Policy Process in Defining the Credit Chapter of the AFMA: The Advocacy Coalition Framework Approach

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I. Introduction

The Philippines is an agriculture country, but over the years it has struggled to provide a good policy environment that will boost productivity in the rural areas. Around 70% of the country’s poor population resides in the countryside (Villegas, 2009)(1), and agriculture is their primary livelihood. For many years, the government implemented several reforms, but the country witnessed a ‘trial-and-error’ cycle of policy-making. For three decades, agriculture policies are aimed at (1) building hard infrastructures; (2) connecting farmers to producers; and, (3) credit access to farmers. This research intends to cover credit, the third priority focus. Credit has been one of the most visible concerns and interventions of the government. In 1997, the House of Representatives (Congress) enacted Republic Act No. 8435 also known as Agriculture and Fisheries Modernization Act (AFMA). AFMA serves as a breakthrough legislation, which fully exemplifies the government’s strong commitment towards the modernization of agriculture. Chapter three of the law deals on credit, and serves as the basis of all implementing regulations of various lending policies in agriculture.(2)

(2) In this study, Chapter 3 of the AFMA is referred to as AFMA considering that this study will only focus on the credit chapter of the law. This is to provide easier citations and referrals throughout the discussions.

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Studying the policy process of a public policy is deemed important in understanding who are involved, what are their motivations, interests and beliefs and the issues that affect these factors. These are essential inputs in evaluating the efficiency and effectiveness of a policy upon implementation. The Advocacy Coalition Framework (ACF) is an alternative framework in public policy, which emphasizes the importance of policy science in policy analysis. ACF developed by Sabatier & Jenkins-Smith (1988) is a good theoretical model in deciphering these processes. ACF provides a clear framework in understanding policy process, which focuses on the interaction of advocacy coalitions within a subsystem and assumes that policy change is a product of both competitions of a set of actors affected by factors within and outside the policy domain (Villamor, 2003, 2006) (3).

Since it was first introduced in 1988, ACF’s application has spread all over the world and used in various policy disciplines. The series of empirical studies and evaluations paved way for the revision of the hypotheses three times in an attempt to make it a universal framework. There is a dearth of literature showing the application of the ACF in the area of agriculture, developing countries and even in the Philippines. It is the objective of this paper to apply the ACF in understanding the policy process of the AFMA. It is also the first attempt to apply ACF on credit policies and in a subsection of a law.

II. The Agriculture and Fisheries Modernization Act

In 1997, the House of Representatives began deliberation of House Bill No. 2 known as the Irrigation Act of 1997. The aim of the Bill was to provide a clear-cut policy that would provide sufficient water facilities for rice production to trigger agriculture growth. On the other hand, the Senate of the Philippines, through the then Agriculture Committee (AgriCom) chairman, Senator Edgardo

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(3) This is Villamor’s M.A. thesis from the Technology University of Dresden, Germany and abbreviated version that is published in the International Journal for Forest Policy and Economics, respectively.
J. Angara sponsored Senate Bill No. 2245 or the Agricultural Modernization Act of 1997. The bill was designed to modernize agriculture in recognition of the sector’s significant contribution to the national economy. It covered various sectors and issues in agriculture including irrigation, credit, extension services, fisheries and other infrastructures, among others. This culminates the deliberation of AFMA which eventually became a law in December 1997.

AFMA provides clear policies on agriculture credit. It is a product of more than a decade of policy advocacies, reversals and changes. It is the only legislated policy on agriculture credit as other policies in the past have been issued under the executive powers of the president, which can be easily repealed and revised based on the priorities of the current President. The law is a more stable policy and needs another legislative proceeding to amend or repeal. The AFMA highlights the departure from the traditional highly subsidized credit programs known as Directed Credit Programs (DCPs) to a market-based policies characterized by active participation of private financial institutions, non-government organizations, people’s organizations and cooperatives. This law promised an end to an excessive allocation of fiscal resources, which have caused heavy fiscal burdens on the government. In the past, the government has allocated a big slice of the budget to fund DCPs, but they did not generate tangible impacts to the livelihood and income of farmers and fisherfolks (Llanto, 2004).

