

FAIRYLAND

I always knew the Philippines was a magical place, it's why I first invested here. That and the people.

But I hadn't realized how magical until I saw the proliferation of two-page spreads in the newspapers of the achievements of this administration. Some truly magical numbers from a fairyland I didn't know existed. Let me, sadly, bring you back to reality, because it's the real world we live in. And it's the real world we must survive in. Lovely to have flights of fancy from time to time, but it can't last.

My analysis will be balanced, unlike the highly distorted ads.

Let me start with GDP growth. The 4.86% must be deflated for the statistical discrepancy in the 2007 number when a drop in imports created a double negative that artificially inflated GDP growth (I think you'd all agree nothing dramatically different occurred in '07 that could have justified 7.1 percent. Our best estimate is around 4.8 percent if imports had grown at their historically normal rate). With that adjustment, average growth under GMA has been 4.7%. Estrada matches it. Are we to assume from this that Estrada was as good an economic manager as Arroyo?

What was not included though is the more important number, the GINI coefficient, which measures the degree of inequality in a society. The Philippines' GINI coefficient is 0.45. Only 39 countries are worse, 84 countries are better. Other Southeast Asian neighbors have better GINI figures—Cambodia's 0.42, Laos' 0.35 and Vietnam's 0.34. Three years ago it was 0.46, so there's no measurable improvement. The miserable GDP growth (yes, miserable it was the lowest in Asia) didn't filter down to the poor. They didn't see any of that growth, their situation worsened.

The government said the growth provided more income to the people, therefore more money to buy food. But the percentage of households that experienced hunger at least once in the past 3 months recently hit a record-high of 24% or about 4.4 million households. The poor definitely have gotten no benefit from the *"highest average GDP growth recorded since 1966"* or the *"highest quarterly growth posted in 30 years"* proclaimed in the government ad.

Inflation, I'll agree, is far lower and that is in part because of good management, but good management by the Central Bank, which is part of its role. GMA's involvement has been to artificially control prices and create an economy where people can't afford fair market value, so firms are forced to sell at lower margins. This is in the free market she espouses—but then doesn't follow.

Gross International Reserves I agree are a record high and a reason the Philippines can borrow so favourably in the world. But how much of that reserve was generated by OFWs forced to leave their families because there were no jobs here? In 2009, remittances have grown to almost two-fifths the size of the gross reserves – an economic success, a social disaster.

THE WALLACE REPORT

FAIRYLAND

The foreign debt as a percent of GDP has fallen from 67.46% in 2000 to 33.85% of GDP (as of September 2009) so there is lower debt payment to foreigners. But the domestic debt has risen. The total debt bill, which is what matters because that's what you have to pay back, surged to P4.22 trillion in 2008 from P2.1 trillion in 2000.

The credit rating agencies have not changed their unacceptably low rating (Fitch's BB rating, which is 2 levels below investment grade and Standard and Poor's BB- and Moody's Ba3, three notches below) since she came to power. A shift from "*negative*" to "*stable*" just means the agencies forecast is it won't change, rather than it might go down. There's no "*increased investor confidence*". A number that surprisingly is not mentioned – the level of foreign direct investment. Maybe because it's been so abysmally poor.

The Philippines attracted the least FDI amongst ASEAN-6 member countries during the past 8 years. The country got US\$12.1 billion; next lowest was Indonesia at \$29.7 billion; little old Singapore did best at \$133 billion, 11 times the Philippine level; while Malaysia and Thailand got about the same at a little over \$40 billion each. It's the same when comparing to history, particularly the Ramos years, which would be the fairest comparison. The 6-year term of Ramos saw \$9.5 billion enter the country while Arroyo's 9 years attracted \$12.1 billion. Pro-rated to 6 years, Arroyo's becomes \$9.1 billion. Converted to 1992 dollars (inflation must be factored in), FVR attracted \$6.7 billion, Arroyo \$3.4 billion pro-rated. Half the level, nothing could be more damning than that in an evaluation of the economy. There is decreased investor confidence.

There seems to be a clear correlation between how the international business community perceives the country's state of competitiveness and the actual flow of investment. They are not impressed.

I mentioned OFW remittances above. If I were president I'd be ashamed that so many more – some 8.5 million more – of my fellow Filipinos had to flee in desperation to earn enough to feed their families because I couldn't provide a job for them here. I couldn't attract the investment needed to give them a job.

Tourist arrivals is a good thing, this indeed is an achievement but is it really 5.2 million in 2009? It was officially 3.1 million (international tourists) in '08. Could there really have been an impressive 68 percent growth this year? Where did they all stay? The accommodation doesn't exist to accommodate the additional 2 million tourists that the government claims. It probably includes domestic tourism and OFWs. It's a very suspect number. Even if the 5.2 million were correct, it is dwarfed by Thailand's 10.4 million, Malaysia's 18.4 million, Singapore's 10.2 million, and Hong Kong's 20 million.

The call center industry is just out and out a great success. It is growing at 25% annually and is projected to employ 500,000 by 2010. But what specific actions did this government do that were different to justify credit for this? The talent of the Filipino for this role did it. What policies or actions did GMA take to improve this sector? Creating a Department of ICT that this sector so urgently needs just hasn't happened despite that I raised the subject to her 3 months into her presidency. The high-level, focused attention can't be there without it.

The government crowed that the local auto sector breached its target last year and sold 132,444. But even with improved sales, the Chamber of Automotive Manufacturers of the Philippines (CAMPI) said the local industry still cannot be considered "*fully recovered*" as the total units sold is far lower than the 162,095 sold in 1996 in a much smaller economy with fewer consumers. Also the growth can partly be attributed to the fact that the local sector is still developing and has much

THE WALLACE REPORT

FAIRYLAND

room for growth. At present, the Philippines has a low car-to-people ratio of 22 cars per 1,000 people. Thailand has 110 per 1,000 while Malaysia has 254.

Total net income of the Top 1,000 Corporations grew from P116 billion in 2001 to P686 billion in 2007. The latest report (for 2008), however, noted a 40% decline in the aggregate net income of the Top 1,000 firms to P415 billion. The gross profit margins of the Top 1,000 Corporations dipped slightly from 20.2% in 2007 to 20.1% in 2008.

