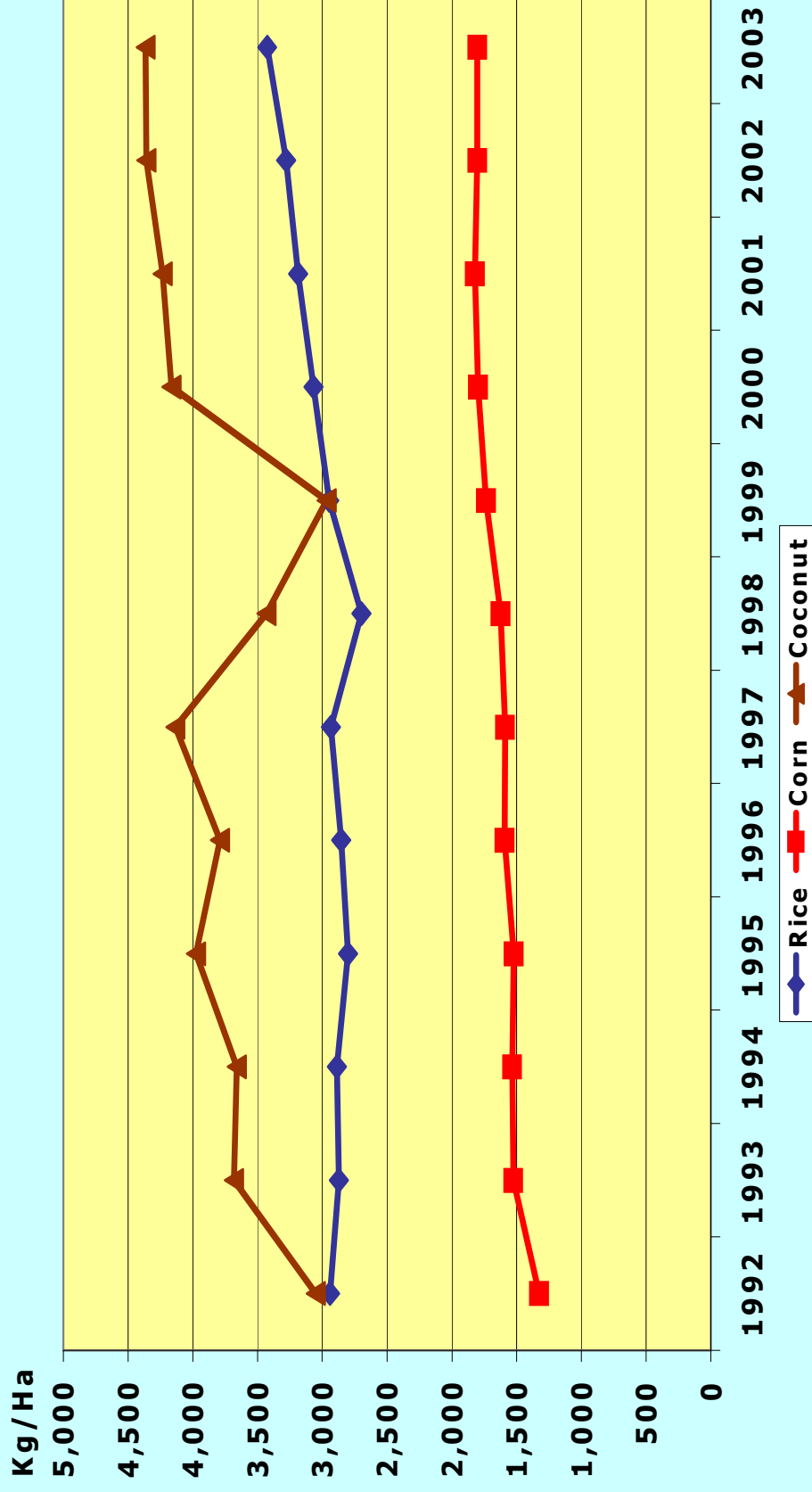


# Total production of major crops has been