

BACKGROUND

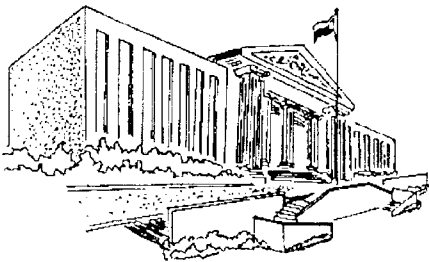
The Legislative-Executive Development Advisory Council (LEDAC) was created under RA 7640 to serve as an advisory and consultative body to the President and the Legislature on various socioeconomic issues and concerns to ensure consistency in coordinating executive and legislative development planning and budgeting.

The Council is composed of 20 members with the President as Chairman and the following as members:

- Vice-President;
- the President of the Senate;
- Speaker of the House of Representatives;
- seven Cabinet members;
- three Senators;
- three Congressmen;
- the National President of the League of Provinces;
- a representative of the youth sector; and
- a representative of the private sector.

For better collaboration, the Council expanded its membership by inviting all Cabinet members and selected senators and congressmen to attend the weekly meetings of the Council.

CY 1995 LEDAC ACCOMPLISHMENTS



A. Facilitating Passage of Priority Legislation

1995 proved a fruitful year for LEDAC as evidenced by the number of laws passed after having been deliberated on by the Council. A total of 12 laws passed by Congress benefited from the consultative discussions in LEDAC. These were:

- 1) RA 7886 - An Act Extending the Life of COP/APT;
- 2) RA 7900 - An Act Promoting the Production, Processing and Distribution of High Value Crops;

3) RA 7906 - An Act Regulating the Organization and Operation of Thrift Banks;

4) RA 7907 - An Act Strengthening the Land Bank of the Philippines;

5) RA 7918 - An Act Extending the Tax Exemption on Capital Equipment of BOT Registered Enterprises;

6) RA 8042 - An Act Instituting the Policies of Overseas Employment and Establishing a Higher Standard of Protection and Promotion of the Welfare of Migrant Workers, Their Families and Overseas Filipinos in Distress;

7) RA 8043 - An Act to Address the National Water Crisis and for Other Purposes;

8) RA 8045 - An Act Amending Section 27 of RA 7166, Entitled "An Act Providing for Synchronized National and Local Elections and for Electoral Reforms, Authorizing Appropriations Therefor, and for Other Purposes";

9) RA 8046 - An Act Authorizing the Commission on Elections to Conduct a Nationwide Demonstration of a Computerized Election System and Pilot Test it in the March 1996 Elections in the Autonomous Region in Muslim Mindanao (ARMM) and for Other Purposes;

10) RA 8048 - An Act Providing for the Regulation of the Cutting of Coconut Trees, Its Replenishment, Providing Penalties Therefor and For Other Purposes;

11) RA 8173 - An Act Granting All Citizens Arms Equal Opportunity to be Accredited by the COMELEC; and

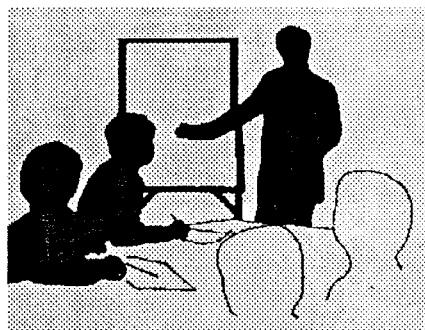
12) RA 8176 - Changing the Date of Election for the Elective Officials of the Autonomous Region in Muslim Mindanao to September 09, 1996 and on the Second Monday of March Every Three Years Thereafter.