I won't go through the rest of this litany of supposed achievements. But just capture a few that caught my eye.

Take this one. The MILF strength in 2000 was 12,571, nine years later it had fallen to 11,454. How on earth did they get such an accurate assessment? Do they have spies living in the MILF camps? I can't possibly believe that number. What matters more is that 719 soldiers died during her first 3 years in office compared to 78 during FVR's entire term. I certainly wouldn't want to be a soldier under GMA.

Her administration failed to meet its target of neutralizing the NPA (the longest-running communist insurgency in Asia) by 2010. In 2008, the Philippines earned the notorious distinction of having the most number of internally displaced persons (IDPs), topping Kenya, Congo and Iraq.

There were 100,000 new classrooms built in nine years which now puts the classroom-to-pupil ratio at 1:39 for elementary and 1:55 for high school (this goes as high as 1:79 for primary and 1:82 for secondary in some schools in Metro Manila). Still far from achieving the recommended 1:25 classroom-to-student ratio so that students can be properly educated.

DepEd estimated that 10,661 more classrooms are needed. By our estimate there is a shortage of some 200,000 classrooms if we use the 25:1 student to classroom ratio. The Education department's projection is based on a 45:1 ratio and two shifts (morning and afternoon).

Children should be encouraged to question, not just accept unquestioningly what the teacher says. People must be able to think for themselves, encouraged to display initiative and analyze the consequences for their action. This requires much smaller class sizes. In primary school this should be 20 or less. Above 35 it becomes impossible and degenerates to lecturing, not teaching. Teachers must be able to teach a few, not lecture to many.

The standard of education of a Filipino child is now below that of Zambia and Tanzania according to the United Nations. Everyone agrees (and the numbers are there) this government failed to provide the quality education it pledged. In 1999, the Philippines ranked 36th out of 38 countries in both Math and Science proficiency as assessed by the Trends in International Mathematics and Science Study (TIMSS). Four years later, the country fared even worse when it ranked 41st for Math and 42nd for Science out of 45 countries. The *"improved quality of education"* the government ad claims is not supported by independent assessments.

In the recent 2010 Education For All (FA) Global Monitoring Report by the United Nations, the Philippines was cited for lack of policies to improve education especially of the poor and said that the country is in *"real danger"* of not meeting its target of providing universal primary education by 2015.

Today, out of 100 Filipino kids who enter school, only 65 get to finish primary. Back in 1998, 70 got to finish; while only 42 finish high school compared to 54 who did in 1998. Add to that the fact that public expenditure per high school student (as a percentage of GDP per capita) fell from

THE WALLACE REPORT

FAIRYLAND

10.7% in 1999 to 9.2% in 2004. While the education department has been getting a bigger allocation from the government in current pesos (from P90 billion in 1999 to P149 billion in 2008),

there's been no significant increase in real terms – P90 billion vs. P92.5 billion for example. The total DepEd budget's share to NG budget has been declining (19% in 1999 to a little over 11% in 2008).

Those are the real numbers that matter, and she's failed to improve any of them; they've, instead, gotten worse.

Isn't it a little unfair to compare the number of houses the government built in the 2 ½ years of Estrada with the 9 years of Arroyo? On an annualized basis, Ramos built 33,982 per year, Estrada 39,306, and Arroyo 32,777 – who did better?

I'll give her RORO. It was a good idea that worked, but to claim more infrastructure built ignores the real number that matters, how much was spent and on what from what you have available to spend. Here's one area where percentages are relevant: Ramos averaged 3.2 % of GDP on infra; with Arroyo it's significantly smaller, between 2% to 2.5%. Elsewhere in Asia it's 5% to 6%. Industry experts have also observed that: RP has the worst distribution infrastructure in Asia; is lowest in terms of paved roads as percentage of total roads amongst the ASEAN-6; and while GMA developed some "international" airports, there's very little, if any "international" traffic to them. Also, the latest global travel and tourism report released by IMD showed the Philippines faring poorly in terms of air transport infrastructure (73rd among 133 countries), ground transport infrastructure (90th) and ICT Infrastructure (92nd).

In terms of employment, the published data claims 14.2 million jobs were created in Arroyo's term, but the regular data we get from the National Statistics Office (NSO) adds up to only 6.2 million. Where did the 8 million come from? Add to that the fact that unpaid family workers (mostly on farms), private household employees (domestic helpers and family drivers) and self-employed (sidewalk/market vendors) were the fastest growing job sources and are included in the statistics.

The unemployment rate dropped significantly and artificially (from 11.2% in 2000 to 7.1% today) due to the redefinition (exclusion of students wanting to work but not able to and people looking for work but have given up, in the labor force). If the old definition is maintained, there are close to 700,000 more Filipinos without a job today than in 2000. That excludes the OFWs who had to go overseas to work because the domestic economy is too weak that it can't generate jobs and provide decent incomes for its people.

I could go on, but you get the message. There's hardly an honest number in the whole two pages. As Ben Diokno says, it's a disgraceful waste of money. And a deliberate deception to the public that doesn't have the access to the real data like we do.

To make this report complete, to those who'd be interested we have produced a matrix in the same format as the government presentation but giving the true story, not the fairytale promulgated. It can be downloaded at www.dataphil.com

I have covered all this before, but just to make this a complete document, let me list some of the key factors for national well-being when she came into power and now, and how they compare to elsewhere in the world. You'll notice that in almost every one of them, the situation has worsened. These are numbers derived by independent sources without biases to distort their findings and their methodology is the same for each country. So they are fair comparisons. President Arroyo should be ashamed to be ranked so badly.

THE WALLACE REPORT

FAIRYLAND

RP VS. ASIAN NEIGHBORS

	REAL GDP GROWTH RATE	PER CAPITA GDP GROWTH RATE	PER CAPITA GDP (IN CURRENT \$)
	AVE. '01-'08	AVE. '01-'06	2008
CHINA	10.0	9.1	3,258
SINGAPORE	5.0 (3)	2.9 (3)	37,579
VIETNAM	7.7	6.2	1,051 (1)
MALAYSIA	5.1	2.7 (2)	7,975
INDIA	7.7	5.8	1,060 (2)
INDONESIA	4.9 (2)	3.5	2,235
THAILAND	5.2	4.3	4,105
PHILIPPINES	4.7 (1)	2.5 (1)	1,860 (3)

SOURCES: ADB, BSP

1 – WORST 2 – 2ND WORST 3 – 3RD WORST

RP VS. ASIAN NEIGHBORS...