stagnant



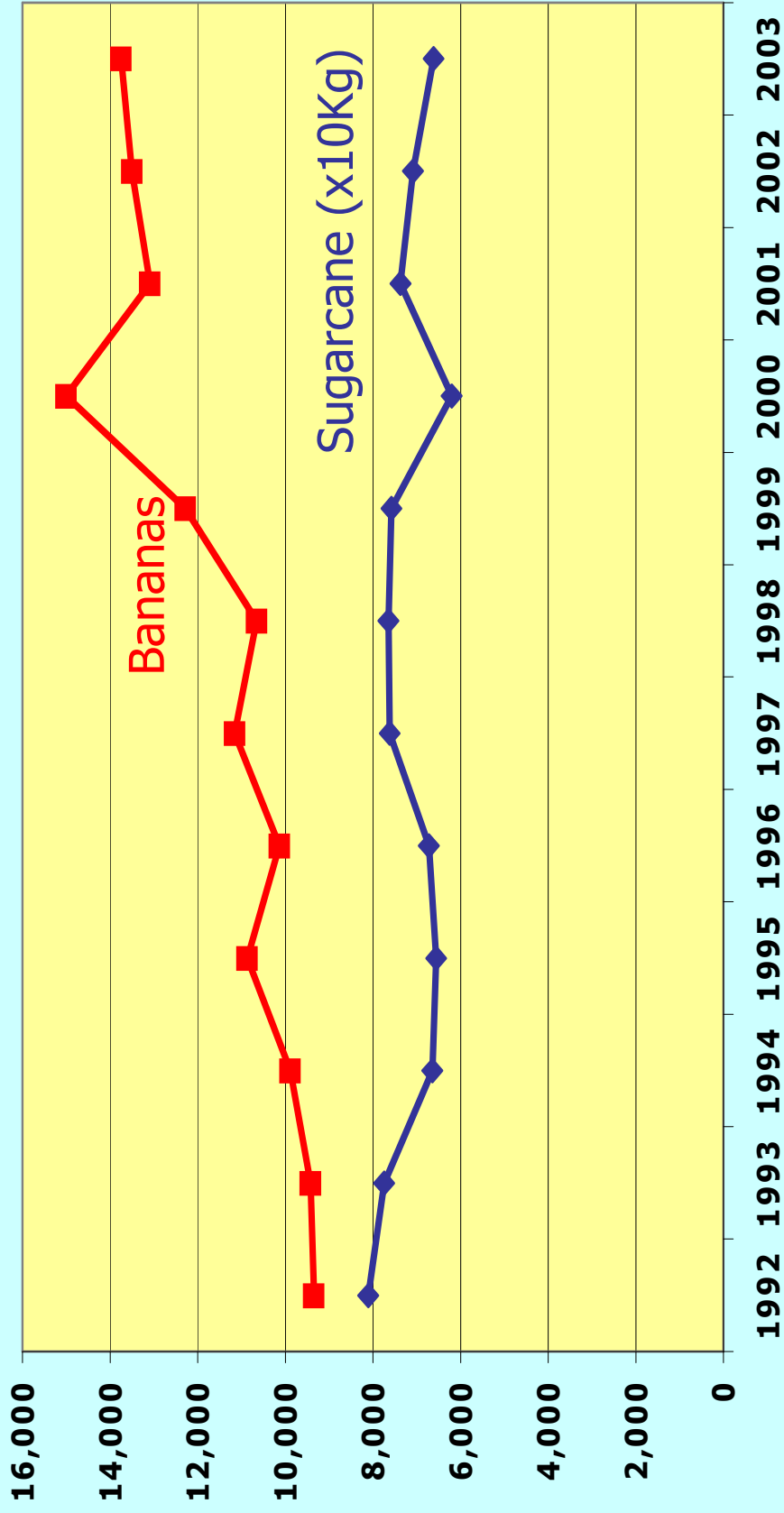
# Crop yields have shown some improvement