The LEDAC likewise deliberated on a number of legislative measures during the year. As a result, the following bills moved through the varying stages of the legislative process in Congress by the close of 1995:

- Downstream Oil Industry Deregulation Bill;
- System of Continuing Voters Registration;
- Irrigation Crisis Act;
- Shift in Customs Valuation from HCV;

- Amendments to the Foreign Investments Act;
- Anti-Private Armies;
- Amendments to the E-VAT;
- Excise Tax on Oil and Petroleum Products;
- Jewelry Manufacturing Industry;
- Repeal of Quantitative Restrictions/ Agricultural Tariffication;
- Intellectual Property Rights;
- Amendments to the Condominium Law;
- Investments Liberalization Measures;
- Amending the Retail Trade Law;
- Repealing the Uniform Currency Law;
- Amending the Investment Houses Law;
- Repealing the Financing Company Act;
- Amending the Revised Securities Act;
- Amendment to the Foreign Borrowing Act;
- Comprehensive Tax Reform Package;
- Anti-Trust/ Anti-Monopolies/ERAPs;
- Anti-Terrorism/Crime Control Act; and
- PNP Reform Bill (Amending RA 6975)

B. Continuing Consultations and Consensus-Building on Vital Socioeconomic Concerns



Fresh from its success of serving as the focal body that shepherded the ratification by the Senate in December 1994 of the Final Act on the Uruguay Round or the General Agreement on Trade and Tariff (GATT), LEDAC continued to tackle vital socioeconomic development concerns needing consensual decision of the Executive and Legislative branches. Among the significant topics discussed by the Council include:

1. 1995 Fiscal Outlook

LEDAC started 1995 with a series of joint meetings with the Joint Executive-Legislative Revenue Resource Mobilization Committee (JELRRMC). In these meetings, the LEDAC was assured of a healthy fiscal outlook for the year. Notwithstanding the bright prospects, however, LEDAC agreed to adopt a continuing policy of fiscal restraint and discipline in the use of the country's fiscal resources in order to sustain the gains of the previous years.

2. Revenue-Eroding Potentials of Legislative Measures

The LEDAC likewise discussed the revenue eroding potentials of legislative measures such as: (a) the 62 pending bills proposing the creation of new development authorities, economic zones and tax-exempt government owned and controlled corporations (GOCCs); (b) 156 incentives bills; (c) bills abolishing the tax on interest income; (d) amendments to the Income Tax Law increasing deductible expenses; and (e) the Magna Carta for Exporters. There was consensus among the LEDAC members that the fiscal position of the government should remain sound, even without passing any new tax laws, if potential revenue losses from these legislative proposals are avoided. The Council, nevertheless, discussed potential tax reform measures which could help augment the government's meager resources. These include: (a) refinements in income taxation; (b) simplification of the excise tax; (c) rationalization of tax incentives; and (d) privatization of major government assets.

3. 15-Point Savings Strategy

Since domestic savings is a chief source of investment, the LEDAC endorsed in principle Speaker Jose De Venecia's 15-Point Savings Strategy. The steps to implement this savings plan include: (a) advocacy for granting positive interest rates on small deposits; (b) passage of the Long-Term Savings Act; (c) interest rates reduction to increase retained earnings; (d) savings mobilization by LGUs, SSS, GSIS and the Postal Savings Bank; and (e) possible establishment of a Housing Bank.

4. The Mexican Crisis

The LEDAC wasted no time analyzing the possible impact of the Mexican monetary crisis on the Philippine economy. Through the LEDAC, the Bangko Sentral ng Pilipinas (BSP) was able to allay the fears of the country's economic managers, legislators and the business sector that the Philippines may go the way of Mexico.