The salient features of the AFMA supporting this declaration are as follows: (1) greater participation of private banks, government-owned and controlled corporations (GOCCs) and government financial institutions (GFIs) in credit

(4) This refers to government-owned and controlled corporations with quasi-banking functions. Presidential Decree No. 71 of November 29, 1972, Section 2D-b defined quasi-banking as ‘…borrowing funds, for the borrower's own account, through the issuance, endorsement or acceptance of debt instruments of any kind other than deposits, or through the issuance of participation's, certificates of assignment, or similar instruments with recourse, trust certificates, or of repurchase agreements, from twenty or more lenders at any one time, for purposes of relending or purchasing of receivables and other obligation.’
delivery; (2) phase-out of DCPs and consolidate through the provision of Agro-
Industry Modernization Credit and Financing Program (AMCFP); (3) interest
rates determined by market forces; (4) provide financing to long gestating
projects which require long grace periods on the payment of amortizations;
and (5) rationalization of credit guarantee schemes and funds (Corpuz & Kraft,
2005). These key areas of the AFMA that served as the backbone of all existing
implementing rules and guidelines on agriculture credit and legal reference of
other executive orders issued right after this law.

III. Theoretical Framework

3.1 Assumptions

The ACF was developed as an alternative approach to the traditional stages-
heuristic theory. It has five basic premises (Sabatier & Jenkins-Smith, 1999):
(1) the role of technical information in policy process, which concerns the
‘magnitude and facets of the problem, its causes’ and impacts of solutions (p.
118); (2) policy change and the role of technical information require a time
perspective of a decade or more to understand taking into consideration the
‘enlightenment function’ of policy research (p. 118); (3) the most useful unit of
analysis to explain policy change is through the policy subsystem or domain;
(4) Policy process is not limited to the iron triangle(5) but includes two additional
categories: (a) journalists, researchers and policy analysts; and (b) actors across
all levels of government active in policy formulation and implementation
(p. 119); (5) public policies include implicit theories about how to achieve
objectives and can be conceptualized as belief systems.

3.2 Structure and Belief System

The framework shows two independent variables namely: (1) relatively
stable parameters and (2) external (system) events (Figure 1). The relatively

(5) Iron triangle is a type of sub-government, which composed of the bureaucracy (administrative
agencies), the congressional committee and interest groups that interact in a particular policy
issue (Birkland, 2010 p. 156)
stable parameters refer to variables that are very difficult to change and rarely affect the coalition strategies (Sabatier & Weible, 2007, p. 193). On the other hand, the dynamic external factors are those that pertain to variables that can eventually change in a decade or more. The variable on the inner left of the diagram is a policy subsystem. ACF assumes that policy actors can be grouped into numbers of advocacy coalitions. These coalitions are ‘composed of people from various governmental and private organizations that (1) share a set of normative and causal beliefs and (2) engage in nontrivial degree of coordinated activity over time’ (Sabatier & Jenkins-Smith, 1999, p. 120). The intermediary variable, which is labeled as long-term opportunity structure, is between the relatively stable parameters and the policy subsystem. It consists of two factors such as overlapping societal cleavages and degree of consensus for major policy change to accommodate perspective from different political and governance structure. These are critical intervening variables together with short-term constraints and resources of subsystem actors that could trigger policy change in the policy domain.

The advocacy coalition's belief system has three categories and is organized into a ‘hierarchical tripartite’ structure namely: deep core, policy core and secondary core. The first level is the deep core, which refers to normative and ontological axioms that define the fundamental philosophy of a person. The second level is the policy core beliefs. It serves as a ‘glue’ among members of the coalitions that will stick them together throughout the policy process. The third level is the secondary core beliefs, which is narrow in scope and is comprised of administrative rules, budgetary allocations and disposition of cases, etc.
3.3 Policy Oriented Learning and Policy Change

Sabatier & Jenkins-Smith (1999) defined policy-oriented learning as ‘relatively enduring alterations of thought or behavioral intentions that result from experience and/or new information and that are concerned with the attainment or revision of policy objectives.’ Policy-oriented learning is one of the two factors affecting policy change (Sabatier & Weible, 2007, p. 198). The significant policy change happens because of external perturbations or shocks such as changes in socio-economic conditions, regime or impacts from other subsystem. These will shift the policy beliefs of the subsystem and will...
eventually cause policy change. Sabatier (1993) emphasized that the effects of events external to the policy domain can lead to the ‘replacement of the previously dominant coalition by a minority coalition.’