Average Yield of Rice, Corn and Coconut

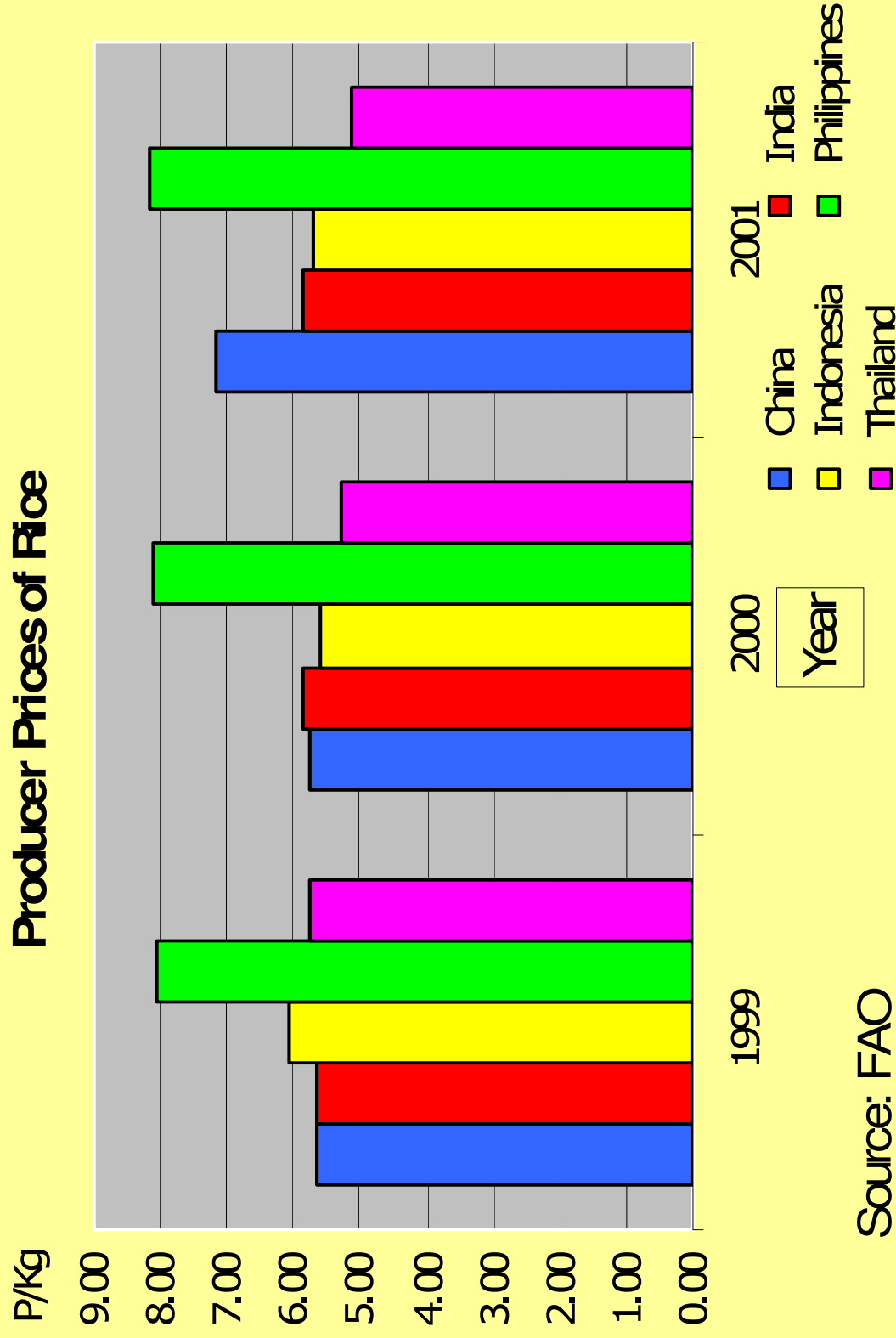


... but vary by crop

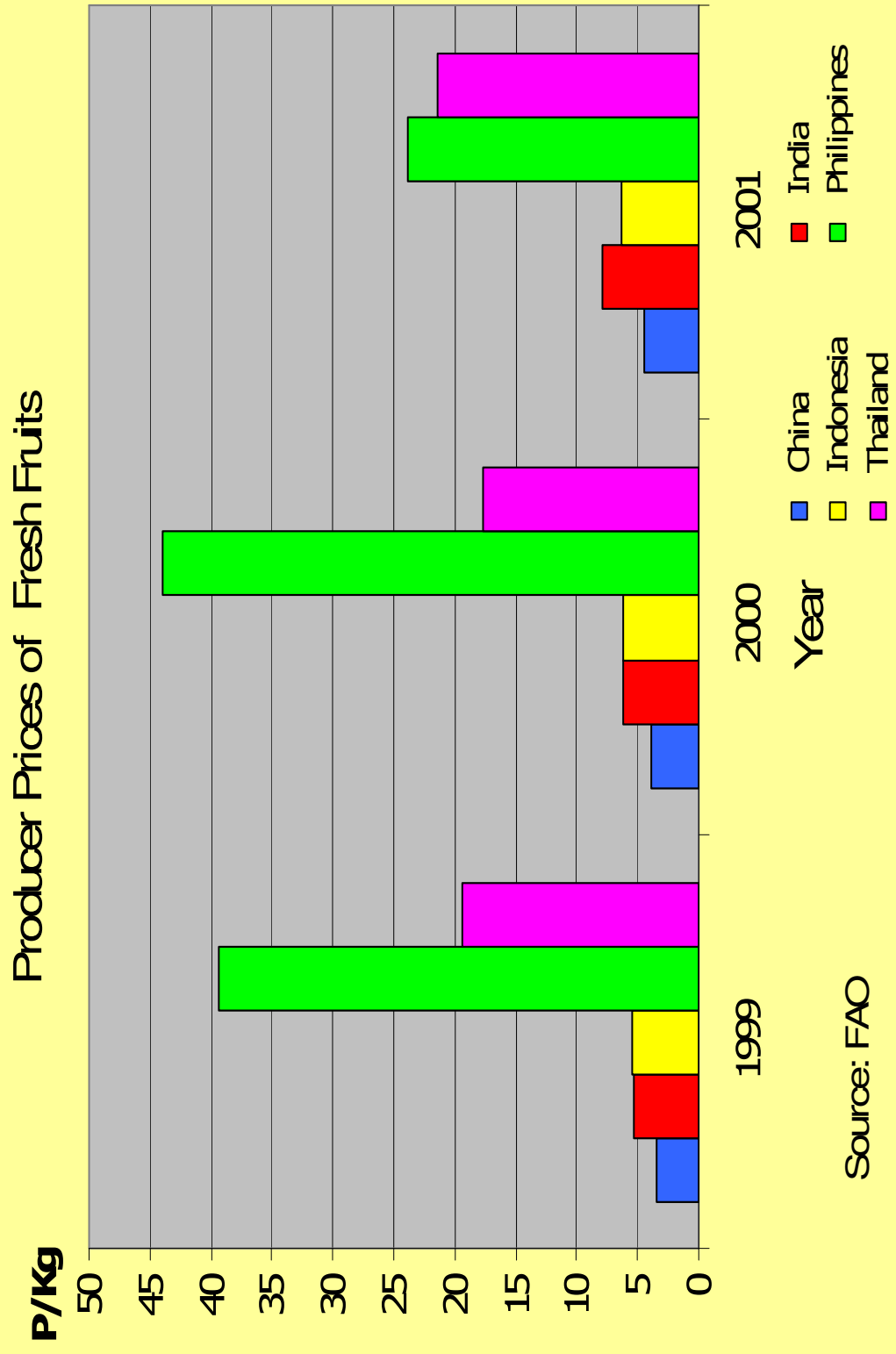