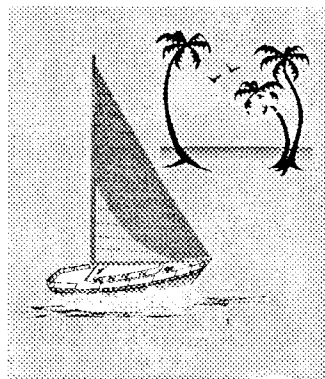
The LEDAC meeting served as an appropriate venue for informing the top policymakers that the country is not likely to experience a financial problem like that of Mexico because: (a) the current account (CA) deficit of the Philippines in 1994 was 5 percent while that of Mexico was 8 percent; (b) the CA deficit of the Philippines was financed not only through medium and long-term borrowings but also by strong foreign exchange inflows from the remittances of overseas contract workers and foreign direct investments. Mexico, on the other hand, had been overly dependent on substantial short-term and volatile capital inflows; (c) unlike Mexico, the Philippines maintains a floating exchange rate that is governed by market forces; (d) unlike Mexico, the Philippines has adequate international reserves; (e) the Philippines' level of external debt at \$38 billion for 1994 is

only about a third of Mexico's estimated total foreign exchange liabilities of \$131 billion for the same year. This means the Philippines has greater flexibility to allocate more of its foreign exchange resources to activities that are more productive and growth-oriented; (f) the Philippines had a surplus position in 1994 while Mexico was estimated to post a deficit after recording surpluses for the last three years; and (g) political conditions in the Philippines are relatively stable compared to that of Mexico whose political fragility triggered capital flight.

5. GATT-UR Adjustment Measures

The LEDAC undertook follow-through activities on the implementation of the GATT-UR Final Act. Specifically, concerned Executive Departments were instructed to work closely with the Senate and the House of Representatives to ensure that critical information on GATT-related legislations are made readily available to the lawmakers. Through constant reminders and follow-ups made during LEDAC meetings, Congressional deliberations on legislations such as the Agricultural Protection Tariffication Act, Irrigation Crisis Act, and Shift in Valuation from Home Consumption Value (HCV) to Transaction Value (TV) were greatly facilitated.

6. The Philippine Tourism Master Plan, 1991-2010



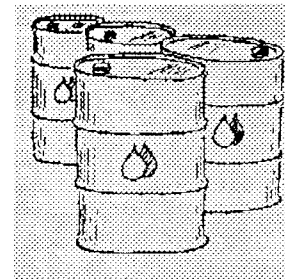
In recognition of the important role of the tourism industry in the country's economic growth, the LEDAC focused the industry through the adoption of the Tourism Master Plan as the blueprint for tourism development up to year 2010. The main objectives of the Plan are to: (a) optimize the contribution of tourism to economic growth at the national, regional and local levels; (b) enhance and contribute to social cohesion and cultural preservation; (c) develop tourism on an environmentally sustainable basis; and (d) develop diversity of destinations, attractions and markets to minimize exposure to major internal and external threats to tourism.

7. The Socio-Economic Framework for Executive-Legislative Action

During the opening of the 10th Congress in July, the Ramos Administration identified six priority tasks for the last three years of the President's term. These priorities are: (a) building a competitive economy; (b) combating poverty through social reforms; (c) enhancing peace, order and justice; (d) instituting electoral reforms; (e) strengthening governance and bureaucratic reforms; and (f) enhancing the country's international stature. Accompanying these tasks are the Executive branch's legislative agenda that will ensure fulfillment of these tasks.

Given the priority tasks of the President, the Legislature clamored for an integrated and coherent socioeconomic vision and framework that will guide both the Executive and the Legislative in pursuing economic development efforts. Said framework was discussed in the LEDAC and consensus was reached on its major elements including a legislative agenda to support it.

8. Downstream Oil Industry Deregulation



On the heels of an impending oil price hike as a direct result of the depletion of Oil Price Stabilization Fund (OPSF), the Council deliberated on the alternative ways to cover the OPSF deficit estimated at ₱4 billion by yearend 1995. Possible options considered were: (a) additional budgetary support by way of supplemental budget; and (b) through cash payments to be sourced from collections from the PNOC of its ₱7 billion debt to the National Government (NG) or issuance by the NG of promissory notes chargeable against PNOC payable in five years. Realizing, however, that replenishment of OPSF is at best a palliative solution, LEDAC reached a consensus that deregulation of the oil industry is the only viable and long-term solution to problems in the industry.