3.4 Justification on the Use of ACF

There are several theories and approaches to explain the policy process, but the stages-heuristic has been the most influential theory. The stages heuristic model of public policy spread throughout the late 1960s and into the early 1970s, which emphasizes the ‘concept of a process of policy-making operating across the various institutions of government’ (Jenkins-Smith and Sabatier 1994). The process begins with problem identification/agenda setting, policy formulation and adoption, policy implementation, and policy evaluation and reformulation (Jenkins-Smith and Sabatier 1994, p. 176). Taking into consideration of these limitations and criticisms, the stages-heuristic theory was fine-tuned into the creation ACF. Despite this theory’s immense popularity among public policy scholars, it has various limitations and criticisms in which was fine-tuned by ACF. Jenkins-Smith and Sabatier (1994) enumerated these limitations, as follows (pp. 176-178): (1) it is not a ‘causal model’; (2) it ‘does not provide a clear basis for empirical hypothesis-testing’; (3) The process or steps is ‘often descriptively inaccurate’ because of several deviations from the stages in actual practice; and, (4) it ‘suffers from a built-in legalistic, top-down focus.’

In response, Sabatier and Jenkins-Smith developed the ACF to what they foresaw as the limitations of the policy process literature (Weible, Sabatier, and McQueen 2009). They summarize these limitations based on the work of Sabatier and Brasher (1993); Sabatier (1986, 1988b); Smith (1990): (1) the stages heuristic model as an ‘inadequate causal theory of policy process’; (2) the question on the pros and cons of ‘top-down and bottom-up approaches to implementation research and the need for system-based theories of policy-making’; and, (3) the absence of theory and research on the ‘role of scientific and technical information in policy process.’

The use of the ACF in understanding the policy process of the AFMA is
a new contribution to the existing empirical evidences on the application of the ACF in developing countries, particularly on agriculture policies. There is a dearth of literature on policy change in agriculture but there are a few but only limited to network analysis. Policy networks dominate the discourse in explaining policy change in agriculture. Literatures reveal that most of these studies are highly concentrated in Europe where policy networks are dynamic and agriculture is a highly contested policy issue. One of the eminent studies is that of Moshitz and Stolze (2007), which comprehensively explore policy networks in European countries to explain policy changes in organic agriculture policy. Greer (2002) integrates heuristic model and network analysis to explain policy change in organic agriculture in England and Ireland. In a more a general context, the British agriculture policy change has been analyzed using a dialectic model to explain the role of policy networks in any of the policy outcomes (Marsh and Smith, 2000). Meanwhile, other network analysis study focuses on sectorial policy networks as drivers of policy change in agriculture in United States (US), Canada and Australia (Coleman, et. al, 1996). These studies prove the limitation of policy process analyzes in agriculture and the lack of sufficient literatures of ACF in explaining policy change in agriculture. Only the study of Nedergaard (2008) accounts the use of ACF in explaining the Common Agriculture policy (CAP) in Europe.

On the other hand, there is no study that has investigated the policy process of the AFMA or any of its chapters except for impact evaluation of the law which was evaluated by Llanto (n.d). This is consistent with the unpopularity of studies on policy change in the Philippines. Reviewing both the limited literatures on ACF in agriculture policy change and AFMA, there is a big gap that rationalized this first attempt to utilize ACF in explaining policy process of the AFMA. The ACF best fits as a model in examining the policy process of the AFMA. This is because of the growing interest of several groups of policy actors in the agriculture sub-system aside from the traditional iron triangle in a collective effort to push sound rural finance/agriculture credit reforms. There is also a strong influence of the academic community and researchers in advocating
policies because of the openness of the political system to technical information and research.

IV. Methodology

This study utilized content analysis as a methodology. Content analysis is one of the frequently used methods in public policy research (York & Zhang, 2010). It is also a common methodology used in analyzing policy processes using ACF. Between the years 1987-2006, this method ranked third among the eight methods used in applying the ACF (Weible, Sabatier, & McQueen, 2009)(6). It proves the reliability and acceptability of the method in the ACF-related empirical studies. Insch, Moore, & Murphy (1997) define content analysis as a “research method that facilitates the examination of written and oral communication”. In a more general definition, the method ‘used to refer to any qualitative data reduction and sense-making effort that takes a volume of quantitative material and attempts to identify core consistencies and meanings’ (Patton, 2002). Sabatier & Brasher (1993) supported the use of content analysis to capture the belief system of policy actors through these steps, as follows:

(a) Identify target population and representative sampling of the population to be coded;

(b) Develop coding frame of the relevant features of the belief system of the chosen population; and

(c) Provide attention to reliability and validity problems in coding belief system from the gathered documents.

The study utilized public documents, position papers, policy studies and evaluations to analyze the policy process of the AFMA. These data are the unit of analysis(7). The main unit of analysis in this research is the data retrieved from

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(6) The eight methods are (a) unspecified, (b) interviews, (c) content analysis, (d) questionnaire, (e) observational, (f) interviews and content analysis, (g) questionnaire and interview, (h) questionnaire and content analysis (Table 1, p. 127).