Average Yields, Sugarcane and Bananas



# Weak Competitiveness of RP Agriculture



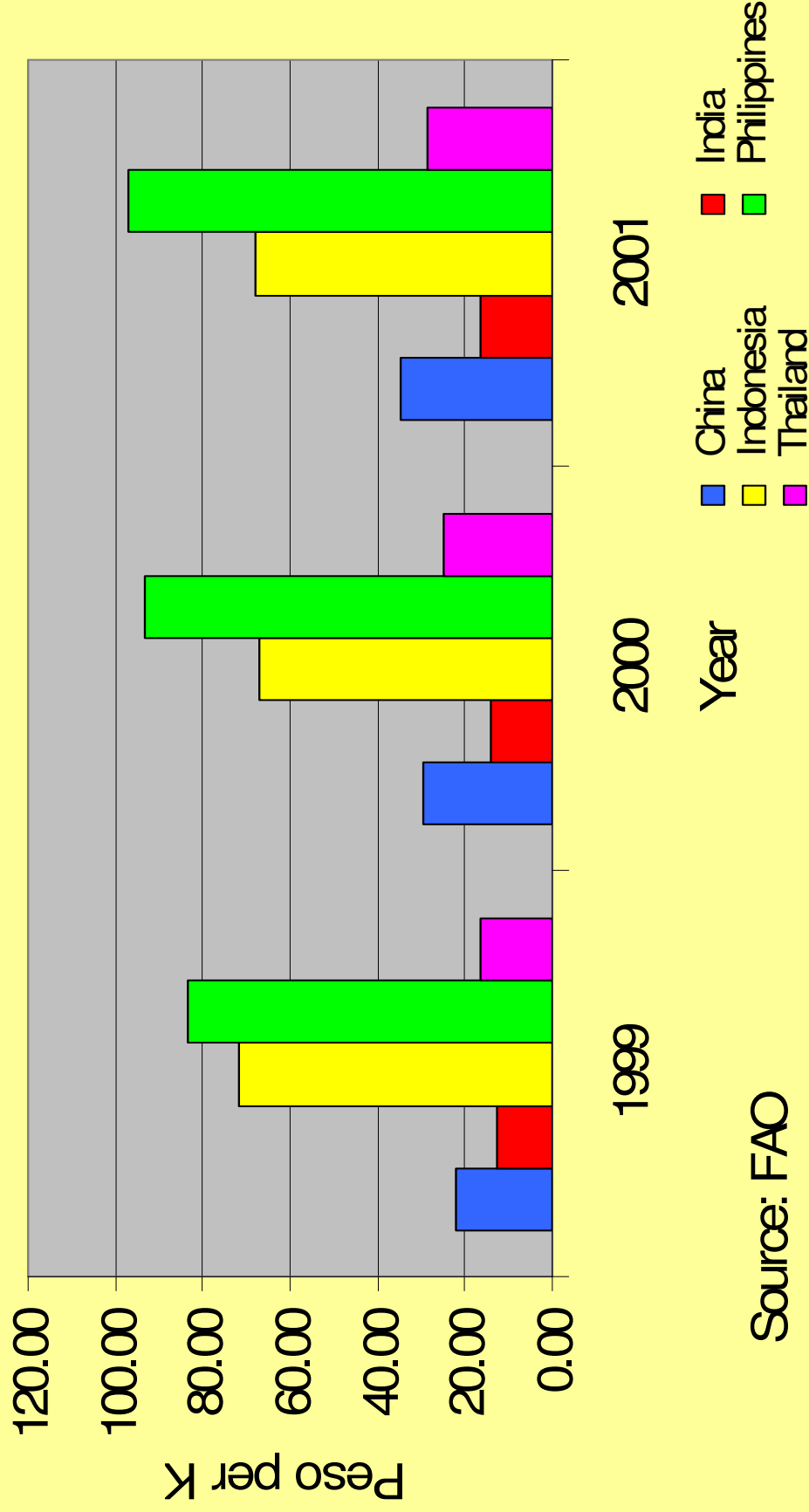
# Weak Competitiveness of RP Agriculture