Four different proposals have been filed in Congress pertaining to oil industry deregulation, i.e., HB 217 authored by Cong. Roilo S. Golez; HB 210 authored by Cong. Marcial C. Punzalan, Jr.; SB 785 sponsored by Sen. Orlando Mercado; and SB 760 sponsored by Sen. Ernesto M. Maceda. The LEDAC constituted a Small Working Group composed of Senators Maceda, Leticia R. Shahani and Alberto G. Romulo; Congressmen Rodolfo B. Albano, Raul V. Daza and Dante O. Tinga, and representatives from Department of Energy and Presidential Legislative Liaison Office, to study the bills and recommend the version best to pursue. The Group recommended that the Maceda bill be the point of reference for the deregulation effort. Subsequently, LEDAC created a Task Force on Oil Industry Deregulation and mandated it to study and clarify the issues related to oil deregulation and to attempt to harmonize the four versions of the bill earlier mentioned. The Task Force was composed of Secretaries Francisco L. Viray, Cielito F. Habito and Roberto F. De Ocampo; Senators Romulo, Sergio R. Osmeña III and Heherson T. Alvarez and Congressmen Tinga and Margarito L. Teves.

The Task Force recommended to the LEDAC immediate passage of the following: (a) a consolidated and harmonized Maceda/Alvarez/Punzalan/Tinga bill; (b) the bill restructuring internal oil taxes and lifting the duty exemption of the National Power Corporation (NPC); (c) a bill mandating full deregulation of the oil industry; and (d) a bill authorizing the NG to cover the expected OPSF

deficit up to December 1995 and to forego revenues from reduction of tariffs on crude oil and refined petroleum products.

9. Food Security



In response to the rice distribution crisis during the third quarter of 1995, the LEDAC created the Task Force on Food Security with the following as members: Secretaries Roberto S. Sebastian (Head), Ernesto D. Garilao; Senators Shahani, Ramon B. Magsaysay Jr., Gloria M. Arroyo; Congressmen Teves and Santiago P. Respicio and Undersecretary Narciso S. Nario.

After a series of meetings, the Task Force recommended to the LEDAC the following basic strategies to ensure Philippine food security:

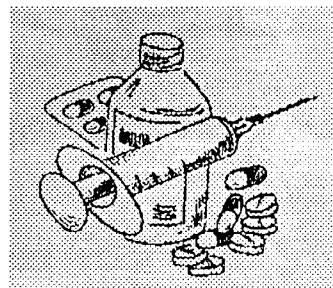
□ Immediate Term - (a) ensuring firm commitments of funding support to provide credit to farmers; (b) protection of watersheds; (c) fast-tracking the rehabilitation and establishment of irrigation and drainage facilities in key grain areas; and (d) maintaining a strategic rice reserve for emergencies and a buffer stock for the lean months.

□ Medium-Term - (a) reorient the National Food Authority (NFA) as a service corporation and at the same time sustain the full implementation of the Medium-Term Agricultural Development Program- Grains Production Enhancement Program (MTADP/GPEP);

□ Long-term - (a) cooperative development should be realized on a nationwide scale to ensure a solid social infrastructure that will guarantee the effectiveness of other measures being actively pursued and supported, toward a favorable environment for agriculture.

The Task Force likewise presented to the LEDAC the Food Security Policy and Agenda which the Council subsequently endorsed. This Food Security Policy and Agenda is the subject of a Food Security Summit on 26 January 1996.

