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EDS98-124
March 24, 1998

Board Meeting of March 24, 1998
Statement by Jan Piercy

Philippines Country Assistance Strategy Progress Report

We appreciate the work of the Bank staff in preparing the CAS Progress Report for the Philippines. The document provides a realistic perspective on the impressive economic progress that the Philippines has made since 1996 and identifies how contagion from the Asian financial crisis has affected the country. We are also appreciative of the opportunity to review OED's comments on the document in CODE prior to this meeting. I believe that the sequencing in the way that the Board has taken up these documents has contributed to this Chair's better understanding of the issues.

The Bank correctly highlights the Philippine's success in implementing structural reforms under the Ramos government. During the last several years, with the assistance of the IFIs, the GOP has implemented important reforms in trade liberalization, financial sector restructuring and infrastructure development in rapid transit, water distribution and electricity generation. The country's relative economic stability in the face of regional crisis is a testament to the success of these reform efforts.

To adequately respond to the current financial environment, we can agree with the proposed resumption of fast disbursing lending. The Bank's work to strengthen the financial sector is a definite priority.

We would have liked to have seen a greater emphasis in the document on the need to address poverty alleviation and development – particularly in education – in rural areas. Moreover, it would be helpful to have a more critical analysis of current labor practices in the Philippines, with particular emphasis on the developmental and social consequences of unemployment caused by the current regional crisis.

An estimated 40 percent of the population is unable to afford basic food and non-food requirements. According to the IMF, "among its ASEAN neighbors, the Philippines is notable both for its very high poverty incidence, especially when measured relative to total basic expenditure rather than just expenditure on food, and its very slow progress in reducing the rate of poverty." The poor are disproportionately located in rural areas.

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In education, we note that primary school completion rates range from near universal in metro Manila to barely 30 percent in the poorest provinces. Public primary education remains relatively under-financed. We are pleased that the Bank is devoting more space in its analysis of rural development and poverty alleviation, but we believe that the Bank should be making greater investments in basic rural health and education in the FY1998-2000 lending plan.

The Bank document also fails to adequately address continuing problems associated with labor practices in the Philippines and the economic and social risks associated with unemployment or underemployment stemming from the Asian financial crisis.

We are particularly concerned about labor standards in export zones. A November 1997 World Bank analysis of the Philippine economy points out that suspension of internationally recognized worker rights in export zones has created sweatshop conditions. In addition, there is frequent violation of minimum wage laws in some areas. The World Bank has also noted a "range of social ills" in export zone communities, arising from concentration large pools of labor (mostly female) in single locations without adequate facilities.

Lastly, I would like to welcome Juanita Amatong's statement. It is always extremely helpful to the rest of the Board to have the benefits of such "first hand" perspectives.