Source: FAO

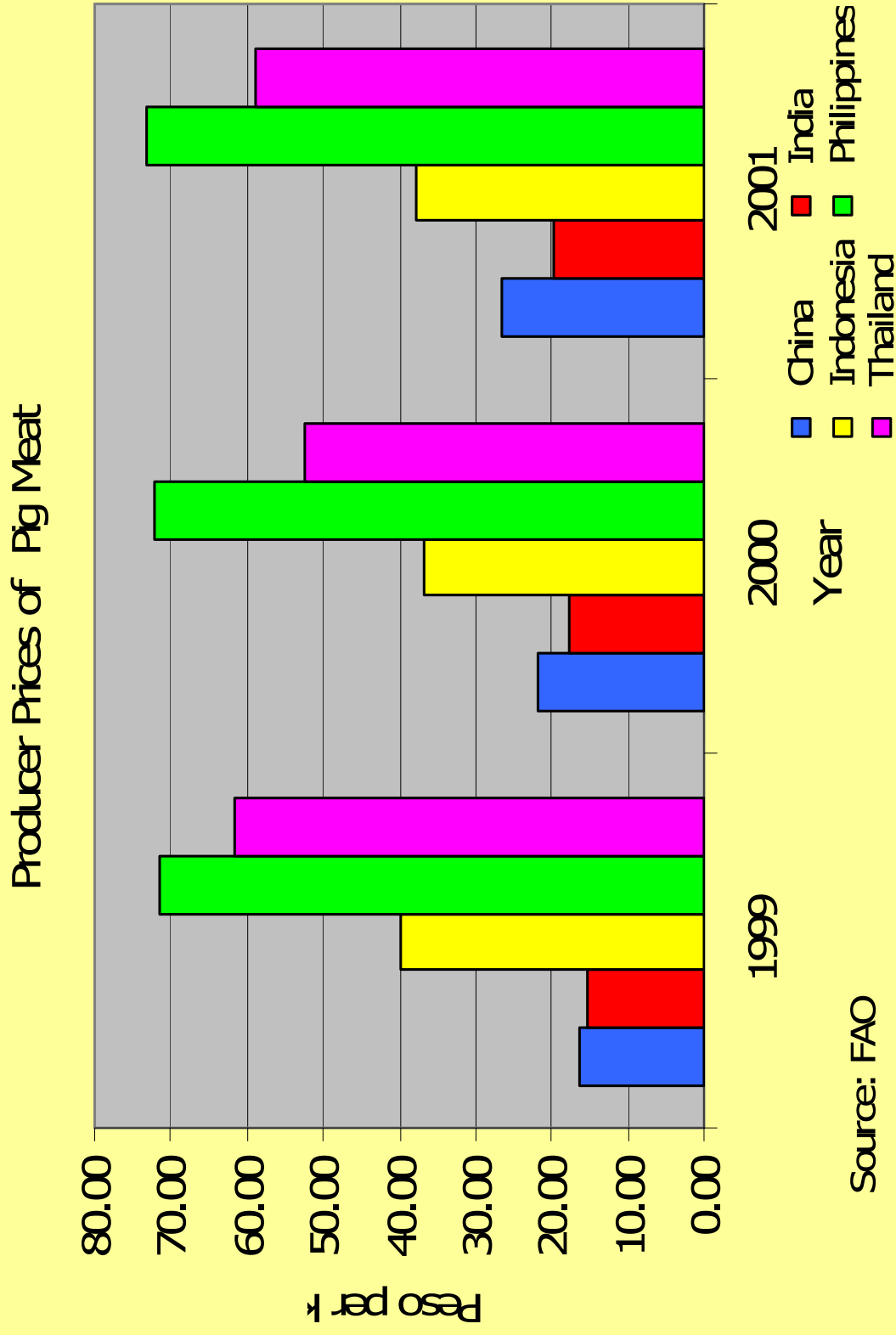
# Weak Competitiveness of RP Agriculture