(7) The unit of analysis refers to a ‘great variety of objects of the study’ such that of written transcripts or documents (Graneheim & Lundman, 2004, p. 106)
the archives and libraries of the House of Representatives and Senate of the Philippines. These documents are the minutes of committee level deliberations (e.g. the Joint House of Representatives and Senate Deliberations of the Agriculture Committee), Senate plenary deliberations and selected position papers (Table 1).

Table 1. Categories of documents related to AFMA

<table>
<thead>
<tr>
<th>Type of Documents</th>
<th>Number</th>
<th>Source/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>13</td>
<td>Congress and Senate Archives</td>
</tr>
<tr>
<td>Policy Notes/Staff/Working Papers</td>
<td>48</td>
<td>PIDS, ACPC</td>
</tr>
<tr>
<td>Evaluation Reports</td>
<td>7</td>
<td>USAID, NCC</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author’s tabulation*

The researcher also obtained policy notes, studies and evaluations published by research institutions or from the Internet web pages, libraries or research units of concerned agencies and departments. These documents are used to reinforce the formal legislative proceedings in examining the policy process. This research adopted the strategies referred by the work of (Villamor, 2003) but modified and added few important points to fit the nature of the policy issue and data gathered\(^{(8)}\).

(a) The actors are identified based on the names that appeared on the minutes of proceedings, authorship of position papers, policy studies, evaluations and other related publications. It also includes citations (bibliography) and name callings in different publications and proceedings, respectively.

(b) The coding through the conceptual analysis was used to identify the

\(^{(8)}\) Items (a) to (c) are adopted from the procedure described by (Villamor, 2003). However, item (a) was slightly modified.
belief system of the individual actors and aggregate similar beliefs to form the advocacy coalitions.

(c) The codes are carefully analyzed based on the pronouncements and declarations of the policy actors under the advocacy coalitions they formed.

The researcher developed code frames that will guide other coders to have similar judgment and will deliver close or more similar results if compared. These concepts are basic to rural finance and agriculture credit literatures and these are the main considerations in applying conceptual analysis. The code frames were adapted from the work of Yaron, Benjamin, and Piprek (1997) on comparative approaches to rural finance practice. In the coding process, the coders used these phrases in deciphering the written transcripts, which represented the advocacies and belief systems of the policy actors. To maintain accuracy and consistency, coding was done four times, two each by two coders.

(a) Role of government
   - Directly intervene and control agriculture credit
   - Create policy environment while minimizing intervention on agriculture credit

(b) Policy environment
   - Government financial institution as channels of credit
   - Private rural financial institution as partners in credit

(c) Rural financial intervention
   - Focus on providing direct agriculture credit and discourage savings
   - Subsidize lending rates
   - Support credit guarantee schemes
   - Encourage market-determined rates
   - Support institution building
   - Cap and gradually phase-out subsidies
   - Review effectiveness of credit-guarantee schemes

Based on the coding frames, these are words/phrases that were identified
in the documents subject for content analysis that corresponds to the basic rural finance concepts and theories (Table 2).

**Table 2. Summary of codes representing the belief system of the coalitions**

<table>
<thead>
<tr>
<th>Old School Coalition</th>
<th>New School Coalition</th>
</tr>
</thead>
<tbody>
<tr>
<td>more credit programs</td>
<td>market driven</td>
</tr>
<tr>
<td>more credit funds</td>
<td>move away from DA</td>
</tr>
<tr>
<td>DA to continue implement DCPs</td>
<td>in favor of financial institution</td>
</tr>
<tr>
<td></td>
<td>phase-out DCPs</td>
</tr>
<tr>
<td></td>
<td>credit modernization and finance program</td>
</tr>
<tr>
<td></td>
<td>rationalization of credit guarantees</td>
</tr>
<tr>
<td></td>
<td>consolidate to credit guarantee fund</td>
</tr>
</tbody>
</table>

*Source: Author’s content analysis*

V. Results and Discussions

5.1 The Policy Issue, Subsystem and Actors

ACF assumes the policy subsystem as a unit of analysis to explain policy change (Villamor, 2003, p. 7). Inside the subsystem is a policy issue, which is a focus of debates among actors and the coalitions they form in developing a public policy. The agriculture credit subsystem is the unit of analysis. The policy issue is aimed on how to develop a credit policy that would be sufficient to the credit needs of the farmers and fisherfolks without incurring fiscal burden to the government. The documents, prior to and during AFMA’s deliberation, reveal few but consistent policy actors inside the policy subsystem. These policy actors have continued to initiate several advocacies to provide farmers and fisherfolks with sufficient, cheap and easy access to credit (Figure 2). They have endured a decade of policy sponsorships and promotions.