	NET FDI US\$B	GROSS DOMESTIC INVESTMENT AS % OF GDP	TAX REVENUES AS % OF GDP	FISCAL BALANCE AS % OF GDP
	TOTAL '01-'08	AVE. '01-'08	AVE. '01-'08	AVE. '01-'07
CHINA	519.5	41.8	15.8	0.4
SINGAPORE	132.8	22.7 (3)	12.7 (3)	5.5
VIETNAM	36 (3)	36.0	21.4	-4.2 (1)
MALAYSIA	42.1	21.9 (2)	15.7	-3.9 (3)
INDIA	89.8	31.3	8.2 (1)	-4.0 (2)
INDONESIA	29.7 (2)	24.4	12.1 (2)	-1.3
THAILAND	40.4	26.9	15.2	-2.8
PHILIPPINES	12.1 (1)	16.1 (1)	13.4	-3.1

SOURCES: ADB, BSP

1 – WORST 2 – 2ND WORST 3 – 3RD WORST

- THE PHILIPPINES LANDS IN THE BOTTOM 3 IN 5 OF 7 INDICATORS
- WORST IN 4 INDICATORS (REAL GDP GROWTH RATE, PER CAPITA GDP GROWTH, NET FDI AND DOMESTIC INVESTMENT AS % OF GDP) — THE IMPORTANT ONES, WHEN DOES THE MESSAGE EVER SINK IN

THE WALLACE REPORT

FAIRYLAND

INDICATORS	GMA		FVR	
	2009	2000	1997	1992
INT'L COMPETITIVENESS RANKING				
IMD	43 RD /57; 75%	40 TH /49; 82%	29 TH /46; 63%	-
WEF	87 TH /133; 65%	36 TH /75; 48%	34/53; 64%	33 RD /41; 88% (1995)
CORRUPTION (TI RANKING)	139 TH /180; 77%	69 TH /91; 77%	40 TH /52; 77%	26 TH /41; 88% (1995)
UNDP HUMAN DEV'T RANKING	105 TH /182; 58%	70 TH /162 ('01); 43.2%	77 TH /184; 44%	54 TH / 128; 42%
UNEMPLOYMENT (M;%)	2.8M; 7.5%	2.2M; 6.9%	1.6M; 5.4%	1.6M; 6.3%
POVERTY (M;%):				
SELF-RATED (SWS)	48.2M; 53.32%	43.4M; 56.5%	42.4M; 59.3%	43.0M; 65.8%
GOV'T (NSCB)	27.6M; 32.9% (2006)	23.8M; 30%	26.8M; 36.8%	28.1M; 45.3% (1991)

**IN TERMS OF QUALITY OF LIFE INDICATORS,
THE GMA YEARS ARE CLEARLY WANTING.**

What this 2-page ad has done is cause us to focus on what really were the accomplishments of President Arroyo in her extended 9-year term. When we do that her administration has been a failure. There's been almost no area where demonstrable, measurable improvement has occurred. In most instances the situation has worsened when an impartial assessment is made. I wonder if she saw and vetted these ads, I sincerely hope not because they do her a great disservice. She'd do well to have them stopped immediately and nothing else issued without her imprimatur. As it is, the ads seem to be based on the premise first postulated by Benjamin Disraeli, an Englishman in the 19th century said, "*There are lies, damned lies and, then statistics.*"

We're living in a society where by almost every measure we're worse off than we were a decade ago. That's an assessment based on published facts. It is not a judgmental assessment.

Statistics are like a Bikini. What they reveal is suggestive, but what they conceal is vital. We've removed the Bikini.

THE WALLACE REPORT

FAIRYLAND

The Economy

<p>Average Gross Domestic Product growth</p> <p><i>Gov't Ad says:</i></p> <ul style="list-style-type: none"> • 4.86% from 2001-2008; • 0.7% for the 1st 3 quarters of 2009 • GDP peak growth of 8.3% in 2Q2007 is the highest in 30 years • Improved delivery of services and development • More income, more to spend 	<p>We say:</p> <ul style="list-style-type: none"> ➤ When adjusted for statistical discrepancies (e.g. using the more realistic 4.8% growth for 2007 instead of 7.1% and the revised 2008 figures) GDP growth averaged 4.7%. Estrada matches it. Are we to assume from this that Estrada was as good an economic manager as Arroyo? ➤ The Arroyo figure did not include 2009 when the economy only grew an estimated 0.8%. If that's included her average is only 4.1% ➤ While it is claimed that the economy grew faster under Arroyo, the poor definitely have gotten no benefit from the "growth" as more Filipinos are poor today than in 2000; Economists also note that the FVR years (1992-1998) felt more like the "boom" years than GMA's ➤ The economy under Arroyo has primarily been consumption-driven (unlike during Ramos where the economy was driven by exports and investments), an indication of a society spending its future, not investing in it. ➤ GDP per capita (current) of \$1,860 is only 1/20 of Singapore's \$37,579; ➤ Growth of real GDP per capita is the 2nd slowest amongst the ASEAN-6 ➤ The economy was also the 2nd slowest growing in Southeast Asia from 2001 to 2007 ➤ An SWS survey conducted in October 2009 found that 51% (9.4 million) of families nationwide consider themselves as poor versus 8.7 million in 2000 ➤ The government said the growth provided more income to people, more money to buy food. But the percentage of families experiencing involuntary hunger at least once in 3 months hit a record-high of 24% or about 4.4 million households under Arroyo (SWS 4th Quarter 2009 survey) ➤ Unequal distribution of "gains", 30% of the country's well-off families take 65% of total wealth while 50% get less than 20% of that wealth
<p>OFW remittances and deployment</p> <ul style="list-style-type: none"> • \$14.3 Bn (Jan-Oct '09) from \$6 billion in 2000 • Helped stimulate the economy • Contributed to foreign reserves 	<ul style="list-style-type: none"> ➤ Spending remittances on mere consumption has less contribution to economic growth. In fact, if remittance income induces people to consume more and produce or work less, it is preventing its potential to spur local development and may even produce dependency among migrant workers' families thereby disrupting local production (PIDS, 2007) ➤ Increase in deployment means more and more Filipinos are finding it hard to get decent jobs in the country. Heavy dependence on OFW remittances and overseas employment signifies a weak domestic economy (the local economy cannot generate jobs and provide decent incomes for its people)
<p>Tourist Arrivals</p> <ul style="list-style-type: none"> • 5.2 million (Jan – Sept 2009) from 1.99 million in 2000 • Businesses thrive • Created more jobs and livelihood opportunities 	<ul style="list-style-type: none"> ➤ Figures released by the DOT and BOI revealed that the number of foreign tourists from January to August 2009 reached only 3.95 million, much lower than the 5.2 M proclaimed in the government ad and no improvement from the 3.94 million (including domestic tourists) recorded from January to August of 2008 ➤ The 5.2 million gov't figure is presumably bloated by the hordes of returning OFWs or