Producer Prices of Cattle Meat

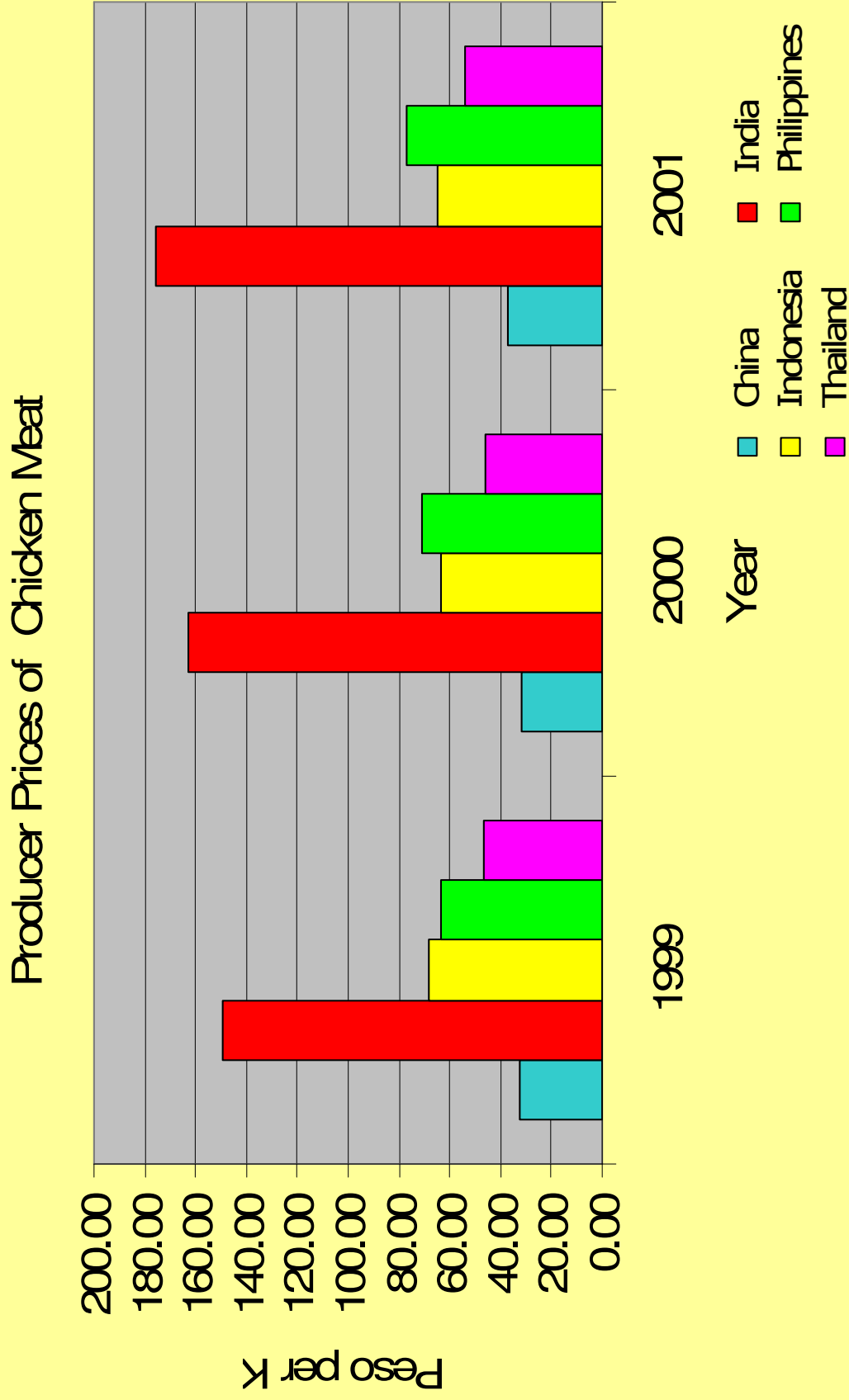


Source: FAO

# Weak Competitiveness of RP Agriculture



# Weak Competitiveness of RP Agriculture



Source: FAO

# The Policy Environment

- **Price intervention and trade policies**
  - **Effective protection**
  - **Monopoly trading**
- **Public investment allocations**
  - **Inadequate levels**
  - **Misplaced priorities**
- **Institutional and governance weaknesses**

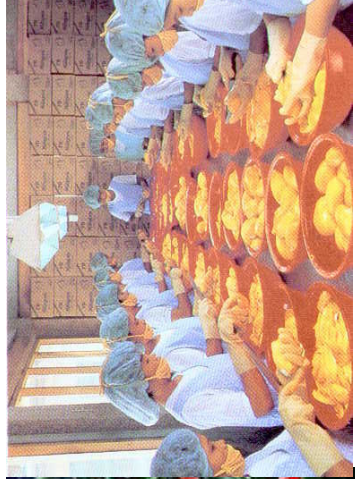
# Funds Allocation and Utilization

1995-1998

Program	Required (P B)	Allotment (P B)	% Utilized of Allotment
Grains	43.9	28.9	79.6
HV Crops	4.0	5.8	93.1
Livestock	7.8	4.1	69.8
Fisheries	3.0	2.2	83.4
Basic Infra	8.0	2.1	45.0
Others	6.3	7.0	94.0

# The Need:

**A coherent strategy to invigorate  
Philippine agriculture, agribusiness  
and fisheries**



**...and a sound governance structure  
and the political will to faithfully  
implement it.**

# The Need:

- Let Department of Agriculture steer the sector, but leave the rowing to the LGUs:
- Unit of government closest to the problem
  - Understand unique circumstances better than DA can
  - Best positioned to help
  - Can better harness partnerships with
    - private sector and civil society
  - Let DA share responsibility, resources, and
    - credit/blame for agricultural performance

# The Ultimate Objective:

**Not just to increase production,  
but to increase the incomes and  
uplift the lives of the  
farmers/fisherfolk and their  
families**



## RAPID APPRAISAL (Surveys)

- **A. Survey 1 (Annex A).** The survey covers the agricultural functions at the municipal/city and provincial levels as provided in Section 17 of the LGC. The survey form was sent to the Office of the Provincial Governor and was sent to the Office of the Provincial Agriculturist (OPA).
- The survey shows that not all of the devolved agricultural services and functions stipulated in the LGC are not yet fully implemented in some LGUs, But some functions and services are partially done by the LGUs with the assistance of the DA.
- There were no indications that the services are not provided by the LGUs as mandated by the Code, except those functions that could not be performed due to local conditions and geographical locations.
- **Survey Form designed by DevComm (E.O. 444)**

## **Survey 2 - Designed by LPP, EPRA-Ateneo and PIDS, administered during the LPP Policy Formulation Workshop on Agriculture Dec. 14-15, 2005, Romulo Hall, NEDA Sa Makati...**