- Six members of the Senate of the Philippines (Senate)
- Five members of the House of Representatives (Congress)
- Key officials of the Department of Agriculture (DA)
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- Consultants of the Agriculture Credit and Policy Councils (ACPC)
- Consultants and Officers of the National Credit Council (NCC)
- Civil society groups representing small farmers and fisherfolks
- Researches from the Philippine Institute of Development Studies (PIDS)
- The United States Agency for International Development (USAID)
- The Overseas Economic Cooperation Fund Japan (OECF)
- The European Union (EU)

**Figure 2. Policy actors inside the agriculture policy subsystem before and during AFMA’s deliberation**

Source: Author’s illustration

5.2 Advocacy Coalitions and their Belief System

There are two advocacy coalitions inside the agriculture credit policy domain. These coalitions follow the two rural finance paradigms—credit subsidies and market-based reforms. These advocacy coalitions are (1) Old School coalition and (2) New School Coalition. The old school coalition banded for a ‘status-quo’ of government-sponsored credit programs, while the New School Coalition for ‘market-driven rural finance.’
(5.2.1) Old School Coalition

The Old School coalition adopted its approach from the traditional rural finance theory of policies characterized by highly subsidized credit through government-sponsored loan programs. Since the 1970s, DCPs have spread to different commodity specific programs, which intentionally target small farmers and fisherfolks through zero or lower interest rates and loan guarantees. The Old School coalition called for a ‘status-quo’ advocating the continuous implementation of the DCPs, which are managed and administered by the DA and its attached agencies, bureaus and corporations. This coalition carried out the Marcos-led DCPs and believes that DCPs are the most practical and effective in terms of rural finance policy. The policy actors under this coalition are joint efforts of the top officials of the DA, a Senator, Congressman and the EU.

Among the foreign-based actors, only the EU supported this coalition. The EU supported this coalition despite the lack of physical presence of a representative/s in the formal legislative proceedings. The EU had not been very vocal in its position to continue DCPs, but had exemplified its resistance by not allowing its DCPs-sponsored funds to be consolidated in the guarantee fund pool in the 1980s. The study of Llanto (2005) revealed the EU’s refusal to
allow its funded projects to be transferred to the CALF\(^{(9)}\). The EU believed that the agency managing the funds has the necessary expertise because these credit funds depend on the nature of their operations and the borrowers to whom they cater. This triggered resistance from government agencies managing these funds to surrender the remaining balance to the CALF. The credit funds provided by the EU were intended for the mandate of the local agency. The EU, however, failed to recognize that some of the agencies that they entrusted the funds did not have lending capability.

The Old School Coalition is a weak coalition considering the negative image projected by the DCPs during the past decades. It has three policy core beliefs namely: (1) the government needs to allocate more funds through budgetary allocations to attain the objective of providing effective intervention in agriculture credit; (2) it recognizes the defects of the DCPs as a policy, hence it is important to devise mechanisms to improve the implementation of DCPs, instead of abolishing them; and, (3) strengthen the organizational capability and capacity of the DA, as the lead agency in implementing agriculture DCPs. The policy actors in this coalition protected the interest of the DA, requesting for more budgetary allocation and strengthening the organization to continue implementing the DCPs. This group believes that DCPs are not of an ‘evil’ rural finance policy, they recognizes the weaknesses, and understands that it needs a good implementation design to serve its intended purpose.

The AFMA shows a little of the Old School Coalition’s belief system translated into actual policies looking at the specific provisions of the law. The following are the specific sections that adopted their beliefs:

- Section 20, 3\(^{rd}\) paragraph

  ...the State enjoins the active participation of the banking sector and government financial institutions in the rural financial system.

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\(\) In 1987, the government terminated 42 DCPs in the agriculture sector and consolidated the remaining balances into a loan guarantee scheme for farmers called the Comprehensive Agriculture Loan Fund (CALF) (Llanto, 2004). The CALF was designed to encourage the banking sector to lend to small-scale borrowers by providing guarantee on farmers’ loan.
Section 21-

*The Department shall implement existing DCPs; however, the Department shall, within a period of four (4) years from the effectivity of this Act, phase out...*