THE WALLACE REPORT

FAIRYLAND

<ul style="list-style-type: none"> • <i>More investments</i> 	<p>balikbayans and probably local tourism</p> <ul style="list-style-type: none"> ➤ Even if the 5.2 million were accurate, it is dwarfed by Thailand's 10.4 million, Malaysia's 18.4 million, Singapore's 10.2 million, and Hong Kong's 20 million (official stats for 2007) ➤ In the latest Travel and Tourism Competitiveness Report released by the World Economic Forum (WEF), RP dropped to 86th among 133 nations from 81st in 2008. The country ranked 6th among 8 Southeast Asian countries, only ahead of Cambodia and Vietnam. The Philippines garnered poor ratings in the following indicators: safety and security (113th), health and hygiene levels (87th), ground transport infrastructure (90th), tourism infrastructure (96th) and ICT infrastructure (92nd)
<p>Call Center Industry</p> <ul style="list-style-type: none"> • <i>\$4.92 billion projected revenues for 2009 from \$24 Mn in revenues in 2000</i> • <i>More jobs helped weather the recession</i> 	<ul style="list-style-type: none"> ➤ Call centers and other BPO firms have been a great success (growing at an average of 25% annually) due to a number of factors (cost efficiency, a population that speaks fluent English) and not because of Arroyo ➤ The Department of ICT (DICT) bill, which seeks to provide full support and importance to the sector, has been languishing in Congress since 2001
<p>Car Sales</p> <ul style="list-style-type: none"> • <i>132,444 brand new units sold in 2009 from 92,336 in 2003</i> • <i>43% increase in sales from 2003 to 2009</i> • <i>Displayed the purchasing power and optimism of consumers</i> 	<ul style="list-style-type: none"> ➤ CAMPI itself noted that even with improved sales in 2009 compared to 2008 the local auto sector still cannot be considered "fully recovered" as total units sold of 132,444 is far lower than the 162,095 sold in 1996 in a much smaller economy with fewer consumers ➤ Industry groups complain about the government's failure to curb smuggling of 2nd hand imported cars. The Fair Trade Alliance (FTA), for example, said that at one point 195,564 "new" vehicles were registered with LTO but only about 47% were from sales of legitimate auto manufacturers and dealers of new cars ➤ The growth can partly be attributed to the fact that the local sector is still developing and has much room for growth. The Philippines has a low car-to-people ratio of 22 cars per 1,000 people. Thailand has 110 per 1000 while Malaysia has 254
<p>Net income growth of Top 1,000 Corporations</p> <ul style="list-style-type: none"> • <i>P686 billion in net income in 2007 from P116 Bn in 2001</i> • <i>Growth of the private sector</i> • <i>Business profits mean more jobs</i> 	<ul style="list-style-type: none"> ➤ The latest Top 1,000 Corporations report showed that total net income actually declined to P415 billion ➤ Gross profit margin of Top 1,000 Firms dipped slightly from 20.2% in 2007 to 20.1% in 2008 ➤ No significant increment in fixed assets recorded over the past few years
<p>Inflation</p> <ul style="list-style-type: none"> ➤ <i>5.3% in 2001-2009</i> ➤ <i>Ave. inflation lowest since 1966</i> ➤ <i>Stable prices</i> 	<ul style="list-style-type: none"> ➤ It's the Central Bank (Bangko Sentral Ng Pilipinas) that does a great job in tempering inflation and not Pres. Arroyo. Her involvement was to introduce price controls despite it being a free market
<p>Credit rating</p> <ul style="list-style-type: none"> • <i>Moody's and Standard & Poor's: From negative to stable</i> 	<ul style="list-style-type: none"> ➤ Fitch's BB rating is 2 levels below investment grade while Standard and Poor's BB- and Moody's Ba3, three notches below. There has been no improvement throughout her term