There were 31 items listed as problems encountered by the LGUs. The top ten (10) problems that are “always” encountered are:

1. Financial Constraints (50%)
2. Financial Constraints of Clientele (50%)
3. Insufficient/Delayed Transportation Allowance (43%)
4. Politics (43%)
5. Lack of Transportation Facilities (43%)
6. Repayment of Loans (43%)
7. Dole Out Mentality of Farmers (36%)
8. Marketing (36%)
9. Devolution Related (36%)
10. Problems with the Bureaucracy (36%)

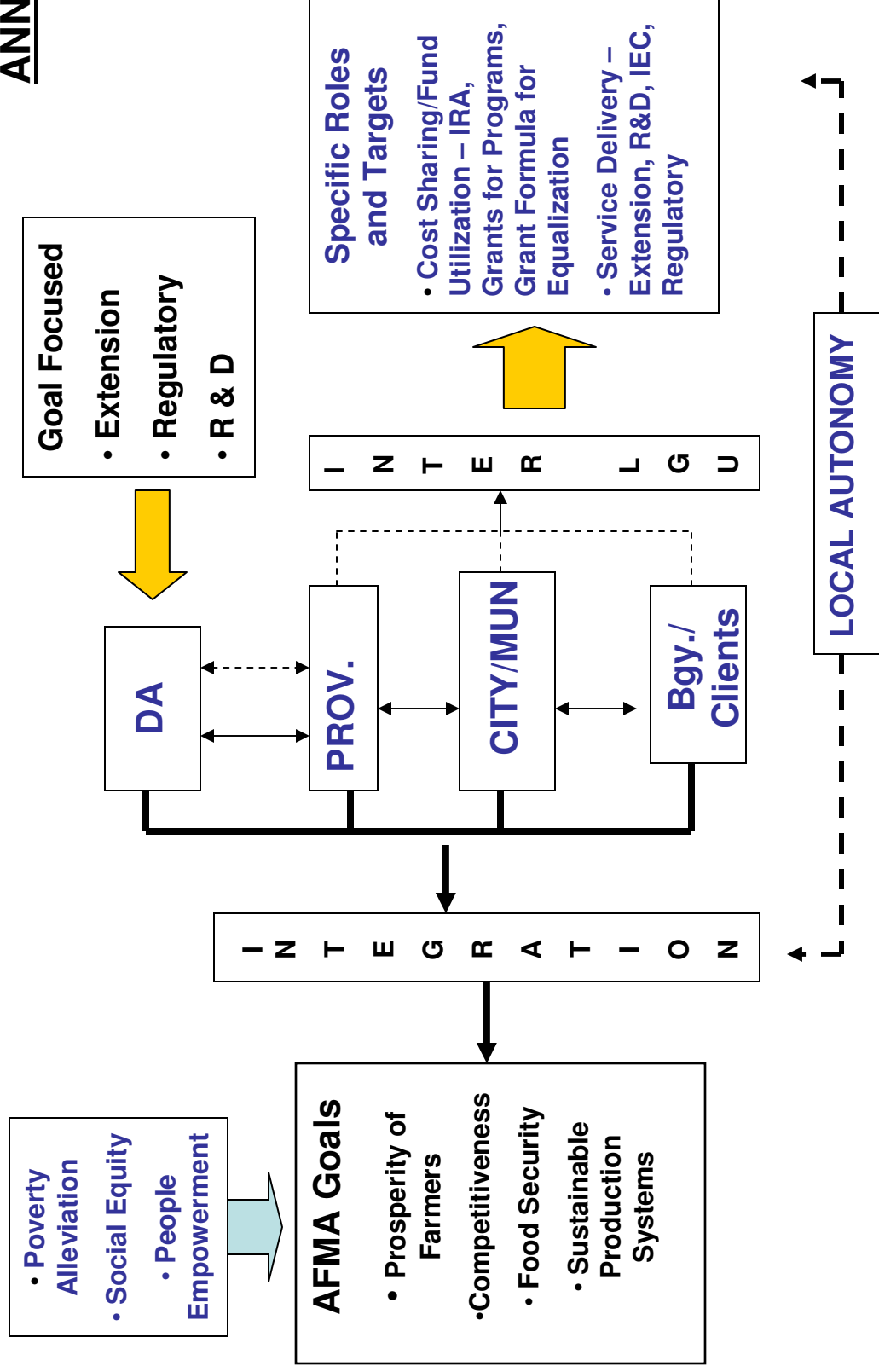
50% of the respondents said that “sometimes” peace and order is a problem, while only 7% said that it is “always” a problem.