(5.2.2) New School Coalition

The New School Coalition is the strongest and most influential coalition in the AFMA’s policy process. The slogan ‘market-driven rural finance’ has been a flagship banner of this coalition. The coalition gained strength and influence through the participation of the academic community in the policy domain. The New School Coalition was driven by the evolution of the new model in rural financing that started in the late 1980s. During this period, economies around the world deregulated interest rates to allow market forces to dictate supply and demand through the growing acceptance of the capitalist system. The Coalition was formed through the convergence of the NCC, ACPC, PIDS, and one congressman and senator. Two foreign-based actors- USAID and OECF provided great influence through research support and monetary incentives. In 1996, the government requested technical assistance from the USAID to help the NCC conduct advocacies through evaluation studies and policy notes to rationalize the government-funded credit and guarantee programs. The USAID approved the estimated cost of the project from November 1996 to October 1998, which amounted to US$ 1.788 million under the Credit Policy Improvement Program (CPIP). The OECF, now named the Japan Bank for International Cooperation (JBIC), was also an influential policy actor. The DCPs were the OECF’s subject of investigation in which they were interested in how the government designed and implemented these programs.

USAID and OECF created underlying pressure towards the adoption of market-oriented reforms, which further strengthened the lobbying mechanism of the New School Coalition. They infused well-built capacity support to the local actors in this coalition. USAID, in particular, with its financial back up for the studies and evaluations to promote these reforms became a stronghold
of the New School Coalition as a source of technical information that validated its advocacy. On the other hand OECF, as a primary contributor of aid-related funding in agriculture was aggressive to end the DCPs as one of their preconditions to infuse more aid funds to finance infrastructure and capacity-building projects.

The coalition has three core policy beliefs. These are (1) the DCPs are inefficient; (2) the credit guarantee system is also inefficient; and, (3) believes on market-driven approach in rural financing. The actors are persistent in their advocacy to stop the DCPs, which are implemented by government agencies that did not have the required expertise in credit operations. They proposed to utilize the private financial institutions as front liners as viable partners of the government in agriculture lending.

The AFMA contains the majority of the policy core beliefs of the New School Coalition. This reflects how the New School Coalition had been influential in translating their belief system into actual policies.

- **Section 20, 2nd paragraph-**
  
  Interest rates shall be determined by market forces, provided that existing credit arrangements with agrarian reform beneficiaries were not affected.

- **Section 21-**
  
  ...phase-out all DCPs and deposit all its loanable funds including those under the Comprehensive Agricultural Loan Fund (CALF) including new funds provided by this Act for the AMCFP and the transfer the management thereof to cooperative banks, rural banks, government financial institutions and viable NGOs for the Agro-Industry Modernization Credit Financing Program (AMCFP).

- **Section 24-**
  
  ...and recommend policy changes and other measures to induce the private sector’s participation in lending to agriculture and to improve access by farmers and fisherfolk: Provided, That agriculture and fisheries projects with long gestation period shall be entitled to a longer grace period in repaying the loan based on the economic life of the project.
Section 25-

All existing credit guarantee schemes and funds applicable to the agriculture and fishery sectors shall be rationalized and consolidated into an agriculture and Fisheries Credit Guarantee Fund.

5.3 The Drivers of Policy Change
(5.3.1) Internal Factors

The failure of the DCPs to respond to the credit needs of the agriculture sector and the underperformance of other policies have prompted the fusion of both government and non-government actors to form the Social Pact on Credit during the early 1990s. This group was conceived out of frustrations from the continuous proliferation of the DCPs. Their goal was to stop and end the ordeal. Their initiative caught the attention of President Ramos, who responded by creating the NCC in 1993 through Administrative Order (AO) No. 86. This has served as the take-off point of learning within the policy-subsystem known as policy-oriented learning. The ACF hypothesized that policy-oriented learning occurs as a result of experience from failures of previous policies and uses formal policy analysis through empirical investigations to dispute the claims of opposing coalitions (Jenkins-Smith & Sabatier, 1994). Tracing back the line-up of actors inside the policy subsystem during the 1970s, DCPs were developed through the pronouncement of President Marcos. The policy subsystem at this period was composed of a “one man act” and his allies. The President and the bureaucratic elites are the only visible actors in the subsystem. In the first few years of the Martial law, the legislature was paralyzed, but the then President in 1978 created “Batasang Pambansa” or the National Legislature, which served as a puppet of his leadership. “Batasang Pambansa” failed to legislate or issue relevant laws as much as that of the President who issued crucial policies including the DCPs. The monopolization of government policies brought about by the dictatorial rule in the 1970s until February 1986 prompted the policy subsystem to believe that DCPs were the most effective form of policy in rural financing.
Policy oriented learning began with the entry of the New School Coalition. Initially, the NCC was in the forefront of this coalition. The New School Coalition introduced the efficient utilization of technical information to put weight on their position, which was to end the implementation of the DCPs and focus on market-oriented reforms. In 1988, as shown in Figure 4, there was a sudden increase in the number of studies conducted by both the ACPC and PIDS on rural credit. This peak was attributed to the growing interest and vigor of the said research institutions to justify the failures of the DCPs and to pressure the transition government to act on these realities.