THE WALLACE REPORT

FAIRYLAND

Social Development

<p>Barangay Electrification</p> <ul style="list-style-type: none"> • 99.39% electrified from 80.1% in 2000 • With electrification comes better quality of life and progress 	<ul style="list-style-type: none"> ➤ The government considers existence of an electric cooperative in an area as ‘electrification’ of the entire area ➤ 16% of households nationwide do not have electricity ➤ 2 in every 5 Filipino households below the poverty line still have no access to electricity (NSO) ➤ In Tawi-Tawi and Surigao (2 of the poorest provinces), power barges exist but only a very few households can afford to pay connection to electricity
<p>Water for waterless municipalities</p> <ul style="list-style-type: none"> ➤ Served 319 municipalities ➤ 74% of the 432 target 	<ul style="list-style-type: none"> ➤ The figure translates to about 20 million Filipinos who still have no access to potable water.
<p>Textbook to student ratio</p> <ul style="list-style-type: none"> • 1:1 book to student ratio • Improved quality of education 	<ul style="list-style-type: none"> ➤ A paper released by the Senate Economic Planning Office in 2008 noted that in the rural areas, an average of 5 students share 1 textbook ➤ It is reported that about 50% of textbooks used in public schools contain factual, conceptual and grammatical errors ➤ In 1999, the Philippines ranked 36th out of 38 countries in both Math and Science proficiency as assessed by the Trends in International Mathematics and Science Study (TIMSS). Four years later (and under GMA), the country ranked 41st for Math and 42nd for Science while Malaysia placed 10th in Math and 19th in Science out of 45 countries. RP ranked lowest among peers in Asia for the same test. The “<i>improved quality of education</i>” the government ad claims is not supported by independent assessments. ➤ Poor quality of teachers. Only 29% of examinees passed the licensure exam for elementary teachers in 2006 from 36% in 2000. ➤ The Department of Education reported that the mean percentage score garnered by Grade 6 public students in the national achievement test conducted in 2008 improved by 5 percentage points to 64.81 from 59.94 in 2007. While DepEd considers the result “very encouraging”, it is still far from the targeted 75%.
<p>Teacher salaries / Hiring of teachers and other personnel</p> <ul style="list-style-type: none"> • 43% wage increase • Motivation for teachers • Able to recruit and keep quality educators 	<ul style="list-style-type: none"> ➤ The increase in teachers’ salaries has not been enough to cover the amount lost due to inflation. It was P9,939 in 2000, it’s a lower P8, 975 now (in 2000 inflation adjusted pesos) ➤ The salary of a teacher 1 is 30% less than the basic salary of an entry-level call center agent; ➤ According to a Newsbreak report, nothing’s allotted for the hiring of additional teachers in the department’s 2010 budget; this despite the fact that the sector needs close to 20,000 new teachers, 3,000 principals and 3,000 head teachers next year. ➤ Due to low salaries, many opt to work overseas as domestic helpers
<p>Classrooms / Classrooms to students ratio</p>	<ul style="list-style-type: none"> ➤ A SEPO paper revealed that the student to classroom ratio in some schools in Metro Manila goes as high as 79 per 1 classroom for elementary and 82 for high school for school years 2006 to 2007.

THE WALLACE REPORT

FAIRYLAND

<ul style="list-style-type: none"> • <i>Elementary: 1:39</i> • <i>High School: 1:55</i> • <i>100,000 classrooms built under Arroyo</i> • <i>Provided a better learning environment</i> 	<ul style="list-style-type: none"> ➤ DepEd estimates that 10,661 more classrooms are needed for School Year 2010-2011, it's actually greater especially if we use the recommended 25:1 student to classroom ratio so that students can be properly educated. The department's projection is based on a 45:1 ratio, and two shifts (morning and afternoon)
<p>High School educational assistance</p> <ul style="list-style-type: none"> • <i>508,808 educational contract grantees for SY 2008-2009 from 264,435 for SY 2000-2001</i> 	<ul style="list-style-type: none"> ➤ Claims the program benefited 508,808 HS students for school year 2007-2008; that's less than 10% of total public HS students in the country ➤ Drop out rate among high school students still high (27%) ➤ Together with Indonesia, the Philippines has the worst secondary school enrollment rate among the Asian countries (IMD World Competitiveness Yearbook, 2009).
<p>Food for School Program</p> <ul style="list-style-type: none"> • <i>95,440 beneficiaries for 80 days in SY 2008-2009</i> • <i>Incentive to stay in school</i> 	<ul style="list-style-type: none"> ➤ The government crows that the program has been successful in reducing drop out rates among schoolchildren, but DepEd figures show that out of 100 Filipino kids who enter primary school, only 65 finish compared to 70 in 1998 ➤ Even the DSWD admits that the program is only good for a certain period and thus ineffective in addressing malnutrition affecting elementary students.
	<p><i>Additional notes on education:</i></p> <ul style="list-style-type: none"> ➤ DepEd Secretary Jesli Lapuz said that while his department has been getting a bigger allocation from the government (from P90 billion in 1999 to P149 in 2008), the total DepEd budget's share to NG budget has been declining (19% in 1999 to a little over 11% in 2008) ➤ Public expenditure per high school student as a percentage of GDP per capita fell from 10.7% in 1999 to 9.2% in 2004 ➤ RP spends the least on educating its kids (\$318 per child vs. Thailand's \$1,048) ➤ About P22 billion is reportedly lost due to overpriced materials, the amount could've been used to build 45,000 classrooms or procure 11 million desks or 440,000 computers. Or pay teachers a decent wage. ➤ A study conducted by former DepEd undersecretary Juan Miguel Luz noted that from 2002 to 2009, the growth of the national budget outpaced the growth of education spending (average annual growth of 9.1% vs. 6.9%) unlike during the administrations of Aquino and Ramos when education expenditures grew faster than the national budget (18.6% versus 16% and 18.8% vs. 12.8%, respectively) ➤ Under Arroyo, education budget is a miniscule 2%-2.5% of the country's GDP, lower than the 4%-5% recommended by UNESCO. Major East Asian economies allot 5% to 6%
<p>Botika ng Barangay</p> <ul style="list-style-type: none"> • <i>15,000 outlets</i> • <i>Affordable medicines made accessible to Filipinos</i> 	<ul style="list-style-type: none"> ➤ A Commission on Audit (COA) report noted that the Botika ng Barangay (BnB) program has been beset by violations of "procurement laws and bureaucratic inefficiencies" ➤ The DOH reportedly invested P25,000 in each Botika ng Barangay outlet, way lower than the P250,000 required to operate a small drugstore like a BnB ➤ Around 200 outlets have closed since 2001, which translates to about P5 million losses in seed