## **Guiding Principles for DA Rationalization & Continuing Devolution of Agri Services**

- *The goal of Philippine development is Poverty Alleviation and Social Equity.*
- *National development goals are best achieved through strengthened local autonomy and decentralization.*
- *National Government focuses on national goals, local governments focus on effective programs and services.*
- *National Government steers, local governments row.*
- *Effective planning and implementation is participatory.*

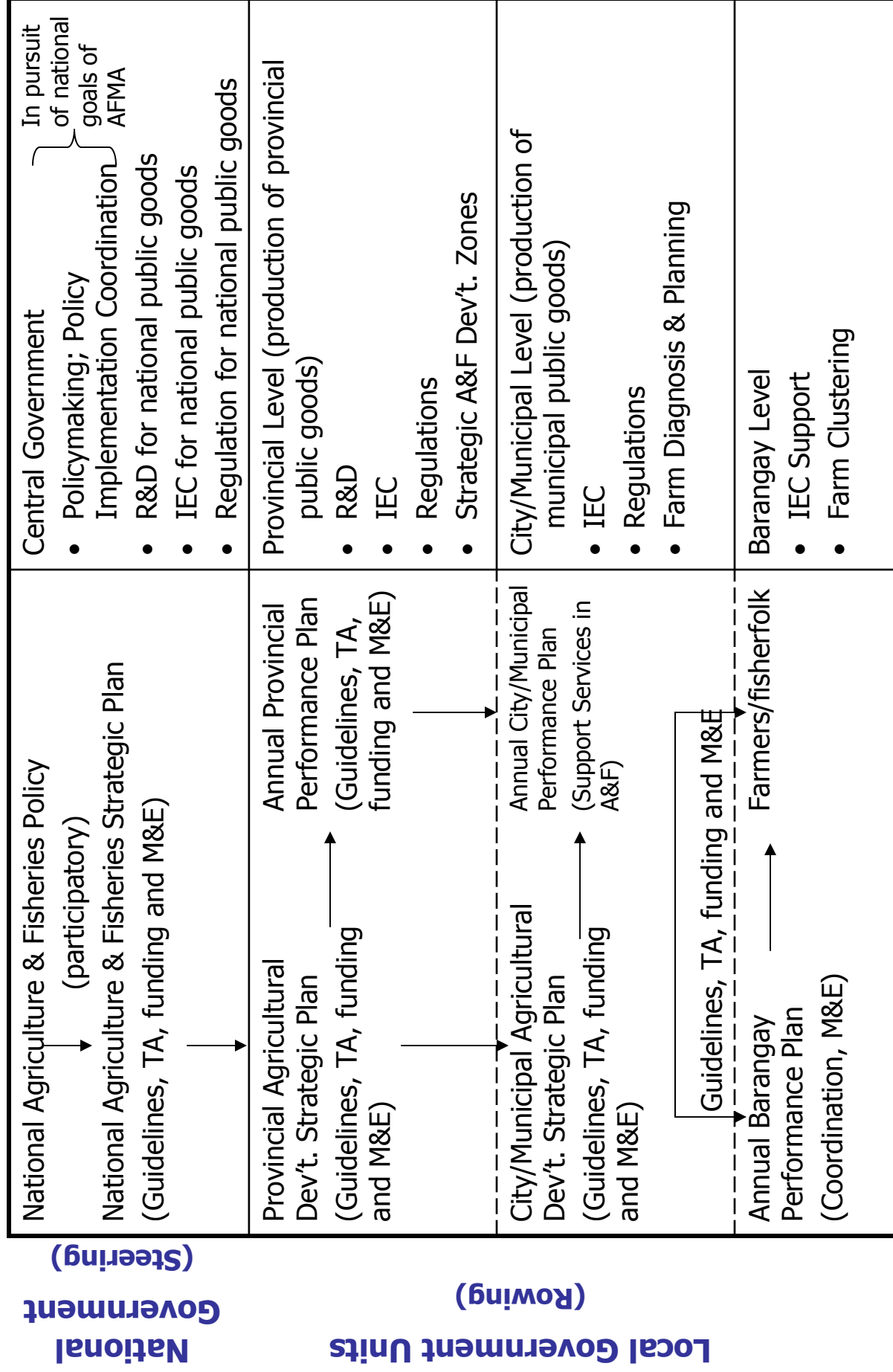
- ***Government must address public goods and leave the private goods to the private sector.***
- ***Particularly in agriculture, Government should look beyond political boundaries and instead develop viable areas of operation.***
- ***Integration and synergistic Intergovernmental Relations are key to program effectiveness and success.***
- ***Development requires equitable distribution of resources and opportunities.***
- ***Information Exchange systems must be installed and accessible.***

# ANNEX C



## Proposed Framework for DA Rationalization, Continuing Decentralization and Devolution of Agriculture and Fisheries Development

# DA-LGU Framework for Partnership



# DA-LGU Partnership Framework Matrix

## Key Result Areas (KRA)

Key Result Areas	Role of the DA	Role of the LGU		
		Province	Municipality	Barangay
1. Policy & Planning				
2. Program Implementation 2.1 R & D 2.2 IEC 2.3 Regulation				
3. Monitoring & Evaluation				
4. Admin & Finance				
5. Knowledge Management				
6. Capability & HR Development				

## Where are we going?

- Under E.O. 444, we will do Pilot Testing – using the DA-LGU Partnership Framework Matrix
- Work with DILG, DA, LCP, LMP and LnB
- Involve and seek the assistance of Donor partners, NGOs/CSOs, private sector



**Thank You!!!**