**Figure 4. Trend of studies conducted by ACPC and PIDS, 1980-1997**

![Graph showing the trend of studies conducted by ACPC and PIDS, 1980-1997](image)

*Source: Author’s illustration from data of ACPC and PIDS*

In 1993, four years before the formal deliberation of AFMA, the coalition strategized their advocacies to intensify their claims. Document reports from the NCC and USAID identified six strategies: (1) government ownership of the policy reform; (2) issuance and distribution of policy notes; (3) conduct of
regional consultations; (4) creation of working groups; (5) technical support in key policy meetings; and, (6) building capabilities of executive, legislative and the private sector. The necessary logistical funding was provided by the USAID, which further triggered the financial capability of the New School Coalition to enhance its advocacy activities.

The first strategy involves the use of empirical studies conducted by the USAID to ensure policy ownership of the policy agenda solicited by key government agencies involved in rural credit through the organizational set-up of the NCC. This had been complemented through the distribution of policy briefers and notes to key officials of the executive and legislative branches of the government including their technical staff. To reach out to the various civil society groups and professionals representing the small farmers and fisherfolks, the New School Coalition sponsored regional consultations to explain the merits of the policy through the results of their studies and to lessen oppositions when the actual policy deliberation was to take place. Working groups were also created to serve as a platform to solicit policy recommendations from various representations. They also conducted individual meetings with key legislators for the drafting of the law and other related executive orders.

The most important advocacy is the sixth strategy. The USAID facilitated a foreign trip visit of major legislators and administrators to selected financial institutions in other countries, which had already implemented market-based policies, to convince them of the merits of this reform. There were eleven officials representing government and non-government organizations who visited Bank Rakyat and Bank Dagang in Indonesia in 1997. These strategies gathered influence and support for the New School Coalition to become the most dominant and influential coalition in the AFMA. The members of the Old School Coalition were weak to contest the results of the empirical investigations of the New School Coalition with the absence of evaluation reports to promote their advocacy. In this analysis, there are no documents that revealed any manifestation that the Old School Coalition challenged the strong position of the former coalition through their own version of researches/studies.
One eminent proof that the strategies of the New School Coalition have succeeded was the ownership of various civil society groups to the policy reforms of the NCC. Noticeably, the specific institution names of the civil society groups are not listed as policy actors despite being active in the streets. This is because of the absence of documents that would determine their specific organizations and affiliations and they were part categorically of the NCC. Several studies and reports reveal their participation at several activities organized by the NCC, which serve as proof of their involvement in the policy process\(^{(10)}\). Based on the documents evaluating the thrusts of the NCC, several forms of advocacies were conducted to actively involve the civil society actors representing the agriculture sector. The private sector including the organizations representing the small farmers and fisherfolks were part of the regional consultations conducted by the NCC through the CPIP. The CPIP sponsored more than 50 conferences and workshops held in the countryside to generate support from farmers, micro-entrepreneurs, fisherfolks and private financial institutions. These civil society groups are generally in favor of the advocacies of the NCC which has contributed to the strengthening of the New School Coalition.

(5.3.2) External Perturbations

ACF stipulates that policy-oriented learning is an important aspect of policy change (Sabatier, 1988). However, the framework favors the external factors outside the policy subsystem such as external (system) events and relatively stable parameters as the main driver of policy change. The framework also explains that policy change originates more from external (system) events rather than from the relatively stable parameters (Jenkins-Smith & Sabatier, 1994). In this study, policy change was heavily influenced by the latter factor and sustained by the former (Figure 5).

\(^{(10)}\) For detailed discussion, please see Geron (n.d.)
Between the periods 1970-1986, the policy subsystem was dominated by the Marcos-led coalition under his personal dictatorial government. The fall of the President’s personal dictatorship in 1986 through the People Power Revolution brought several changes in the political structure. President Aquino became President. A new Constitution became effective in 1987. The civil society and other sets of actors became more active in advocating for credit reforms with less fear and threat to life. PIDS and the academic community issued policy notes and positions regarding the failure of the Marcos-designed DCPs. The policy actors inside the policy subsystem have become actively involved in different kinds of advocacies. The once silent and highly controlled subsystem has become dynamic with the interaction of various actors with the common goal of providing sufficient, cheap and accessible credit to farmers and fisherfolks. The interest from policy analysts and researchers had been reinvigorated after the democratization of the country where objectivity in the conduct of studies and policy evaluations with the objectivity of results that DCP-policies are failure is
highly accepted and freely discussed among government policy-makers. These factors have paved way to the emergence of the New School Coalition in the agriculture credit system after the subversive reign of the dictatorial president where this freedom after democratization was highly recognized (depicted by broken arrow).