THE WALLACE REPORT

FAIRYLAND

	<p>capital.</p> <ul style="list-style-type: none"> ➤ The program has so far reached only about half of the country's 42,000 barangays ➤ Those from tawi-tawi, Lanao del Sur, Siquijor, Batanes and Compostela Valley (among the country's poorest provinces) still have no access to drugs being sold by BnB ➤ GMA forced pharmaceutical companies to halve their prices despite that you could already buy generic equivalents at these lower prices. It hurts the brand-name companies AND the local generics producers who now have direct price competition from the branded drugs.
<p>Kalahi-CIDSS Program</p> <ul style="list-style-type: none"> • <i>5,555 barangay beneficiaries as of July 2009</i> • <i>Social development through community projects</i> • <i>Empowered poor communities</i> 	<ul style="list-style-type: none"> ➤ Even DSWD admitted that it has yet to conduct a survey to measure the impact of the program on its beneficiaries ➤ The program, which started in 2003, has served 1.14 million households (only 12% of 9 million poor families according to SWS) and 5,543 barangays (13% of total barangays) nationwide
<p>PhilHealth Membership</p> <ul style="list-style-type: none"> • <i>81.64 million beneficiaries as of July 2009</i> • <i>Delivered quality healthcare to more Filipinos</i> 	<ul style="list-style-type: none"> ➤ Those in far-flung areas not covered; it is estimated that only about 10%-15% of the poor are covered ➤ It is believed that the PhilHealth method overestimates its projection of beneficiaries. PhilHealth multiplies the number of its members, currently at more than 18 million, with the average family size of about 4.3 members per household, to get the more than 80 million individuals covered. But not all PhilHealth members are married or already have dependents, or maybe married but do not have children yet. And for both husband and wife who are employed and mandatory PhilHealth members, they have the same set of children or dependents even though separate individually-paying members. ➤ Critics have accused the President of using PhilHealth cards/memberships for political purposes in the 2004 elections
<p>Low-cost housing for resettled families/Government housing</p> <ul style="list-style-type: none"> • <i>88,885 families affected by priority infra projects</i> • <i>More housing for the poor</i> • <i>GMA built nearly as much as 2 previous presidents combined</i> • <i>Better homes</i> 	<ul style="list-style-type: none"> ➤ Those relocated reportedly have no access to electricity/potable water; have difficulty to find a job; send kids to school, and avail of healthcare services, thus many sell their house and lots and go back to the city ➤ There is a housing backlog of 3.5 million units ➤ It's a little unfair to compare the number of government houses built in the 2 ½ years of Estrada with the 9 years of Arroyo. On an annualized basis Ramos built 33,982 per year, Estrada 39,306 and Arroyo 27,777 who did better?
<p>Pantawid Pamilyang Pilipino Program (4Ps)</p> <ul style="list-style-type: none"> • <i>1 million household beneficiaries</i> • <i>Provided poor families with cash for health education</i> 	<ul style="list-style-type: none"> ➤ Claims the program has served 1 million households, that's only 11% of an estimated 9.4 million families (SWS figure) that consider themselves poor

THE WALLACE REPORT

FAIRYLAND

Peace & Order

MILF manpower Strength	<ul style="list-style-type: none"> ➤ A number of break-away groups has proliferated. In Luzon, a growing number of break-away groups from CPP/NPA/NDF are extorting money from legitimate businesses. ➤ Civilian supporters/sympathizers (people's organizations and party lists) in the city and countryside are increasing in numbers ➤ The government failed to meet its target to neutralize the NPA (the longest-running communist insurgency in Asia) by 2010 ➤ In 2008, the country earned the notorious distinction of having the most number of internally displaced persons (IDPs), topping Kenya, Congo and Iraq ➤ RP now dubbed the most dangerous place for journalists in the world.
CPP/NPA/NDF manpower strength	
ASG manpower strength <ul style="list-style-type: none"> • <i>Political stability</i> • <i>Helped pave the way for peace and development</i> • <i>Number of MILF/NPA members dropped significantly under Arroyo</i> 	

Infrastructure

Farm to market roads <ul style="list-style-type: none"> • <i>17,517 kms. built vs. low many under FVR and per annum. 3,044 kms. built in 1998-2000</i> • <i>More efficient transport of produce</i> • <i>Lower market prices of produce</i> • <i>More income for farmers</i> 	<ul style="list-style-type: none"> ➤ Farm-to-market roads remain inadequate. More needs to be done, the Philippines still has the worst distribution infrastructure in Asia (WCY 2009). ➤ From 2001 to 2008, completed Farm-to-Market Roads is only 1,424 kms (NEDA). In 2009 they claim to have built 16,093 kms. more? That's a highly suspicious number, it's more likely that it's a cumulative number for the eight years.
Roads <ul style="list-style-type: none"> • <i>47,773 kms. of roads vs. 34,327 kms. built in the past 3 admins before GMA</i> • <i>More roads and bridges were built in GMA's term</i> • <i>Promoted domestic and foreign tourism</i> • <i>Reduced cost and time of travel</i> • <i>Stimulated investments and trade</i> 	<ul style="list-style-type: none"> ➤ Roads are being built but maintenance of existing ones is being neglected. Try EDSA sometime. ➤ There is a need to move from "asphalting" as maintenance work, to "concreting" of main roads to prevent the frequency of re-occurrence of potholes. It's been a cycle. When the rainy season comes, potholes (some giant craters) appear, when what is needed is concreting. (industry observers have said that "asphalting" works are one of the greatest sources of corruption as this is easily cheated). ➤ Limited access roads. There is need to build more major thoroughfares and focus on big-ticket projects (connecting SLEX, NLEX, SCTEX for example) ➤ Lowest in terms of paved roads as % of total roads amongst ASEAN-6
Bridges <ul style="list-style-type: none"> • <i>289,944 lineal meters under GMA vs. 274,747 lineal meters in the past 3 admins before Arroyo</i> 	<ul style="list-style-type: none"> ➤ Good that more bridges are being built. But still more are needed. Especially in light of the maritime safety records in the country, bridges must be built to connect points where there is heavy ferry traffic. ➤ Although supposedly a flagship project under the PGMA administration, The President's Bridge Program, under which all these bridge projects are being rehabilitated and built, actually started in 1994/1995, she just continued the program initiated by Ramos.