10. Extension of the Privatization Program to cover Education and Health Services



The Council also deliberated the possible extension of the government's privatization program to include such services as health and education. To flesh out the issues pertaining to this matter, LEDAC organized the Task Force on the Privatization of Health Services (TFPHS) and the Task Force on the Privatization of Educational Services (TFPES)

The TFPHS which was chaired by DOH Secretary Hilarion J. Ramiro Jr. recommended to the Council the following: (a) conduct of joint Senate-House of Representatives public hearings in Luzon (Metro Manila), Visayas (Cebu) and Mindanao (Davao) to measure public opinion on the matter; (b) formulate standard set of policy guidelines on the matter; (c) request the League of Provinces to give its position on the issue and to hold public hearings in the provinces; and (d) conduct of a study on the medical mission cooperative hospitals operating scheme and consider the same as a possible alternative for privatization of LGU hospitals.

The TFPES, on the other hand, which is headed by Secretary Ricardo T. Gloria, submitted an Interim Report to LEDAC which outlines the following possible areas for privatizing education: (a) preschool programs; (b) spatial education; (c) school health and nutrition services; (d) testing and research services; (e) management services; (f) school building programs; (g) computer education programs; and (h) joint development and productive use of school sites.

11. The Philippine Peace and Order Problem

In reaction to the disincentive effects of the deteriorating peace and order conditions in the country to investments, LEDAC created the Task Force to Fight Criminality (TFFC) to recommend how to best address the issue. The Task Force chaired by Secretary Rafael M. Alunan III met twice to tackle the matter and to come up with possible recommendations. It is yet to report to the Council the status of its activities.

NEW THRUSTS AND DIRECTIONS FOR 1996

A significant number of bills was passed in 1995 through the efforts of the Council. Notwithstanding these accomplishments, the LEDAC in 1996 is expected to continue with more aggressive efforts to achieve consensus, especially with regard to resolving legislative-executive deadlocks in policy making. To achieve the broad consensus deemed vital for crafting effective policy, the Council will increasingly rely on technical working groups composed of representatives from the Executive and Legislative branches to identify, review and prioritize legislative and executive measures needing immediate action. This strategy of concentrating efforts towards realizing consensually-defined legislative objectives and actions is envisioned to be intensified this year.

Another anticipated activity in the coming year is the establishment of the LEDAC Information Network. The network aims to: (a) develop and establish an information system that will enable LEDAC to monitor the movements/status of legislative proposals and will strengthen its policy formulation work; and (b) install and establish linkages between and among the Office of the President, NEDA, Senate, House of Representatives, Presidential Management Staff and Presidential Legislative Liaison Office to facilitate the sharing and accessing of information pertaining to proposed legislative bills, operationalizing a decision support system in aid of legislation, providing an early warning system on fiscal matters, and promoting proactive and well-coordinated Secretariat assistance to the Council.

The Council will also conduct selected studies that will serve as basis for certain policy initiatives at the Council level. In support of this, efforts shall be exerted in 1996 to fully operationalize the LEDAC Secretariat to enable it to undertake said studies.

REGULAR MEMBERS OF THE LEGISLATIVE-EXECUTIVE DEVELOPMENT ADVISORY COUNCIL (LEDAC)

His Excellency President Fidel V. Ramos
Vice-President Joseph E. Estrada

- From the Senate
 - Senate President Neptali A. Gonzales
 - Sen. Edgardo J. Angara (Represented by Sen. Gloria M. Arroyo)
 - Sen. Leticia R. Shahani

- From the House of Representatives
 - Speaker Jose C. de Venecia
 - Cong. Rolando R. Andaya
 - Cong. Margarito B. Teves

- From the Cabinet

Sec. Roberto S. de Ocampo	-	DOF
Sec. Rizalino S. Navarro	-	DTI
Sec. Amado Luis B. Lagdameo	-	DOTC
Sec. Victor O. Ramos	-	DENR
Sec. Salvador H. Escudero III	-	DA
Sec. William S. Padolina	-	DOST
Sec. Cielito F. Habito	-	NEDA

- Other

Gov. Roberto M. Pagdanganan	-	Rep. LGUs
Exec. Dir. Aurora F. Tolentino	-	Rep. Private Sector
Comm. Ryan Anthony Culima	-	Rep. Youth