The aforementioned are the external factors that led to policy changes in the subsystem. Meanwhile, beginning the Aquino administration, the ‘Marcos-led’ coalition(11) was renamed as the Old School Coalition (refer to the broken arrow), which called for a status quo through the continuity of DCPs’ implementation. Hence, the two governing coalitions since 1986 is a clash between opposing beliefs of traditional and new approach in rural financing.

Technically, the approval of the AFMA law is credited to the efforts of the New School Coalition under the Ramos administration. All the necessary legal machinery and funding to strengthen their position to adopt market-driven approaches in rural financing was strategically put in place before the formal deliberation of the law in 1997. However, all the advocacy activities described in the previous sections were realized during the latter end of Ramos administration as the New School Coalition prepared for what had been a battle of technical expertise in the congressional and committee hearings of the AFMA.

On another perspective, the influence of foreign-based actors, USAID and OECF of the New School Coalition has reinforced the advocacy activities of domestic-led actors. It shows the extension of policy networks from an international spectrum into local-based initiatives circling around the issue of monetary incentives and grant aid preconditions. The domestic policy-actors provided the grassroots advocacies and correspondingly guided by the direction set beforehand by the funding donors. However, the market-oriented policy reforms, which was successfully realized by the New School Coalition in the AFMA has been heavily influenced by the shifting global orientation of rural

(11) Refers to the policy domain during Marcos’ dictatorial government where all laws and policies are issued based on his instruction
finance theories learned from the experience of other countries as shown by a multitude of empirical studies. This has left the country without a choice but to embrace this phenomenon much more when the two leading aid agencies (i.e. USAID, OECF) are the forerunners of this reform.

VI. Conclusion

This study proves the application of ACF in understanding the policy process of the AFMA and extends its applicability in analyzing agriculture credit policies in a subsection of a law. From a theoretical perspective, technical information is a key factor in the policy process. It functions as a catalyst to the country’s departure from the traditional rural finance approach of heavy government subsidies in agriculture credit. Inside the agriculture credit subsystem are two coalitions—(1) old school coalition and (2) new school coalition—that compete to translate their beliefs into public policies. The old school coalition pushed for the continuous implementation of the DCPs but with improved program design, while the new school coalition contended to put an end to these programs based on the evaluation studies that showed its failure and inefficiency as a rural finance policy. The academic community contributed to the empirical discourse in favor of the New School Coalition through their growing importance in the subsystem.

Policy research made the difference in the battle between the two coalitions. The New School Coalition used policy science to win the competition through substantial compilation of evaluation studies to support their policy core positions. This study highlights that the academic community, represented by rural finance experts, and contracted by the government-owned research think tanks to conduct objective evaluations on the DCPs is the most influential policy actor behind the AFMA. Their expertise and findings were translated into major provisions of the law. The researcher concludes that the market-based rural finance policy in the Philippines brought about by the AFMA is not solely a product of rural finance experts’ policy recommendations. Instead, their evaluation studies serve as tools to concretize the gradual shift in
global orientation of rural finance policies, which literally shifted from heavy
government subsidies to market-oriented policies. Hence, this is not a special
case for the Philippines and the country is among other nations in the world who
welcomed this new approach.

References


Policy Process in Defining the Credit Chapter of the AFMA: The Advocacy Coalition Framework Approach

<Summary>

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This study explains the policy process of the credit chapter of Agriculture and Fisheries Modernization Act (AFMA) of the Philippines using the Advocacy Coalition Framework (ACF). The ACF is an alternative framework in public policy, which emphasizes the importance of policy science in policy analysis. Content analysis of public documents was utilized to analyze the policy process. Results reveal that there are two coalitions after aggregating the policy actors in the policy subsystem. These coalitions represent two approaches in rural finance-the old school coalition, who advocates for the continuity of government-sponsored credit programs; and the new school coalition, who promotes market-based reforms. The new school coalition’s advocacy dominates the major provisions of the AFMA from the strong support of the academic community. However, their advocacy is not solely driven by the policy directions initiated by rural finance experts but is an upshot of a gradual shift in global orientation of rural finance theory from the period of credit subsidies to market-based reforms. This study supports the assumptions of the ACF and extends the applicability of the framework in agriculture credit policies and its usability in analyzing a subsection of a law.