THE WALLACE REPORT

FAIRYLAND

<p>RORO ports</p> <ul style="list-style-type: none"> • <i>32 new and rehabilitated</i> • <i>Lower cost of goods</i> • <i>Cheaper cost of transporting produce</i> • <i>Increased tourism</i> 	<ul style="list-style-type: none"> ➤ Cheaper transport does not translate to safer transport. Maritime safety is still dreadful. Safety measures in Ro-Ro are still “inadequate”. On Dec. 26, the Baleno 9, a roll-on, roll-off (Ro-Ro) vessel sank near Verde Island in Batangas, just 37 minutes into its voyage from Calapan, Oriental Mindoro to Batangas City. Of its 132 passengers, six died and 72 survived. Fifty-four remain missing. ➤ Over 1,500 people have died in maritime accidents during GMA’s administration, far worse than the 400 casualties recorded under the Ramos administration. ➤ Ships are badly in need of modernization and upgrade to improve safety and ease of travel. Ships in the country are 34 years old on average, and should have been replaced a long time ago and the current crop sent to the scrap yard. (In Japan, ships that are 10 years old are deemed already unsafe and sold off – the Philippines buys these ships, unfortunately). Marina had told some ship owners to phase out old ships but the owners lobbied with Malacanang to extend their license (PDI, 12/31/2009) ➤ There is a also the troubling practice of secondhand ships designed only for inland waters being allowed to ply the open seas. The Baleno 9 is one such ship that was built for inland water but used for open seas and sank ➤ The proliferation of old ships used for Ro-Ro is adding to water and air pollution. ➤ A major overhaul of Marina and the entire domestic shipping industry is badly needed. Public and private agencies monitoring and regulating ferry companies have failed to implement major policies despite circulars and memoranda from the government. Because these systems are not in place, there are problems in safety management and the accounting of passengers, which often lead to discrepancies in the manifest. Some ferry personnel are also not formally trained and are ignorant of maritime rules (most get their “<i>training</i>” from experience and not schooled in a maritime academy). ➤ The government has yet to fully develop the so-called RORO missionary routes, areas with no existing shipping service and not considered to be commercially feasible at first but are eventually seen to generate sufficient traffic (this is essential in stimulating economic activity in the countryside)
<p>Airports</p> <ul style="list-style-type: none"> • <i>3 new airports, 3 upgraded, 71 improved, 5 under construction</i> • <i>More jobs, increased tourism</i> • <i>More flights, bigger planes, cheaper fares</i> 	<ul style="list-style-type: none"> ➤ PGMA certainly developed some “international” airports, but apart from NAIA, Clark and Cebu, there is very little, if any “international” traffic to them. Davao International Airport, for instance, currently only services one international destination by one airline carrier (to Singapore). General Santos International Airport no longer serves any international route after carriers suspended their operations due to poor load (not enough passengers and cargo). ➤ The biggest international airport in the country, NAIA, cannot service the biggest international carriers and pales in comparison to the other international airports of our ASEAN neighbors. ➤ The country badly needs a world-class international airport similar to that of Bangkok. Unfortunately, plans to convert Clark into one have been stalled, with trouble finding investors and financing. (plus, the needed infra like hi-speed rail is not in place). ➤ Terminals, air traffic equipment around the country need to be modernized. ➤ The CAA, government body on traffic safety and airline oversight, is not in compliance with

THE WALLACE REPORT

FAIRYLAND

	<p>International Civil Aviation Organization (ICAO) aviation safety standards for the oversight of the Philippines' air carrier aviation.</p> <ul style="list-style-type: none"> ➤ The Philippines continues to lag behind its Asian neighbors in attracting tourists (despite the country having an abundance of natural wonders).
--	--

Jobs

<p>Jobs generation</p> <ul style="list-style-type: none"> • 14.2 million jobs during the term of Arroyo • 142% of the 10 million maximum target 	<ul style="list-style-type: none"> ➤ Unpaid family workers (mostly on farms), private household employees (domestic helpers and family drivers) and self employed (sidewalk/market vendors) were the fastest-growing job sources and are included in the statistics ➤ The October 2009 Labor Force Survey revealed that the number of jobs generated improved by 2.7% but the labor force grew by 3.1% so unemployment worsened to 7.1% from the previous year's 6.8%; Gov't stats say 2.7 M are unemployed, a more believable SWS survey puts the number of jobless at around 12M ➤ The unemployment rate dropped significantly and artificially (from 11.2% in 2000 to 7.1% today), due to redefinition (exclusion of students wanting to work but not able to and people looking for work but have given up, in the labor force) ➤ Using the old definition, there are close to 700,000 more Filipinos without a job today than in 2000. That excludes OFW's who had to go overseas to work ➤ The government ad says that 14.2 million jobs in 9 years means that the government has been able to generate, on average, 1.5 million jobs per year. Prof. Monsod, in her analysis of Pres. Arroyo's last SONA, pointed out that only 2.8 million jobs were created from 2004-2008 or an average of 700,000 per year (less than half what the government proclaimed) ➤ There are more underemployed persons who want to have additional hours of work or have an additional job; close to 60% are 'visibly underemployed' or working for less than 40 hours a week
<p>Microfinance program</p> <ul style="list-style-type: none"> • P157.4 Billion in loans released from 2001-Oct 2009 with 6.91 million borrowers • Promoted entrepreneurial spirit • Created more jobs • Poverty alleviation 	<ul style="list-style-type: none"> ➤ There is a growing commercialization of the microfinance in the Philippines which is making microfinance loans as expensive as that of commercial banks. ➤ Not really reaching the "poorest of the poor" but the "working poor" (those slightly above the poverty line) (UN, DATTA 2004). The poorest still resort to informal borrowings (neighborhood lender); Loans still collateral-based
<p>Loans to Small and Medium Enterprises (SMEs)</p> <ul style="list-style-type: none"> • P179.7 billion in loans released to 159,711 	<ul style="list-style-type: none"> ➤ Loans are still collateral-based ➤ Some loans are as expensive as that of commercial banks

THE WALLACE REPORT

FAIRYLAND

<i>SMEs from 2004-Oct. 2009</i>	
OFW deployment <ul style="list-style-type: none"> • 1.28 million OFW (Jan-Nov 2009) from 841,628 in 2000 • President Arroyo's diplomatic initiatives opened more doors for Filipinos abroad • More dollar inflows, more jobs 	<ul style="list-style-type: none"> ➤ Increasing due to lack of job opportunities in the country (signifies weak domestic economy) ➤ Social costs of migration are high (mothers leaving their own kids to be taken care of by others) ➤ One negative effect is migration of skilled workers (brain drain) ➤ The percentage of professional and technical workers to total OFW deployment hovered around 30% from 2000 to 2004 (peaked at 36% in 2001)
BPO-ICT workers <ul style="list-style-type: none"> • 500,000 BPO-ICT employees including 280,000 call center employees in 2009 from 2,000 call center employees in 2000 • More jobs 	<ul style="list-style-type: none"> ➤ Labor mismatch (engineers, CPAs, nurses work as call center agents) ➤ The hiring rate is still low at 8%; this translates to about 320,000 applicants being rejected each year (The government could help by intensifying its Near-Hire Training program) ➤ The GMA government did little to specifically help this industry.
Emergency Employment program <ul style="list-style-type: none"> • 350,000 jobs generated • Poverty alleviation 	<ul style="list-style-type: none"> ➤ Temporary jobs only — on average only 6 months ➤ According to the National Anti-Poverty Commission (NAPC), the program has so far hired 350,000 people, far from the projected 700,000
Wage increases: private sector and government	<ul style="list-style-type: none"> ➤ The increases in salaries have not been enough to cover inflation

Agriculture

Land distribution through agrarian reform <ul style="list-style-type: none"> • 1.8 million hectares from 2001 – Sept. 2009 vs. 523,000 hectares from 1998-2000 • Encouraged farmers to be self-sufficient • Land to the landless 	<ul style="list-style-type: none"> ➤ 20 years of CARP did not do much to increase productivity. What could they do with just 1.6 hectares (the national average)? ➤ Pres. Arroyo made a public assurance that the 157-hectare Hacienda Bacan in Isabela and owned by the family of FG Arroyo had been voluntarily offered for sale under CARP and will be distributed to farmer beneficiaries. However, this has not happened ➤ DAR under Arroyo distributed an average of 119,301 hectares annually, smaller than Estrada (121,274 has), Ramos (296,395 has) and Aquino (169,063 has)
--	---

THE WALLACE REPORT

FAIRYLAND

<p>Irrigated areas</p> <ul style="list-style-type: none"> • 1.8 million hectares as of 2009 • Increased productivity and income of farmers 	<ul style="list-style-type: none"> ➤ The total irrigation service area grew by a paltry 169,574 hectares to 1.52 million hectares in June 2008 from 1.35 million hectares in 1999 (SEPO paper) ➤ The government allotted P5.6 billion for irrigation per year from 2004 to 2006, lower than the P6 billion annual budget mandated by the Agriculture and Fisheries Modernization Act ➤ It is estimated that close to 3% of irrigation service areas are lost every year due to “ordinary wear and tear”
<p>Palay yield per hectare</p> <ul style="list-style-type: none"> • Improved yield because of rural infrastructure, technology, and farm support • More income for farmers <p>Buying price of palay</p> <ul style="list-style-type: none"> • Increased from P8.50 to P17 per kilo • More income for farmers • Encouraged farmers to be more productive • Stable market prices 	<ul style="list-style-type: none"> ➤ It is not the farmers who benefit but the rice traders/middlemen; NFA losses are absorbed by taxpayers ➤ RP still the no. 1 importer of rice ➤ The sector is a gradually declining part of the Philippine economy (share in GDP has fallen from 22% in 1994 to 14.2% in 2007; share of jobs provided by agri to total jobs has also declined to 36% in 2007 from 46% in 1993) ➤ Several reports about farmers complaining of low buying price of palay; worsened by increase in the cost of fertilizer
<p>Landbank loans to farmers and fisherfolk</p> <ul style="list-style-type: none"> • Encouraged self-sufficiency • Provided livelihood • Increased productivity 	<ul style="list-style-type: none"> ➤ About 70% of farmers and fisherfolk still borrow from loan sharks (JICA study)

Energy & Environment

<p>Energy self-sufficiency</p> <ul style="list-style-type: none"> • From 49.07% energy self-sufficiency as of 2000 to 58.9% energy self-sufficiency as of 2008 • Less dependence on oil importation 	<ul style="list-style-type: none"> ➤ Oil imports declined but more due to unrecorded smuggling than greater use of indigenous sources. The Philippine Institute of Petroleum estimated that the government lost about P93 billion in petroleum taxes from 2005 to 2008 due to oil smuggling
--	--

THE WALLACE REPORT

FAIRYLAND

<p>Renewable energy</p> <ul style="list-style-type: none"> • 18 companies inked P90 billion worth of contracts to generate 3,239.6 MW of renewable energy in 2009 • Less dependence on other sources, such as coal and oil 	<ul style="list-style-type: none"> ➤ RE projects comprise much of the investments pledged to BOI, but these are just commitments, historically much of these never eventuate ➤ Power shortages remain a serious threat in the Visayas and Mindanao, hampering business operations in key cities
<p>Biodiesel/Bioethanol sales</p> <ul style="list-style-type: none"> • 214,136,283 liters since Feb. 2007 when the 1% bioethanol blend was mandated • Environment-friendly • Energy self-sufficiency 	<ul style="list-style-type: none"> ➤ A study conducted by a USAID-backed EcoAsia project revealed that the country has the potential of producing as much as 1.7 billion liters of ethanol annually; almost none of this has not been tapped due to lack of government support ➤ The Philippines' annual ethanol output is currently at 50 million liters (supply outstripped by demand now at 110 M liters), much lower than Indonesia (660 million) and Thailand (584 million), which started their ethanol programs at about the same time as the Philippines; Industry groups attribute the significant rise of ethanol production in these countries to government support and protection

Digital Infrastructure

<p>Cellular Phone Subscribers</p> <ul style="list-style-type: none"> • 75 million projected for 2009 from 6.4 million in 2000 • Efficient communication 	<ul style="list-style-type: none"> ➤ The dramatic growth in cell phone use was due to the deregulation of the telecoms sector by Ramos. GMA did nothing to improve this sector, except to allow congress to interfere in how calls should be charged. ➤ Proliferation of mobile/ text scams and spams due to weak government control. ➤ Increase due to some subscribers having dual/multiple SIM cards
<p>Internet Usage</p> <ul style="list-style-type: none"> • From 1.98% of population in 2000 to 24.5% of population as of 2009 • Improvement in digital infrastructure • More access to information 	<ul style="list-style-type: none"> ➤ Limited WIFI coverage (even in Metro Cities) ➤ Slow broadband connection compared to other ASEAN countries. Global broadband rankings, Philippines is number 52 out of 57 countries. You can't get much worse than that. ➤ Next to India, the Philippines has the lowest number of internet users per 1000 people among the Asian countries (IMD World Competitiveness Report, 2009)